

INTER-AMERICAN DEVELOPMENT BANK | IDB INVEST | MULTILATERAL INVESTMENT FUND

Development Effectiveness Overview 2018











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PRINTED IN UNITED STATES OF AMERICA

Editors' note: Effective 2018, the title of the Development Effectiveness Overview (DEO) will include its year of publication as opposed to the year in focus in the report. The DEO 2018 reports on official data from 2017. For the above-mentioned reason there is no DEO 2017.

Cataloging-in-Publication data provided by the

Inter-American Development Bank

Felipe Herrera Library

Development effectiveness overview 2018 / Inter-American Development Bank.

p. cm. Includes bibliographic references. 1. Economic development projects-Latin America-Evaluation. 2. Economic development projects-Caribbean Area-Evaluation. 3. Economic assistance-Latin America-Evaluation. 4. Economic assistance-Caribbean Area-Evaluation. I. Inter-American Development Bank. Office of Strategic Planning and Development Effectiveness. II. IDB Invest, III. Inter-American Development Bank, Office of the Multilateral Investment Fund. IDB-AN-179

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Acknowledgments

The 2018 DEO is a joint report of the Inter-American De- Arraiz, Gastón Astesiano, Rosangela Bando, Jacqueline velopment Bank Group. Its preparation was carried out Bueso-Merriam, Leonardo Corral, Diego Cortés, Shakirah by the Office of Strategic Planning and Development Effectiveness (SPD) of the IDB, the Strategy and Development Department (DSP) of IDB Invest, and the Knowledge Management Unit of the Multilateral Investment Fund under the leadership of Arturo J. Galindo, Alessandro Maffioli, and Yuri Soares, respectively. Luis Miguel Castilla Rubio and Orlando Ferreira provided strategic input and guidance throughout this process. Viviane Azevedo, Erin Bautista, Andrés Gómez-Peña, and Norah Sullivan led the production of this report. Nancy Morrison and Claudia M. draglio, Pablo Pereira dos Santos, Matthieu Pegon, Mary-Pasquetti copyedited the manuscript in English and Spanish, respectively. The Spanish translation was carried out by MultiLingual Solutions, Inc. Lina María Botero Estrada led graphic design and layout of the report, with the assistance of Carlos Alberto Bernal Barrera.

This effort would not have been possible without valuable contributions from: Paloma Acevedo, Carola Álvarez. Marisela Alvarenga, Gabriela Aparicio, Nestor Ares, Irani lo Yepez-Albornoz, and Juan Israel Zeledón.

Cossens, Ana Cuesta, Jorge del Pino, Marielle del Valle, Leticia Donoso, Aleiandra Durán, Monica Fernandez Alvarez de Lugo, Gerardo Funes, Gustavo Garcia, María Fernanda García Rincón, Alfredo Giro Quincke, Christiaan Gischler Blanco, Jozef Henriquez, Marcela Jaramillo Gil, Matthew Kearney, Maria Kronsteiner, David Margolis, Andrea Martínez, Sebastian Martínez, Lorena Mejicanos, Oscar Mitnik, Abraham Montilla, Paula Moraes Giraldez, Judith Morrison, Tetsuro Narita, Liliana Olarte, Arlette Peline Penedo, Ignacio Pezo, Alejandro Prada, Marina Pol, Qiyong Liang, Sonia Rivera, Mario E. Rodríguez, Anabella Ron, Andrés Rubio, Rodrigo Salas, Andrea Schirokauer, Jimena Serrano Pardo, Marco Shiva, Annie Smith, Dimitra Stamatopoulos, Leslie Stone, Rodolfo Stucchi, Samantha Todd, Estefanía Torres Barrera, Anne-Marie Urban, Mónica Velásquez, Greg Watson, Patricia Yáñez-Pagans, Consue-

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Acronyms

CDB Caribbean Development Bank
CRF Corporate Results Framework

DEA Development Effectiveness Analytics
DEF Development Effectiveness Framework

DELTA Development Effectiveness Learning, Tracking, and Assessment Tool

DEM Development Effectiveness Matrix
DEO Development Effectiveness Overview
EDGE Economic Dividends for Gender Equality

FIP Forest Investment Program

G-7 Group of Seven
G-20 Group of Twenty

GDP gross domestic product

IDB Inter-American Development Bank

IDB-9 Inter-American Development Bank's Ninth General Capital Increase

IDBG Inter-American Development Bank Group

iDELTA Innovation Development Effectiveness Learning, Tracking and Assessment Tool

IE impact evaluation

MDB multilateral development bank
MIF Multilateral Investment Fund

MSME micro, small, and medium enterprise
NDC Nationally Determined Contributions

NEO New Employment Opportunities

NSG non-sovereign guaranteed

OECD Organisation for Economic Co-operation and Development

OVE Office of Evaluation and Oversight

PCR Project Completion Report
PMR Progress Monitoring Report
PPA power purchase agreement
PPP public-private partnership
PSR Project Supervision Report
PSU Project Status Update

ReTS Evaluation Recommendation Tracking System

SCP Sustainable Colombia Program
SDG Sustainable Development Goal

SG sovereign guaranteed

SME Small and medium enterprise

TC Technical cooperation

TFFP Trade Finance Facilitation Program
UIS Update to the Institutional Strategy

UN United Nations

XSR Expanded Supervision Report

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

Message from the President

2017 thanks to sound domestic policies and enhanced growth, strengthening institutions, and mitigating the impact of natural disasters. Likewise, fast-paced technological advances are creating opportunities to improve public service delivery and tackle deeplyrooted challenges such as low productivity growth and corruption. In this context we are seeing a surge the countries where we work. of creativity across the region as entrepreneurs seek to harness the power of technology and innovation towards addressing some of our most pressing social and environmental problems.

ambitious targets set out by the Sustainable Develop-

Prospects in Latin America and the Caribbean are ment Goals (SDGs) is a mounting challenge for the looking up. Economic activity started to rebound in region, particularly when it comes to mobilizing the resources needed to finance key actions. Given this global economic performance. However, the region context, it is more important than ever that multilatstill faces the challenge of preserving recent gains eral development banks (MDBs) like ours maximize in poverty reduction, while accelerating economic the impact of every development dollar. To this end, we are launching new financial products in line with market demand, collaborating with other MDBs to increase the role of the private sector in development, and strengthening public-private synergies both within the Inter-American Development Bank Group and

This ongoing drive for greater value for money also includes enhancing our focus on results and the delivery of differentiated solutions in response to distinct country contexts and emerging develop-At the same time, accelerating steps to meet the ment challenges in the region. By doing so, we can improve the mobilization of financing and knowledge and channel energy and resources to the areas where challenges facing our region. In so doing, we continthey are needed most, including helping the region ue to embed a culture of learning in our institutional tackle pressing transparency, corruption, and climate DNA to improve our processes, projects, and financhange challenges and supporting increased investment in innovation and productivity.

Ultimately, the region's solutions, like its challenges, do not require a binary response from either the pub- Luis Alberto Moreno lic or private sectors. That is why we bring to bear the collective strengths and complementary capabilities of the IDB Group's public, private, and innovation Washington, DC, July 2018 laboratory functions in coordinating with our member counties and clients, to add value in the dynamic world of development finance.

As we work to meet the commitments we pledged in our Update to the Institutional Strategy for 2016-2019, the stock-taking and perspective gained through the Development Effectiveness Overview (DEO) continues to help us tailor solutions to the development cial instruments. This is one important aspect of what makes the IDB Group the region's partner of choice.

Inter-American Development Bank Group

Executive Summary

Each year, in its Development Effectiveness Overview (DEO), the Inter-American Development Bank Group (IDBG)¹ reflects on the results of the interventions it supports to learn what is and is not working in meeting the development challenges of Latin America and the Caribbean. This annual stock-taking exercise serves as an important input in identifying future actions that will drive the IDBG toward its strategic goals in serving the region and improving its own operations. DEO considers how changes in the regional context as well as the broader development landscape are likely to affect the success of efforts to meet the region's development needs in order to adapt accordingly.

The vast ambition of the Sustainable Development Goals (SDGs), coupled with a growing focus on providing value for money among diverse development stakeholders, has generated an ever more pressing need for the IDBG to achieve more with less. This means bringing to bear the collective strengths and complementary capabilities of the IDBG's public,

private, and innovation laboratory functions to address the spectrum of development needs in Latin America and the Caribbean. While delivering value for money is a longstanding commitment at IDBG, collaboration among multilateral development



8.3 million people benefited from targeted anti-poverty programs

banks (MDBs) on this topic intensified in 2017 in response to a request by the Group of Seven (G-7), and there are ongoing efforts to harmonize a framework focusing on optimizing and prudently managing resources; deploying resources in line with mandates and priorities; and monitoring, measuring and achieving development results.

Delivering value for money requires regularly reevaluating how the IDBG operates to best address the
shifting realities in an exponentially changing world.
It also requires well-established feedback loops that
allow Management to make decisions and continuous improvements based on the latest data in terms
of designing, implementing, monitoring, and finalizing projects. As part of its efforts to deliver value
for money in 2017, IDBG launched new lending instruments, collaborated with other MDBs on approaches
to measure private sector additionality, strengthened
public-private synergies, and increased its mobilization of private finance. IDBG also maintained its focus
on the achievement of development results, which is
at the core of value for money.

Progress in achieving SDG targets is a key measure of results and in Latin America and the Caribbean this progress varies by country and even within countries. As both a proactive and a demand-driven institution, the IDBG's programming decisions result from dialogue with countries and clients. This dialogue aims to identify opportunities that respond to country development needs and align with the IDBG's strategic priorities established in its Update to the Institutional Strategy (UIS). These priorities include three key development challenges that need to be addressed to preserve and continue to advance development gains in the region (social inclusion and equality; productivity and innovation; and economic integration), as well as three cross-cutting issues that must be addressed when working on these challenges (gender equality and diversity; climate change



60,000 professionals trained or assisted in economic integration

and environmental sustainability; and institutional capacity and the rule of law).

In 2017—the second year since the SDGs were launched—the IDBG continued to step up its efforts to support countries and clients in implementing the SDGs. Over the past two years, the IDBG has supported a range of results, including: more than 8.3 million beneficiaries of targeted anti-poverty programs; more than 900,000 micro, small, and medium enterprises financed; more than 60,000 professionals trained or assisted in economic integration; more than 600,000 women beneficiaries of economic empowerment initiatives; and 470 subnational governments benefited by citizen security projects.

As each country in the region advances its SDG priorities, integrated approaches that recognize the interconnectedness of development challenges are an important strategy to address gaps. There are a number of specific areas where IDBG should continue or increase efforts to support the region's development progress. First, in light of recent upticks in poverty rates and remaining gaps in access to quality services, the IDBG must continue its efforts to support programs that

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^{1.} The IDBG consists of the Inter-American Development Bank (IDB), IDB Invest (as the Inter-American Investment Corporation was rebranded in 2017), and the Multilateral Investment Fund (MIF). While the MIF is a fund that is administered by the IDB, information on MIF operations is presented separately throughout this report due to its distinct business model, priorities, and tools.

lead to sustainable improvements in socioeconomic outcomes, while mainstreaming the inclusion of gender and diversity considerations throughout its operations. Second, IDBG must enhance efforts to support the region's use of technology and innovation to improve productivity and competitiveness. Third, ongoing attention to bolstering regional economic integration to improve the export, productivity, and growth prospects of the region's economies remains critical as the global backlash against globalization grows. Fourth, continuing IDBG's successes in mainstreaming climate change and sustainability considerations throughout its operations is important to helping the region meet the ambitious SDG targets in these areas. Finally, efforts to strengthen institutions remain critical. Strong institutions are an essential ingredient for the region's development—from enhancing public services and improving domestic resource mobilization to tackling corruption and strengthening capacities to design and implement public-private partnerships.

IDBG must also focus heavily on the way it carries out its work to maximize the development benefit for each dollar invested and ensure that projects meet their targets. To this end, the IDBG Development Effectiveness Framework (DEF) includes a set of tools to support the operational process throughout the project lifecycle. When projects are being designed, these tools help determine the project's relevance and expected development impact and ensure the evaluability of operations. During implementation, these tools help monitor execution to identify problems as they arise to facilitate course of the DEF in 2017. corrections where needed. After completion, project the desired development goals.

experience shows that the IDBG has been success-



900,000 micro, small, and medium enterprises financed

ful in developing projects with increasingly robust design and has improved how it identifies factors affecting successful project execution. However, the IDBG is experiencing evaluability challenges dur-Beyond the areas in which the IDBG works, the ing project monitoring and reporting, as well as in the external validation process for project closeout reports. This is largely due to the fact that operations that are currently in execution, or are closing, were designed in the early stages of the DEF when teams' abilities to design evaluable projects, as well as their familiarity with the DEF guidelines, were less advanced. While there is room for improvement in the systematic extraction of lessons learned from projects across the IDBG and their subsequent application to the design of future operations, IDB, IDB Invest and the MIF each made progress on aspects

At IDB, Management and the Office of Evaluation closeout reports help systematically collect findings and Oversight (OVE) jointly agreed on a set of prinon whether a project met its targets and achieved ciples and guidelines to harmonize the criteria for evaluating projects at completion. As these guide-After nearly 10 years of implementing the DEF, lines were approved in early 2018, Project Completion Reports (PCRs) produced in 2017 were preassessed these PCRs based on the updated guide- create a tool tailored to the renewed MIF mandate. lines. As a result, there were substantial discrepancies between Management's and OVE's ratings for these PCRs, which are expected to be gradually reduced in the coming years.

In the second year of deploying the reinforced DEF tools for IDB Invest, various enhancements were made, including fine-tuning the guidelines for the Development Effectiveness Learning, Tracking, and Assessment (DELTA) tool, implementing a new systematic monitoring approach to standardize how project performance is tracked across the portfolio in terms of development impact, and developing the online Development Effectiveness Analytics system to organize and classify project lessons learned and facilitate their incorporation into future operations.

The MIF launched a strengthened Results Framework and Development Effectiveness Approach in 2017, in line with its role as an innovation lab for the IDBG. In addition, as part of efforts to gain efficiencies and maximize IDBG synergies, the MIF began work-



600,000 women benefited from economic empowerment initiatives

pared following previous guidelines, whereas OVE ing with IDB Invest to use the DELTA architecture to As such, this new tool was designed with a deeper focus on assessing project innovation and scale potential, aiming to ensure that project selection and design reinforce the MIF's guiding principles.

> While project closeout reports help document the success of completed projects, impact evaluations (IEs) go deeper, allowing development practitioners to assess whether an outcome on a given population is attributable to a specific development program or project. Efforts to build a culture of IE at the IDBG continue to bear fruit with diverse teams throughout the IDBG-including infrastructure, natural resources, and climate change—implementing IEs to expand the knowledge frontier in these fields. Although the number and findings of IEs continue to be higher in the social sector, the IDBG is establishing partnerships with other organizations to share evaluation methodologies in less explored fields and grow the use of big data in project evaluations. As with project closeout reports, the IDBG is increasingly relying on the findings of IEs to inform the design of new operations.

> A final aspect of monitoring the effectiveness of the IDBG involves tracking the achievement of its strategic objectives as laid out in the UIS. The IDBG's Corporate Results Framework (CRF) is the primary tool to carry out this purpose, providing information about the IDBG's contributions to development in the region and the efficiency and effectiveness with which it works. While it is impossible to capture all aspects of the IDBG's work in a single set of indicators, the CRF provides insights about key contributions to development in the region as well as strengths and gaps in institutional performance through its three distinct levels of indicators.

> The Regional Context indicators highlight the region's long-term development progress with respect to



470 subnational governments benefited from citizen security projects

the IDBG's strategic priorities. Progress on these indicators in 2017 reinforces the continued relevance of the development challenges identified in the UIS. Although the region experienced a slight return to growth in 2017, countries continue to face important structural challenges to addressing the region's development needs. Poverty and inequality remain critical challenges, the dress causes for execution delays. region's technology gap is at risk of increasing, regional integration initiatives remain fragmented, and strong institutions are needed to address the development challenges of the day and inspire citizen confidence.

At the Country Development Results level, indicators provide aggregate data on outputs and outcomes supported by projects financed by the IDBG. At this level of the CRF, the indicators capture results achieved by projects in the portfolio. Progress on these indicators is highly dependent upon pro- two areas where both IDB and IDB Invest are falling gramming decisions by the IDBG and its borrowing member countries and clients, as well as the time required for projects to be executed and generate measurable results. The majority of these indicators of mid- and senior-level staff who are women. There are on track. In several cases (such as beneficiaries are other indicators for which one of the institutions of targeted anti-poverty programs) the expected results for 2016-2019 have already been surpassed. However, four indicators are currently not on track

ing students benefited by education projects, beneficiaries receiving health services, beneficiaries of improved management and sustainable use of natural capital, and MSMEs financed. When project execution affects the trajectory of the indicators, IDBG works with countries and clients to identify and ad-

The IDBG Performance Indicators measure how the IDBG supports countries and clients in achieving results through each of its operational guiding principles. Several of these indicators are on track, showing improvements over the baseline or a current value close to the 2019 target. For example, the percentage of IDB operations meeting the target preparation time has increased substantially over the last four years, surpassing its 2019 target. However, there are short of their respective 2019 targets: the percentage of operations with satisfactory development results at completion (as assessed by OVE) and the percentage is off track: the percentage of lending to small and vulnerable countries (IDB Invest), the percentage of operations with high environmental and social risks to meet the expected results for 2016-2019, includ-rated satisfactory in the implementation of mitiga-

tion measures (IDB), and the mobilization volume of non-sovereign guaranteed (NSG) financed projects/ companies (IDB Invest). For many of these indicators, the IDBG is already scaling up efforts to advance toward the established targets and avoid falling short. In addition, while no target has been established for the performance of technical cooperation operations, opment partner for the region. a decline in the value of the related indicator from 2016 to 2017 indicates that action may be needed to adjust course and ensure that project teams are fully equipped with the tools and awareness necessary to optimize the prospects for satisfactory technical cooperation performance.

The CRF and the IDBG's suite of development effectiveness tools remain critical in fostering a culture

of results across the IDB Group. Drawing on lessons from the last decade, the IDBG recognizes the importance of effective feedback loops that allow for continuous improvements. These feedback loops and the culture of learning discussed throughout the DEO are a vital part of what makes the IDBG an effective devel-

As always, the DEO aims to serve as a gateway to knowledge and resources about the IDBG's development effectiveness. Readers can dig deeper into the topics discussed using the many links included throughout this publication, including the development effectiveness homepages of the IDB and IDB Invest, as well as the CRF website.

INAPA Water and Sanitation Investment Program, Dominican Republic (DR-L1041)



Introduction

(IDBG)¹ reflects on the results of the interventions it competitive and growing now and in the future means the Caribbean. This annual stock-taking exercise serves lenges that affect both their business and society. as an important input in identifying future actions that Leading businesses are embracing the Sustainable considers how changes in the regional context as well tential market opportunities worth up to \$12 trillion opment needs in order to adapt accordingly.

actors entering the development space and new tech- technologies and partnerships, and reflect learning nologies and business models accelerating the rate of from past experience and best practices. global change. This shifting landscape also reflects the greater convergence of the business and devel- Caribbean countries continue to face challenges in

Each year, in its Development Effectiveness Overview investor interest in achieving social value along with (DEO), the Inter-American Development Bank Group financial returns. Companies are realizing that staying supports to learn what is and is not working in meet- looking beyond short-term gains and toward addressing the development challenges of Latin America and ing salient economic, social, and environmental chalwill drive the IDBG toward its strategic goals in serving Development Goals (SDGs) and the Paris Agreement the region and improving its own internal operations. It not only as a responsibility, but as a roadmap to poas the broader development landscape are likely to af- by 2030.2 The IDBG needs to be ready to respond fect the success of efforts to meet the region's devel- to these evolving circumstances with development solutions that address the latest challenges, acceler-Agility and innovation are critical today, with new ate progress toward meeting the SDGs, leverage new

Within this dynamic context, Latin American and opment worlds, in line with growing corporate and improving social inclusion and equality, accelerat-

- 1. The IDBG consists of the Inter-American Development Bank (IDB), IDB Invest (as the Inter-American Investment Corporation was rebranded in 2017), and the Multilateral Investment Fund (MIF). While the MIF is a fund that is administered by the IDB, information on MIF operations is presented separately throughout this report due to its distinct business model, priorities, and tools.
- 2. The estimate is based on a 2017 analysis by the Business and Sustainable Development Commission focusing on inclusive market opportunities in four areas: energy, cities, food and agriculture, and health and well-being.

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ing productivity and innovation, and enhancing ecoin many countries in the region was a positive sign in 2017. However, the overall pace of growth continues to be slow and poses a risk to continued advances in social dimensions and improving productivity. At the same time, the region continues to face an infrastructure gap that requires an estimated \$120 billion to \$150 billion in additional investment per year (Serebrisky et al., 2015). Furthermore, devastating natural disasters and corruption scandals shook many parts of the region in 2017, with the latter affecting trust in cultural supply chains and combat corruption. government as well as productivity. Global uncertainty regarding trade, among other areas, also continued to present risks for the region's economies, underlining the importance of regional economic integration.

In spite of common challenges, the region remains heterogenous—both among and within countries. National poverty rates vary widely—from less than 10 percent to more than 60 percent.³ Inside national borders, the largest and more dynamic economies of the region often hide the greatest disparities, making attention to asset and income inequality in the region crucial to meeting the SDGs. Heterogeneity in the region goes beyond rates of poverty and inequality. Social challenges and vulnerabilities vary widely—from crime and violence and insufficient access to basic services to external financial shocks and threats stemming from climate change and natural disasters. For example, the 2017 hurricane season highlighted the tremendous vulnerability of the Caribbean region to natural disasters, underscoring its particular need for enhanced economic resilience to this type of shock.

As the leading source of development financing for the region, the IDBG tailors its responses and solutions to the distinct and dynamic contexts and

needs of each borrowing member country and client. nomic integration. An increase in growth globally and This includes, for example, going beyond supporting access to basic services—such as health, education. and infrastructure—to improving the quality of services in a culturally competent and sustainable way throughout diverse contexts. The benefits of technological innovations must also be brought to bear on the range of development challenges in the region from integrating smart phones into public health solutions and employing automation to improve productivity to using blockchain to strengthen agri-

The IDB Group in 2017

The year 2017 was also marked by an ongoing evolution at the IDBG to continue enhancing how it supports the region. The IDBG further progressed in coordinating efforts across its institutions to address the region's development challenges, including by continuing to diversify offerings in response to country and client needs-in terms of the focus areas of project interventions and types of instruments deployed, as well as in terms of how operations were structured and carried out.

In this second year of implementing the Update to the Institutional Strategy (UIS), approved in 2015, the IDBG remained focused on the key priorities of the strategy, including 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 rule of law. It also remained committed to supporting countries in implementing the 2030 Sustainable Development Agenda and other global priorities.

3. IDB estimates on poverty rates are based on data from National Statistics Offices, See IDB's Sociómetro database.

of efforts to continue to enhance the value it brings to all stakeholders through efforts to achieve development results in an efficient and cost-effective way. This ranged from undergoing internal reforms and process improvements to supporting high-level discussions on global financial governance and collaborating with other multilateral development banks (MDBs) on an approach to tracking and enhancing value for money. One important step to enhancing value for money at IDB was the transfer of the assets and liabilities of the IDB's Fund for Special Operations into its Ordinary Capital resources in order to make its concessional assistance sustainable as well as to strengthen the IDB's lending capacity. The IDBG also continued to increase its use of partnerships and focus across the organization. resource mobilization, as the region's needs go far beyond the capacity of a single development partner such as the IDBG.

In addition to collaborative efforts across the Group, the IDB, IDB Invest, and the MIF also advanced their individual efforts to better support the region in 2017. At IDB, for example, a new lending instrument— Special Development Lending—was approved to help borrowing member countries address macroeconomic crisis conditions. Three loans were also approved

At the same time, the IDBG engaged in a number under a new policy and guidelines for Loans Based on Results, which disburse funds based on results achieved on a predefined set of indicators (see Chapter 1 for more information).

> At the end of the second year since the consolidation of the IDBG's private sector activities, IDB Invest has successfully evolved from being a plan to becoming an agile and client-focused institution, as demonstrated by its capacity to manage and promote change while sustaining an unprecedented level of operational activity (\$3.2 billion) and effectively mobilizing \$4.5 billion in private sector resources for development projects in 2017. The Operational Excellence Initiative continued to gain ground throughout the year, aiming to ensure greater efficiency and client

> In 2017, the Multilateral Investment Fund (MIF) received formal commitments for a third cycle of operations running until 2023, with a renewed mandate and a strengthened role as the IDBG's innovation laboratory for advancing private sector-led solutions to the development challenges of the region. Under its renewed mandate, the MIF will continue to identify, test, and pilot innovative ways of achieving a social and economic impact, particularly for poor and vulnerable groups.

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as an efficient, effective, and results-driven institutional group that can support the efforts by public **Chapter 4** discusses the IDBG's use of impact evalutions and private sector clients in Latin America and the Caribbean to overcome their main development challenges in a constantly changing world.

Chapter 1 explores the IDBG's performance in striving for value for money, including collaboration with other MDBs to develop a common value for money framework as well as work on corporate priorities that support effective and efficient development.

Chapter 2 looks at how the IDBG provides tailored support to countries to address their specific development challenges, reporting progress on selected indicators from the IDBG's Corporate Results Framework (CRF), and citing project case studies. It also highlights key efforts in 2017 to support the SDGs.

Chapter 3 focuses on the IDBG's Development Effectiveness Framework (DEF), which covers the entire project lifecycle and was designed to achieve devel-The 2018 DEO reflects on the IDBG's efforts to serve opment results in an efficient and cost-effective way.

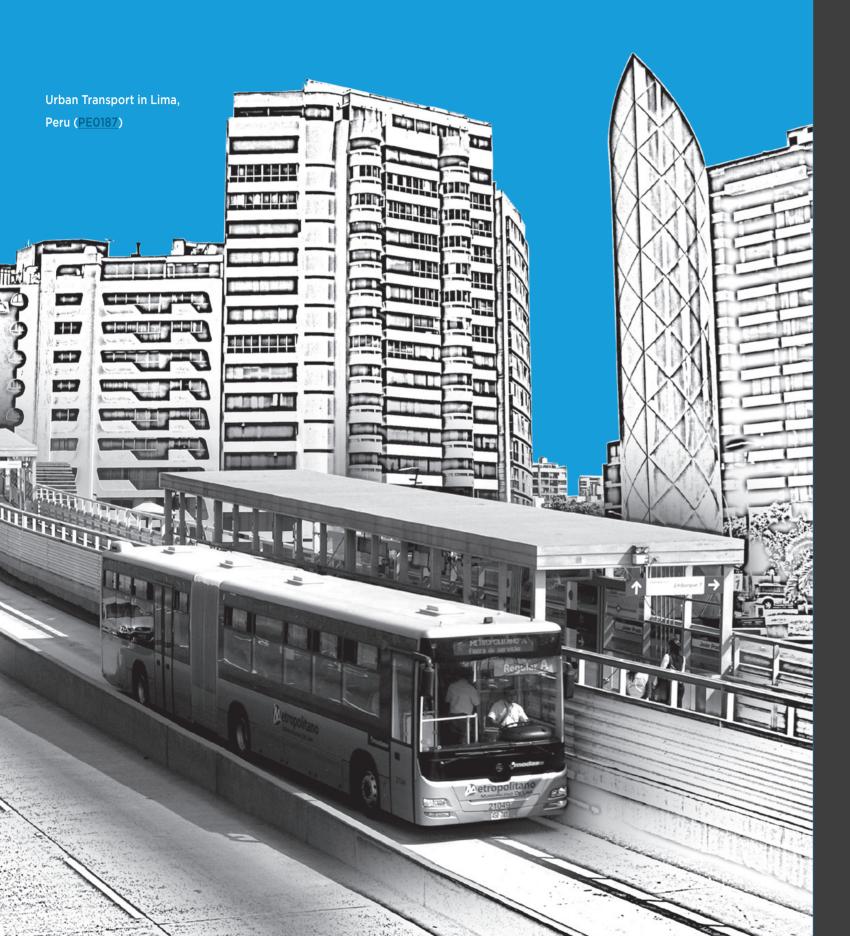
> to generate and share knowledge about what works and does not work in development, highlighting the results of evaluations completed and in implementation in 2017.

> **Chapter 5** presents highlights from progress on the CRF indicators in 2017, reviewing the degree to which the IDBG is on track to meet the CRF targets and expected results and highlighting areas where action may be needed to address lagging performance.

> As always, the DEO aims to serve as a gateway to the IDBG's development effectiveness resources. Readers can dig deeper into the topics discussed through the many links included throughout the publication, including the development effectiveness homepages of the IDB and IDB Invest, and the CRF website.

> > Montevideo Sanitation Program (PSU IV) Supplementary Financing, Uruguay (UR-L1063)





Delivering Value for Money

Maximizing the impact of each dollar invested in tutions, over the past decade the IDBG undertook a development has never been more important than series of unprecedented reforms to transform its soit is today. The vast ambition of the 2030 Sustain- lutions and the value it delivers to countries and cliable Development Agenda, coupled with a grow- ents in fundamental ways. These reforms have aimed diverse development stakeholders, has generated of resources, while making a systemic positive impact an ever more pressing need for institutions like the on the development of the region. As shown in Figure IDBG to achieve more with less. This means bring- 1.1, they include a major overhaul of the IDB's organimentary capabilities of the IDBG's public, private, IDB's Ninth General Capital Increase (IDB-9) in 2010, and innovation laboratory functions to address the a "Renewed Vision" for private sector activities that spectrum of development needs in Latin America culminated in the 2016 consolidation of the IDBG's priand the Caribbean.

the heart of the operating models of the IDBG insti- replenishment process.

ing focus on providing "value for money" among to foster a results-oriented culture and efficient use ing to bear the collective strengths and comple- zational structure in 2007, new mandates as part of vate sector operations, and a renewed mandate and While a drive for value for money has long been at guiding principles for the MIF in 2017 as part of the

Figure 1.1 Key Milestones in IDBG's Pursuit of Value for Money

Realignment

8

Transformed IDB's structure, processes, human resources, and incentives to improve effectiveness and efficiency.

Private Sector Consolidation

Introduced a "Renewed Vision" focused on maximizing development effectiveness, development impact, additionality, and publicprivate synergies.

Introduced wide-ranging reforms, including improvements to results measurement tools, safeguards mechanisms, resource management processes, and operational instruments.

Replenishment

Approved

Introduced a renewed mandate and guiding principles to strengthen the MIF's role as the IDBG's innovation lab for advancing solutions led by the private sector.

These reforms and many others led to an increased from responding to client demands for more flexible focus on results and accountability within the IDBG, as processes and instruments to systematizing the use of well as improvements in a wide range of business processes. For example, the consolidation of the IDBG's private sector operations set a path toward a signifi- A Call to Action cant culture change at IDB Invest, aiming to achieve a culture that is client-centered, excellence-driven, and capable of maximizing impact and ensuring financial sustainability. A key driver of this transformation is the Operational Excellence Initiative, which gained solid ground in 2017 by launching new workstreams and establishing more efficient ways for cross-functional teams to work together in each sector. The expected changes envisaged when the consolidation was agreed have begun to materialize as the demand for IDB Invest's lending has grown, private sector mobilization has increased, and a number of projects have received external recognition for their level of quality and innovation.4 Going forward, there are continued opportunities to improve how the IDBG operates

lessons learned in designing new projects.

Value for money took center stage in many MDB discussions in 2017 following a request by the Group of Seven (G-7) countries that MDBs work together to develop a common value for money framework, including the additionality of their investments with the private sector. The G-7 call heightened ongoing MDB collaboration on value for money, leading to a common framework that will be finalized in 2018. The framework focuses on a series of eight components. supporting MDB objectives to optimize and prudently manage resources, deploy resources in line with mandates and priorities, and achieve and measure development results. Box 1.1 highlights some of the main ways that the IDBG strives to provide value for money across a wide range of areas explored in this DEO- for its shareholders along each component.

Value for money involves delivering development results, while optimizing and prudently managing resources.

- 4. IDB Invest received external recognition through various awards in 2017, including four projects recognized by IJGlobal as the most outstanding of the year in their respective areas of work. See press release for more information.
- 5. See the G-7 call for more concrete actions to develop a common approach for value for money.

IDBG Value for Money Highlights

This box presents highlights of the IDBG's work on each of the eight components of the common MDB value for money framework that is under development.

Resource optimization and financial sustainability

The IDBG has implemented concrete actions on all five areas of the Group of Twenty (G-20) MDB Action Plan to Optimize Balance Sheets to increase lending without substantially increasing risks or damaging credit ratings.^a

\$1.7

billion in capital was freed through exposure exchange agreements

Corporate cost management

The IDBG worked to decrease operating costs where possible without compromising development results, such as by optimizing the workforce, simplifying processes, and monitoring the costs to manage the portfolio.

Strategic alignment of resources

The IDBG's new approvals are aligned to the UIS strategic priorities, which include social inclusion and equality, productivity and innovation, economic integration, gender equality and diversity, climate change and environmental sustainability, and institutional capacity and rule of law.

2017 approvals across IDBG included

\$44

billion of climate finance

82% of IDB loans

64% of IDB Invest operations

67% of MIF investment operations

had satisfactory performance during execution.

Management of operations

Throughout a project's execution period, the IDBG monitors project performance against targets and identifies opportunities to take corrective action, where needed, to keep projects on track.

Mobilization of finance

The IDBG uses a range of programs and financial instruments to attract private resources to projects that contribute to development.

80%

92% IDB Invest

IDB and IDB Invest have safeguards and standards to identify, mitigate, and monitor environmental, social, and governance risks associated with the projects they support.

of high-risk projects had satisfactory implementation of mitigation measures.

Results

Standards

IDBG's Development Effectiveness Framework supports its focus on driving toward results at all stages of the project lifecycle.

IDBG blogs attracted

3.2

million unique readers

Policy dialogue, convening, and knowledge

The IDBG builds partnerships, generates and disseminates knowledge and expertise, and shapes policy in the region through activities such as facilitating public-private partnerships, conducting research and impact evaluations, and convening Regional Policy Dialogues.

a. A key milestone in 2017 included the transfer of the assets and liabilities of the IDB's Fund for Special Operations into the IDB's Ordinary Capital resources. Another notable action was the implementation of exposure exchange agreements with other MDBs to diversify portfolio exposures and increase IDB's lending space.

The eight components of value for money in the newly created results-based instrument ("Loans Based") ment—are aligned with IDBG priorities, including its operational guiding principles, which range from addressing client needs and striving for effectiveness and efficiency to building stronger partnerships and ticularly salient progress was made in releasing new instruments to respond to demand, collaborating with other MDBs on approaches to measure private sector and crowding in private finance.

Innovating IDBG Product Offerings

new products and services in line with changing client partner of choice for its borrowing member countries and private sector clients. Just as the focus areas of also be differentiated in terms of offering an array of instruments that address distinct borrower and client this vein in 2017.

To meet countries' differentiated and evolving needs in terms of types of financing, IDB rolled out a new lending instrument in 2017—Special Development Lending—to help borrowing member countries to trade and supply chain finance, such as reverse address macroeconomic crisis conditions through the factoring, which provides working capital financing provision of budgetary support that can be dedicated to such efforts as strengthening institutional reforms, protecting funding for social programs, and facilitating credit access for small and medium enterprises (SMEs). In addition, new guidelines were approved for the Conditional Credit Line for Investment Projects instrument, which was enhanced to strengthen its multisector approach. Three loans were also approved under the

MDB common framework—which is under develop- on Results"), which disburses funding to recipients upon achievement of a predefined set of results indicators. For example, for a project in **Uruguay** (UR-L1141) that is aimed at improving student learning, disbursements are tied to indicators such as the percentage promoting knowledge and innovation. In 2017, par- of students using a platform to support mathematics learning and the percentage of students exceeding a certain score on an English exam. This new instrument was rolled out in response to strong country interest additionality, strengthening public-private synergies, in a results-based instrument and offered a number of enhancements over the previous performance-driven loan that had been piloted years earlier.

In 2017, IDB Invest continued to develop new products, such as guarantee bonds and B-Bonds, The IDBG's efforts to evolve with the region to offer in line with evolving client demand and prevailing market practices. Considerable progress was made needs are crucial to the Group's continued status as a in enhancing and standardizing partial credit guarantees, bond subscriptions, and structured financing products. The securitization of project debt and project interventions must be tailored to the specific placement of issuances on private markets through context and needs of each country, solutions must B-Bond structures allows IDB Invest to attract institutional investor participation, especially in infrastructure projects (see Box 1.2 on page 18 for an priorities. The IDBG carried out a number of efforts in example of a B-Bond issued through the Campo Palomas project in Uruguay). Similarly, local currency lending has more than tripled, increasing from 10 percent of projects approved in 2015 to 33 percent in 2017. New products are also being introduced related to micro, small, and medium enterprises (MSMEs) by utilizing the risk profile of anchor firms to offer better financing terms to their suppliers. Incorporating fintech solutions into supply chain products also helps reduce the processing time and delays in the receipt of funds. For example, IDB Invest approved a line of credit (12134-01) to provide the mostly MSME suppliers of Axtel, a Mexican telecommunications compa-

Just as the focus areas of project interventions must be tailored to the specific needs of each country, instruments must also be differentiated to address distinct borrower and client priorities.

ny, with working capital financing through EFactor, a and improve user experience (PR-T1229), whereby the fintech company. This is the second reverse factoring facility approved by IDB Invest, which is aiming to consolidate this product in **Mexico** and replicate the solution in other regional markets. Finally, recently introduced gender and climate performance-based loan incentives signal IDB Invest's commitment to working with clients on these key priorities.

The MIF has also been experimenting with new ways to deploy its mixed toolkit of grants, equity, and debt to better meet the needs of its client organizations, particularly early-stage enterprises that seek to address social and environmental needs and that struggle to access appropriate capital. For example, the MIF is structuring reimbursable grants to provide startups with a risk-sharing mechanism that incentivizes experimentation with business models that have a compelling social or development impact. A project in Paraguay is underway with a company that is testing a public

repayment obligation is contingent on the enterprise's success. On the investment side, the MIF is piloting more flexible tools, including the use of revenue-based loans to support innovative market solutions in the initial stages of commercialization, such as a new project in the **Dominican Republic** with a fintech company that provides a marketplace for commercial banks for factoring services (DR-L1119). The MIF is also beginning to explore an instrument—a "Simple Agreement for Future Equity"—to finance promising early-stage companies that have not broken even yet and have the potential to raise new equity through priced rounds of investment or liquidity events in the future. These new financial instruments and others are being tested with a group of 17 projects approved in 2016-2017. Adapting traditional legal agreements and project structures to these new product offerings has been challenging, and the MIF continues to learn and finetune its approach. transportation intelligence system to reduce traffic Complementing these operational efforts, the MIF

nancing Structures for Impact Enterprises, highlighting 16 cases across the region.

Ensuring Additionality

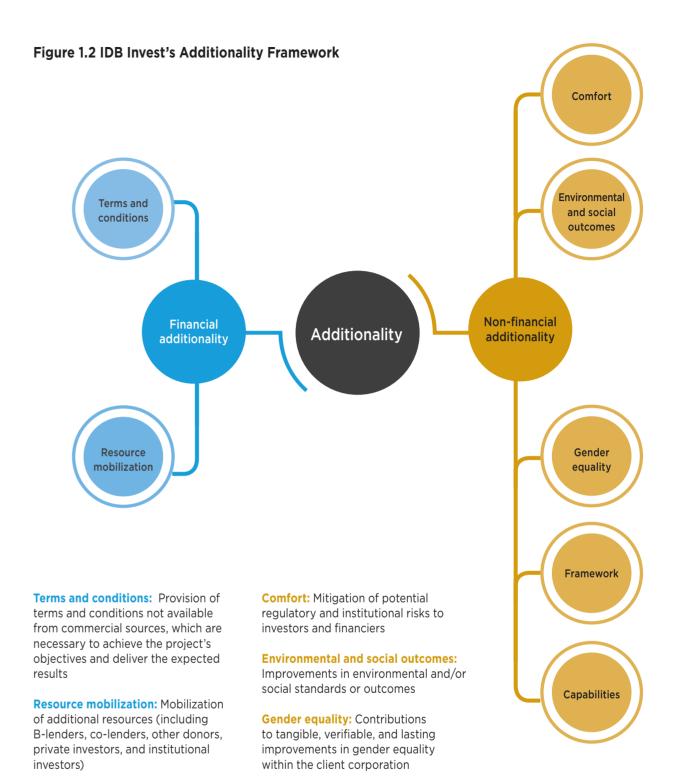
At the core of IDBG's mission is ensuring that it brings value to its clients. The IDBG provides critical financial and non-financial inputs to clients and projects to help them achieve objectives and improve the delivery of the expected results. This additionality may take one of two broad forms. Financial additionality refers to the provision of financing that is not available or is scarce in the market from commercial sources on reasonable terms and conditions (such as local currency financing and extended tenor financing), as well as the mobilization or crowding in of additional resources from others. Non-financial additionality takes many forms and refers to the IDBG's role in adding value by mitigating risk (such as regulatory and institutional risks for investors) and providing support to important and innovative areas (such as contributing to tangible improvements in gender equality within a client corporation).6 See Figure 1.2 for a deeper look at IDB Invest's additionality framework.

the IDBG place emphasis on additionality, at IDB Invest, a commitment to additionality is part of its founding charter. Since its inception, IDB Invest's par-

published a report in 2017 entitled Innovations in Fi-terms and conditions better than those available in the market, with an aim of complementing rather than crowding out the private sector. As part of the project approval process, IDB Invest evaluates both the expected development impact and the additionality of every operation—and whether those outcomes are likely to be achieved without IDB Invest financing or how IDB Invest's participation can improve or ensure the achievement of results in a more sustainable fashion. Chapter 3 presents details on the scoring process and results from 2017.

> The IDBG is well-positioned to offer additionality given its ability to reduce risk or the perception of risk among project stakeholders. In particular, the IDBG brings a deep understanding of the political context in its borrowing member countries, preferred creditor status, and a reputation as a reliable and informed investor in the region—all of which bring a level of comfort to project stakeholders. The IDBG's development mandate also means that IDBG financing incorporates the delivery of public goods, such as capacity building, or adherence to environmental, social, and governance standards.

A new IDB Invest wind project in Argentina, La Castellana (12063-01), exemplifies how the IDBG pro-While both the public and private sector arms of vides additionality to its clients on different fronts. IDB Invest financing was provided in the context of the first public auction held by the national company that regulates wholesale energy to develop the Renticipation in a deal has required the deal to provide ovAR renewable energy program. Leading up to the



Capabilities: Improved client or executing agency capabilities, including corporate governance, operational improvements, and helping the client develop and/or introduce an innovation or a new product or product line

Framework: Improved regulatory

framework and/or country context

Note: See Figures 3.9, 3.10, and 3.11 in Chapter 3 for greater details on the additionality scores of IDB Invest projects approved in 2016 and 2017.

^{6.} This work on additionality builds on the 2012 agreement by various MDBs, MDB Principles to Support Sustainable Private Sector Operations, which states: "MDB support to the private sector is considered to have additionality when it contributes value beyond what is available in the market commercially on reasonable terms, and does not crowd out the private sector. Additionality may include financial and/or non-financial elements which are essential to deliver expected development outcomes, which would not have been expected to occur without MDB involvement or mitigate risks that would have not been addressed without that involvement." Since 2017, the MDBs have been collaborating on additionality best practices in private sector operations.

auction, IDB Invest advised the Ministry of Energy on preparing bidding documents and energy purchase contracts to ensure the bankability of the projects and maximize investor participation. La Castellana marked a milestone for the Argentine financing market, as this was the first long-term project finance operation important role multilateral financing plays in reigniting financial markets and reassuring private investors. In addition, IDB Invest mobilized \$5 million from the Canadian Climate Fund for the Private Sector in the Americas to offer financial incentives to the project manager, Central Puerto, to implement a comprehensive gender equality program at the company level.

Strengthening Public-Private Synergies

Leveraging public-private synergies to better meet the region's needs is an important focus of the IDBG. The combination of IDB support to the public sector, IDB Invest efforts to engage the private sector, and the MIF's role as an innovation laboratory for testing new solutions provides unique value added to the region's development. In the second year since the IDBG private sector consolidation, work continued in 2017 to achieve strategic and operational synergies.

At the strategic level, the public and private sector perspectives were fully integrated into six country strategies approved in 2017 under the leadership of each IDBG Country Representative. Tight alignment through regular joint pipeline review meetings bewith IDBG strategic priorities has also been a guiding principle in implementing the renewed MIF mandate, helping to facilitate a path to scale for innovations piloted by the MIF.

At the operational level, the establishment of a new public-private partnerships (PPP) team in 2017 is generating concrete cross-collaboration opportunities in order to provide a continuum of support for both public and private clients with designing and imple-

menting PPP projects. For example, the PPP team, in coordination with IDB Invest, began providing advisory support to **Argentina** to assist in the design of contracts and bidding documents for the first PPP road projects under the country's new PPP law. After this experience, the Argentine government requested to be closed in the country since 2001, signaling the further IDBG support for the design of transmission line projects. In addition, in response to regional demand, the PPP team has started providing technical assistance in The Bahamas, Bolivia, Brazil, Dominican Republic, and Guatemala.

> These public-private synergies are also playing out in new operations. For example, the PPP team together with the MIF and IDB health specialists implemented a regional program for developing and disseminating PPP methodologies and good practices in the health sector. This program supports structuring innovative PPP pilots with governments to validate this knowledge, with an aim of establishing feasible investment models for implementation. After training government officials from several countries in the region, pilot projects from Colombia, Chile, Paraguay, and **Peru** were selected to receive IDBG support. This program is being jointly financed by the MIF (RG-T2850) and the IDB (RG-T2723 and RG-T2998), leveraging IDBG sector and PPP expertise, with the potential to generate future social infrastructure financing opportunities for IDB Invest.

> Operational synergies were further fortified tween IDB Invest and IDB's infrastructure teams, which led to the identification of concrete project opportunities around renewable energy in **Ecuador** and water in Jamaica, among others. The IDB, IDB Invest, and the MIF also developed a coordinated approach to working with financial intermediaries and fintech companies, core client segments that different IDBG operations and instruments can support in complementary ways.

Likewise, in 2017, the MIF developed new operational processes and service-level agreements with IDB and IDB Invest to improve alignment and leverage the Group's wider pool of expertise, resources. and capacity for scale. The MIF's new organizational structure introduced last year also allows for better coordination with the IDBG regarding programming, origination, and other functions. To further strengthen operational synergies, the MIF seeks to better leverage its network of entrepreneurial ecosystem partners to help enhance IDB efforts to address challenges in the delivery of public sector services.

Crowding in Private Finance

Crowding in private finance is an increasingly critical aspect of the value IDBG offers. The gap between the needs of borrowers and the capital available for lending highlights the critical need for IDBG and other MDBs to evolve from direct lenders to providers of comprehen-

> billion was mobilized by IDB Invest projects in 2017, of which \$2.05 billion was direct (core) mobilization.

sive financial solutions, particularly through mobilization of public and private sector resources.

To this end, the IDBG has joined forces with other MDBs to harmonize methodologies to track and account for mobilization of private investment. Since 2016, the IDBG, along with other MDBs, has been reporting on the amount of private resources it mobilizes to respond to the call by the international community to scale up finance for development from billions to trillions to finance the 2030 Agenda and the SDGs.7

IDB Invest mobilizes private finance through nonsovereign guarantee (NSG) lending instruments such as A/B loans and guarantees to partner directly with private sector financiers. In 2017 IDB Invest mobilized \$2.05 billion on behalf of borrowers using \$2.4 billion in its own commitments, thus improving both the amount mobilized and the leverage ratio as compared to 2016. IDB Invest mobilized an additional \$2.47 billion indirectly which, when added to the core mobilization, will result in a total of \$4.5 billion in catalytic mobilization. Of the core mobilization, 88 percent corresponds to private sector investors, which is a clear signal of IDBG's commitment to the mandate to mobilize private sector resources following the consolidation of IDB's private sector lending windows.

By attracting private resources to projects that contribute to development and that would not otherwise have been possible, IDB Invest supports environmentally and commercially sustainable projects. Box 1.2 highlights the Campo Palomas Wind Farm in Uruguay which, through an innovative B-Bond structure, was able to mobilize \$135.8 million from institutional investors.

^{7.} The most recent joint MDB report on private sector mobilization is available here.

Mobilizing Institutional Investor Support for the Campo Palomas Wind Farm in Uruguay

on the performance history of comparable assets and amortizing \$135.8 million B-Bond issue, paired with a little familiarity with the markets. Small markets and \$15.1 million loan from IDB Invest, to finance the oplong tenors make the challenges even greater.

IDB Invest aims to address these challenges by Campo Palomas.a partnering with private investors via its A/B Loan program: IDB Invest finances an A Loan, providing the brella, generated high levels of interest from internanecessary comfort, expertise, and protection to bring tional institutional investors, resulting in an oversubin private investors to finance the B Loan. This structure scription. Five investors bought participation in the ture is widely used by MDBs to attract commercial B-Bond, of which four were new to Uruguay and three banking institutions to emerging markets.

designed to further diversify the pool of potential DNV-GL and a Baa3 international rating from Moody's.

Directing private investment from institutional inves- investors and attract institutional investors that can tors to support green infrastructure in emerging mar- only invest in securities. In 2017, IDB Invest closed the kets is a major challenge. Investors have scant data second B-Bond mobilized by the IDBG, a 19.5-year eration of the 70 megawatt Uruguayan wind farm,

The B-Bond, which benefits from IDB Invest's umwere new to the IDB Invest B-Bond program. The B-The B-Bond, developed by the IDBG, is a product Bond also received a green bond certification from

a. The first B-Bond mobilized by the IDBG was for the Reventazón Hydroelectric Plant in Costa Rica in 2013. Campo Palomas received the Project Finance Deal of the Year award by Bonds & Loans.

Another way IDB Invest mobilizes commercial financing for investment projects is by blending investments with concessional donor resources, targeted to address market failures and support high-impact projects that are too risky to attract commercial financing without support. In 2017, IDB Invest closed nine blended finance investments. One such investment is a loan to Hidrowarm S.A. (now called Hidronormandia S.A.) (EC3902A-01), a hydroelectric power plant in **Ecuador**. The contract for the financing of the plant includes the obligation to adhere to a first-inkind adaptive ecological flow management plan, which aims to mitigate the plant's potential negative environmental impact by requiring an increase in the ecological flow to the diverted reach of the river if certain biological thresholds (such as target fish populations) are violated. While the ecological flow management plan makes the plant more sustainable from an environmental impact perspective. it also creates operational risk due to lower energy output that would result from the reduction in water flow for power generation. This risk is offset by a \$10 cy to track the amounts of private finance brought to million subordinated loan financed by the Canadian Climate Fund for the Private Sector in the Americas. This concessional portion is supplemented by a \$10 co-financing, wherein debt, equity, or other considmillion senior loan from IDB Invest, \$34 million in B eration is provided by the private sector for the same Loans mobilized by IDB invest, and \$24 million from co-senior lender FMO, the Dutch development bank.

Although the largest portion of the IDBG's mobilization of private sector resources came through IDB in approval volume) are expected to crowd in private Invest operations in 2017, MIF and IDB operations also mobilized external resources. For the MIF, both greater resource mobilization and scale are key drivers of its renewed mandate. While MIF projects are relatively small, they can punch well above their weight in terms of resource mobilization, especially when it nance development projects on a commercial basis,

comes to early-stage funds and other equity operations. For example, in 2017 the Angel Ventures Pacific Alliance Fund (RG-Q0026), aiming to finance startup and scaleup companies in sectors including fintech. health/biotech, and agtech, reached its first closing at \$40 million (with an eventual target capitalization of \$80 million), mobilizing 10 times the MIF's \$4 million equity investment from institutional and other private investors. Overall, in 2017 the MIF mobilized \$315 million in third-party funding to be deployed across the region, \$130 million of which was from private sources. With a total MIF approval amount of \$84.6 million, this represents \$3.72 of additional funds per dollar ap-

In 2017, the IDBG also started actively promoting the crowding in of private resources through its public sector lending, while seeking to better leverage public-private synergies to support mobilization efforts. Operations designed to attract private investment already existed within the sovereign guaranteed (SG) portfolio, so the first step was to develop a poliprojects through public sector operations. Currently, most of this crowding in is achieved through parallel project or program, but in parallel to IDB's resources rather than through the IDB. Four of the 90 SG loan operations approved in 2017 (a total of \$831 million investments totaling \$480 million over the course of their execution. Box 1.3 highlights an example of a project with parallel co-financing that was in execution in 2017.

In addition to crowding in the private sector to fi-

^{8.} Broken down by instrument, the mobilization ratio was 1.5:1 for grants and 6.4:1 for investments.

the IDBG partners with public and private entities to half of public and private donors. In 2017, the IDBG was entrusted to administer \$348 million in non-reimbursable funds from public and private sources. An innovative initiative approved in 2017 is the United Kingto catalyze private sector investment in infrastructure. With \$232 million in funding, the program will provide ment in sustainable infrastructure in the region and respond flexibly to borrowing countries' priorities and needs. In addition, \$2.3 billion was provided by partners for co-financing SG operations approved in 2017.9 attract institutional investors.

A new working group at the IDBG is driving efforts co-finance projects and administer trust funds on be- to scale up efforts to crowd in private finance. Despite improvements in the level of mobilization from 2016 to 2017, the IDBG is still off track to meet its ambitious CRF target for mobilizing resources through NSG projects by 2019. Looking forward, the IDBG is dom Sustainable Infrastructure Program, which aims exploring ways to continue to grow the level of mobilization through all of its lending windows, including mapping private investment mobilized through a range of instruments—including grants for techni- SG operations, adjusting performance management cal cooperation and blended finance for loans, equity, targets to increase employee incentives to focus on and guarantees—to address barriers to private invest- mobilization, revamping financing modalities with high mobilization potential such as blended finance and guarantees, and designing new instruments and vehicles with the aim to develop new asset classes to

> million in private parallel co-financing is expected for IDB's 2017 approvals

billion was provided by partners for co-financing

SG operations approved

in 2017

financing was mobilized by the MIF in 2017

Mobilizing Finance for Geothermal Energy in the Eastern Caribbean

The small island nations of the Eastern Caribbean re- the transaction, and mobilizing private investment to gion face unique challenges in bringing sustainable cover the remainder (see Figure 1.3.1). low-cost electrical power to their inhabitants. Historically, these countries have relied on imported fossil ments—using technical assistance and capacityfuel for energy, which is costly in both economic and building initiatives where necessary—to create publicenvironmental terms. In the past, they have been un- private partnerships (PPPs) with geothermal private able to pursue other generation options because of developers. A special purpose vehicle formed as a their limited institutional capacity to manage or regu- PPP assumes the loans without increasing their debt late concessions and because small economies leave load or using a sovereign guarantee, hence allowing little fiscal space for publicly managed projects.

Eastern Caribbean (RG-L1071) brings geothermal en- and large investments in early-stage site assessments ergy to address the region's power needs sustainably and resource measurements. With the Sustainable Enwhile lowering costs to consumers. An innovative ergy Facility, the geothermal special purpose vehicle blended finance structure-which blends IDB ordi- receives contingent recovery grants to proceed with nary capital with co-financing from the Clean Tech- the exploratory drilling, which automatically convert nology Fund, Global Environment Facility, and the to loans if the drilling is successful. Finally, for suc-Caribbean Development Bank—will allow all of this to cessful wells, the Sustainable Energy Facility provides be accomplished without contributing to the coun- additional loan financing for the special purpose vetry's sovereign debt. The Sustainable Energy Facil- hicle to give the countries flexibility in the ownership ity manages this feat by blending concessional and structure and ensure favorable rates to consumers. non-concessional public funding—including parallel co-financing from the European Union Caribbean In- than \$7 per dollar of IDB's ordinary capital resources vestment Facility. United Kingdom Department for and is expected to reduce greenhouse gas emissions International Development, and the International Re- by 375,930 tons of CO₂ per year. newable Energy Agency Abu Dhabi Fund—to de-risk

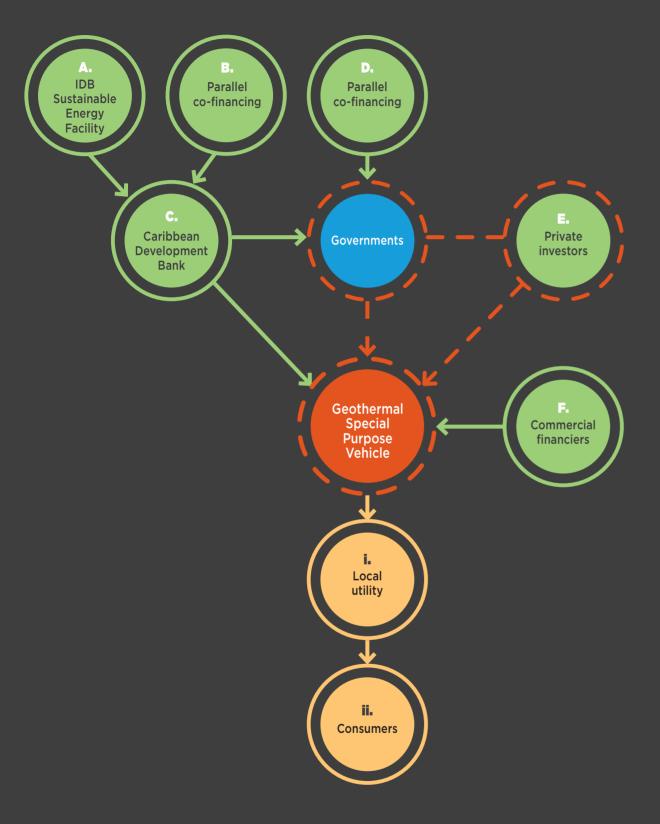
The program begins by working with governmore fiscal space. The special purpose vehicle then The IDB-led Sustainable Energy Facility for the initiates geothermal exploration, which requires risky

The program has the potential to leverage more

^{9.} This amount includes total reimbursable and joint co-financing at the time of Board approval.

Figure 1.3.1 Project Structure for the Sustainable Energy Facility

22



Sources of finance

A. IDB Sustainable Energy Facility, SEF

The SEF structured the overall project by providing a loan and coordinating co-financing through the Caribbean Developmet Bank (CDB). The financing sources are: \$20 million from IDB Ordinary Capital (loan); \$3 million from Global Environment Facility (grant); and \$19 million from the Clean Technology Fund (contingent recovery grant).

B. Parallel co-financing (grants)

The Caribbean Investment Facility of the European Commission and United Kingdom Department for International Development (DFID) provided €12 million and \$12 million to CDB, respectively.

C. Caribbean Development Bank, CDB (loan)

CDB provides technical assistance grants to governments to develop institutional capacity and provides loans and contingent recovery grants to the special purpose vehicle. The assistance provided amounts to a total of \$29 million.

D. Parallel co-financing (loan)

The International Renewable Energy Agency (IRENA)/Abu Dhabi Fund provided \$15 million.

E. Private investors (estimated equity)

Private sponsors provided \$100 million in equity.

F. Commercial financiers (loan)

Commercial financiers provide additional financing for \$300 million.

Intermediaries and beneficiaries

i. Local utility: Generation capacity is sold to the local utility, and distributed to consumers.

ii. Consumers: Consumers benefit through lower rates and lower emissions.

- Governments form a Special Purpose Vehicle with a private investor to manage the concession through a PPP agreement.
- A Special Purpose Vehicle is formed to manage the concession through a PPP agreement and it obtains additional financing on the market and may be led by a government or by the private sector.

Note: The small Caribbean island nations eligible for support with this project are: Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

Reflections

Delivering value for money is a continuous effort that requires regularly reevaluating how the IDBG operates to best address shifting realities in an exponentially changing world. The IDBG must continue to provide value for each of its member countries to foster sustained engagement and an environment in which each country finds that the results achieved are worth the resources it invests in the IDBG. Furthermore, it must have well-established feedback loops that allow Management to make decisions and continuous improvements based on the latest data, both in terms and in corporate decision-making.

and metrics as well as dialogue with other MDBs help guide the IDBG in identifying opportunities for continued improvement. In addition, external assessments from shareholder governments, nongovernmental organizations, and the IDBG's own independent Office of Evaluation and Oversight (OVE) serve as important inputs to performance improvement initiatives. For example, in the case of OVE evalua-Board-endorsed recommendation and implementation is tracked regularly to ensure that the recommendations are translated into concrete actions likely to yield the intended results.10

The annual stock-taking exercise carried out to prepare the DEO also helps the IDBG identify gaps in performance and areas for improvement. The chapters that follow offer a more detailed look at specific aspects of the IDBG's activities, including support provided to borrowing member countries and clients. toolkits to foster effective development, results of impact evaluations, and performance against key corporate metrics. In each of these areas, there are continued opportunities for IDBG to enhance value for money. For example, the most recent review of Projof designing, implementing, and monitoring projects ect Completion Reports (PCRs) has brought to light opportunities to enhance the achievement of project As noted throughout this chapter, internal tools outcomes and impacts. In addition, recent progress on the CRF indicators revealed continued gaps in the level of gender parity in mid and senior-level positions at the IDBG, as well as the need to continue ramping up efforts to reach small and vulnerable countries through private sector lending.

At a higher level, improvements to value for money at IDBG require further enhancements to the IDBG's focus on results. While this focus has grown substantions, Management develops an action plan for each tially over the past decade, there are remaining opportunities to further deliver differentiated solutions in response to distinct country contexts and emerging development challenges in the region. This is the focus of the next chapter.

Delivering value for money requires regularly reevaluating how the IDB Group operates to address shifting realities.

Agricultural Services Program, Belize (BL-L1009)



Inter-American Development Bank Group

^{10.} See Appendix A for more information on the Evaluation Recommendation Tracking System—IDB's tool for tracking Management's actions that respond to OVE recommendations.



Providing Tailored Solutions to Countries in Support of the SDGs

The 2030 Agenda and the SDGs that underpin it, to- but as a business opportunity. Companies are increasgether with the Paris Agreement on Climate Change, ingly aligning their business strategies with the SDGs, represent the most ambitious development endeavor—using them as a roadmap to manage their impact and ever undertaken by the international community. In harness the power of markets, entrepreneurship, and aiming to improve lives while protecting the planet, investment capital toward tackling complex problems the 2030 Agenda moves beyond pursuing individual affecting both business and society. goals and targets to recognizing that development reguires a multidimensional approach.

these holistic solutions even further.

As in other regions of the world, progress toward meeting the SDGs in Latin America and the Carib-Challenges such as civil conflict, forced displace- bean varies by country and even within countries. ment, environmental degradation, poverty, and in- Based on current trends, while the region is poised equality are almost always mutually reinforcing. Their to make significant gains toward the SDGs related to solutions require a holistic approach to be effective, poverty, inequality, and energy access, ongoing chalembracing economic, social, and environmental di- lenges linked to reducing slum populations and viomensions. Today's interconnected world shaped by lent deaths, for example, are inhibiting progress on the proliferation of new technologies, digital plat- SDGs supporting sustainable cities and peace (Nicolai forms, and big data can propel the advancement of et al., 2016). In addressing areas that are lagging, the IDBG takes a local perspective, tailoring its response To meet the ambitious targets laid out by the SDGs, to the specific context. Since the discussions leading it is necessary to accelerate collective action, coordi- up to the 2030 Agenda, the IDBG has underscored nation, and resource mobilization across the public, the critical importance of ensuring that developing private, and civil society sectors. Public sector re- countries take the lead in determining country-level sources alone are not sufficient to bring development objectives and targets and designing and implementfinance from "billions to trillions" to achieve the SDGs ing the policies and programs needed to reach them. (AfDB et al., 2015). In the private sector, a transforma- In 2017—the second year since the SDGs went into eftional movement is underway as leading companies fect—the IDBG continued to step up its efforts to supare embracing the SDGs not only as a responsibility, port countries and clients in implementing the SDGs.

As both a proactive and a demand-driven institution, the IDBG's programming decisions result from dialogue with countries and clients. This dialogue aims to identify opportunities that respond to counity and the rule of law). try development needs and align with the IDBG's straaddressed to preserve and continue to advance development gains in the region (social inclusion and integration), as well as three cross-cutting issues that cover each of the strategic priorities of the UIS.

must be addressed when working on these challenges (gender equality and diversity; climate change and environmental sustainability; and institutional capac-

Figure 2.1 illustrates the relationship between each tegic priorities established in the UIS. These include of these challenges and cross-cutting issues and the three key development challenges that need to be SDGs, as well as selected results achieved with IDBG support under each since the SDGs went into effect in 2016. More information is available on the IDBG's new equality; productivity and innovation; and economic SDG website and in the sections that follow. which

In 2017—the second year since the SDGs went into effect—the IDBG continued to step up its efforts to support countries and clients in implementing these goals.

> Mesoamerica Health Initiative 2015 Panama (PN-G1001)



Figure 2.1 Selected Results by IDBG Strategic Priority and SDG, 2016-2017



Social inclusion and equality













8.3 million beneficiaries of targeted anti-poverty programs

9.4 million beneficiaries receiving health services

630,000

households with new or upgraded access to drinking water



Productivity and innovation









540,000 beneficiaries of on-the-job training programs

170,000 jobs created by supported firms

970,000 micro, small, and medium enterprises financed



Economic integration







60,000 professionals trained or assisted in economic integration

4,200 kilometers of roads built or upgraded

37 regional, subregional and extraregional integration agreements and cooperation initiatives supported



Gender equality and diversity



2.1 million girls benefited by education projects



women beneficiaries of economic empowerment initiatives











810,000 beneficiaries of improved management and sustainable use of natural capital



programs

100% installed power generation capacity from renewable sources



Climate

change and

environmental

sustainability

Institutional capacity and rule of law



470 subnational governments benefited by citizen security

123 government agencies benefited by strengthening technological and managerial tools to improve public service delivery

10 countries benefited by IDB projects aimed at improving domestic resource mobilization

Social Inclusion and Equality













progress needs to be maintained and accelerated to meet SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities) by 2030. Many families that have risen from poverty in recent years form part of the vulnerable class and are still at risk of falling back into poverty. Indeed, several countries in the region have experienced upticks in poverty rates since 2014 (Duryea and Robles, 2017), illustrating the pressing need to protect the social gains of recent decades both through dedicated social programs and initiatives to boost economic growth. Access to basic services also remains fragile for many, making IDBG efforts related to SDG 2 (Zero Hunger), SDG 3 (Good Health and Well-Being), and SDG 6 (Clean Water and Sanitation) particularly salient. At the same time, the region's gains in access to education need to be complemented by improve-(SDG 4).

IDBG support for social inclusion and equality in the region includes projects that seek to improve access to health and education, build human capital, create income-generation opportunities for poor and and improve basic services.

IDB approved projects throughout the region supporting improvements in both access to and quality of these services. For example, a new project in **Ecuador** (EC-L1227) will improve quality in the delivery of ed-

While Latin America and the Caribbean has made ucation and health services through support aimed significant social advances over the last 15 years, this at optimizing the talent profile and making greater use of information and communication technologies for improved service management. As a result, the project anticipates improved student achievement in language and mathematics as well as reductions in maternal and neonatal mortality. As another example, a new project in **Peru** (PE-L1226) will focus on improving water and sanitation services in priority rural areas and promoting sustainable service management. It is expected to reach 10,000 rural homes through 100 new or improved potable water systems that will help address the deficit in quality water and sanitation services in rural population centers, which is associated with increased health and environmental risks. While overall coverage rates for water and sanitation in rural areas are 74 percent and 62 percent respectively, estimates are much lower when service quality is taken ments in education quality and student outcomes into consideration—at 20 percent for water and 12 percent for sanitation.11

Supporting innovative solutions to social problems is an important part of the IDBG's efforts. For example, in **El Salvador**, economic opportunities for young people are limited, a situation that is further comvulnerable populations, promote financial inclusion, pounded by the rise in gang-related violence and the consequent social stigma facing at-risk youth from In terms of addressing gaps in basic services, the marginalized urban communities. As part of its efforts around inclusive cities, a new MIF project (ES-T1281) aims to create a model for participatory civic engagement and social innovation in the San Salvador Metropolitan Area, which will build the entrepreneurial capacity of 1.700 youth to devise new solutions to urban problems, and provide incubation and seed financing to selected ideas. The model will be replicated in Honduras, with an eve toward implementation throughout the Northern Triangle of Central America.

Support for innovative solutions that can enhance public social programs is another area of IDBG work. In 2017. **Colombia** broke ground by launching the first social impact bond in a developing country, which is focused on skills training and improving access to stable, formal employment for vulnerable populations. Through this pay-for-success model, investors (a coalition of local foundations that provide upfront financing for the intervention) are repaid only if targeted employment outcomes are achieved and verified. Outcomes will be funded by a mix of public and donor resources. Designing this highly innovative social impact bond-the first of three-leveraged different strengths of the IDBG: the MIF's experimental capacity (CO-T1434) combined with IDB expertise in labor markets, social protection, and national government budget processes. Box 2.1 presents another example of the MIF's work in support of employment opportunities for vulnerable youth.

The IDBG is working in rural areas to promote inclusive growth through IDB Invest financing for an agribusiness project in **Peru** (12180-01) with Danper, a leading company in the agro-export sector. The project aims to apply sustainable agricultural practices (such as drip irrigation systems to minimize the use of water and fertilizer), train and integrate 132 small farmers into the company's supply chain, and create 5,000 jobs in poor areas with high rates of underem-

ployment. Over half of these jobs will go to women, in line with Danper's recruitment efforts to boost female participation in agribusiness.

Finally, enhancing social inclusion means facilitating greater access to financial services for MSMEs, which are key sources of employment and income-generation in vulnerable communities. In 2017, IDB Invest worked to address this issue on different fronts, including by expanding its financing for LocFund II (12241-01), which provides local currency loans to microfinance institutions. As of the end of 2017, the fund had provided loans to at least 47 microfinance institutions, which in turn serve over 1.3 million micro and small enterprise clients in 13 countries in the region. This new loan further leverages the equity already provided by the MIF (RG-Q0031), which also invested in the first LocFund, demonstrating how MIF support for earlier, risky investments can help pave the way for larger capital injections from IDB Invest and others.

Social inclusion and equality spans a wide range of issues, with more than 400 projects in 25 borrowing member countries reporting CRF results related to this priority in 2017. As growth in the region remains weak and social progress is increasingly at risk, IDBG projects can play an important role in avoiding reversals in poverty in their areas of intervention and can provide demonstration effects. Specific projects contributing to social inclusion and equality results may be found here, with 4.8 million beneficiaries of targeted antipoverty programs, 4.9 million beneficiaries of health services, 360,000 households benefited from new or upgraded access to drinking water, and 4.2 million students benefited by education projects in 2017.

^{11.} For more information, see the loan proposal for the Comprehensive Rural Water and Sanitation Program.

Results from Five Years of Improving Youth Employability

gion is young, with around one-quarter of the popu- stakeholders. lation between the ages of 15 and 29. Yet, one in five for young people.

has been working to address these problems since porated NEO quality standards to improve the caliber 2012, aiming to improve the employability of one million and relevance of their services. Likewise, nearly 900 youth over a decade. This \$137 million initiative is led by teachers, trainers, and facilitators have built their cathe MIF and the IDB Labor Markets Division, the International Youth Foundation, and key partners: Arcos Dora-counseling, and job placement. dos, Caterpillar Foundation, CEMEX, Forge Foundation, Microsoft, SESI, and Walmart.

liances where public, private, and civil society sectors has hired 68 percent of youth who complete NEO join forces to foster alignment between the education training courses, and 32 percent of trained youth and training system and the productive sector de- have continued studying. Youth with jobs six months mands in a country. Through these alliances, the NEO after completing the training program also report

It is no secret that Latin America and the Caribbean model provides youth with a combination of technical has the widest skills gap in the world. A 2015 Man- and core life skills training with job search support and power Group survey found that around 50 percent counseling. As of December 2017, NEO alliances have of firms cannot find qualified workers, compared to been created in 10 countries (Brazil, Chile, Colombia, 36 percent of firms in the Organisation for Economic Dominican Republic, El Salvador, Jamaica, Mexico, Co-Operation and Development (OECD) countries **Panama**, **Paraguay**, and **Peru**) with the participation (Manpower Group, 2015). At the same time, the re- of 140 corporate, government, and nongovernmental

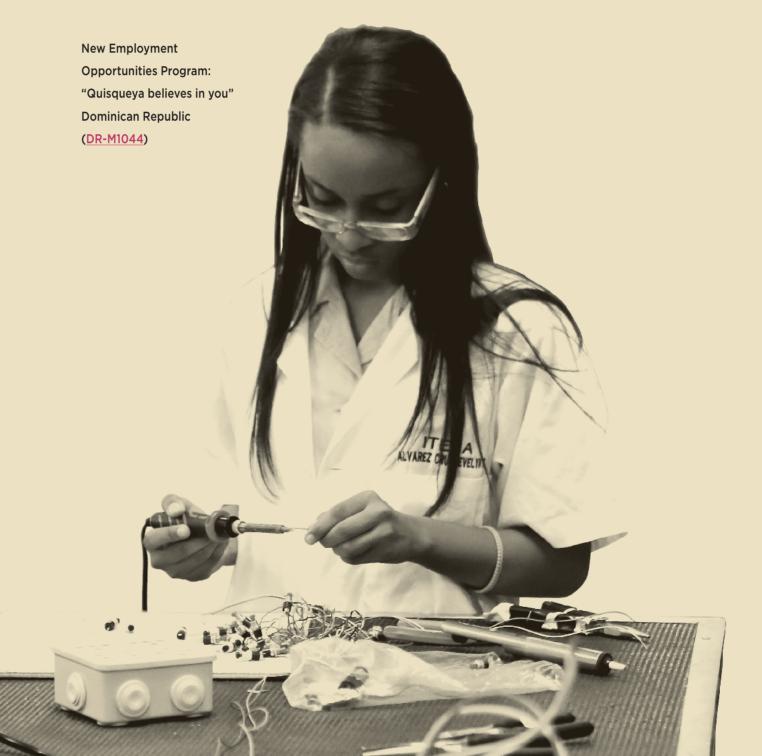
Five years after NEO's launch, the experience youth is neither working nor engaged in education has shown that programs with the best results take or training and a lack of access to decent job oppor- a comprehensive approach, focus on the quality of tunities is one of the main barriers to social inclusion youth employment services, and use practical tools to identify and close skills gaps in the labor market. The New Employment Opportunities (NEO) program To this end, over 200 training institutions have incorpacity to support youth with life skills training, career

Over 250,000 youth, half of whom are female, have received support to build their employability NEO uses a novel mechanism: multistakeholder al- skills. A growing network of over 3,000 employers

better salaries. For example, in Nuevo León, Mexico, program, resulting in annual cost savings for the 85 percent of employed youth report earning one to employer of approximately \$234-\$304 per youth three times the minimum wage.

ates report being happy with their new hires. Acpeers. While this implies a cost for the employer, it cording to a recent return on investment study, NEO may also signal greater mobility for NEO youth who youth are 6.2 percent more productive and need are capitalizing on their new skill sets to move on to about 1.2 hours less of orientation training as combetter paid opportunities in job markets hungry for pared to their peers who did not go through the NEO well-prepared employees.

hired. However, on the flipside, employers also report Around 80 percent of employers of NEO gradu- greater turnover among NEO youth versus non-NEO



Inter-American Development Bank Group

Productivity and Innovation









In today's digital revolution, innovative technologies, abundant information, and vast quantities of data are now more accessible than ever, transforming economies around the world by disrupting how companies do business, how governments deliver services, how labor markets function, and how people interact with one another. This new order brings many opportunities for spurring entrepreneurial activity, productivity, economic growth, and job creation across Latin America and the Caribbean. Likewise, innovation is a key driver of the 2030 Agenda because meeting targets from SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation, and Infrastructure), and others requires devising new solutions to entrenched problems.

startup activity in recent years, the region's innovation track record continues to fall short of its potential. Persistently low expenditures on research and development, slow technology absorption among firms, limited coordination among ecosystem actors (universities, research centers, industry, and the like), regulatory barriers, low levels of private investment in innovation, and a widening workforce skills gap are among the factors inhibiting the creation of more vibrant innovation ecosystems in the region and placing in peril the region's ability to adapt to ongoing technological disruption. These factors also contribute to the widening productivity which is considerably higher for MSMEs, which make up most firms in the region. Likewise, access to finance continues to be a major constraint to growth for MSMEs.

The IDBG continues to work with countries and clients to find solutions to address productivity and innovation gaps on many different fronts, including the development of institutional policy frameworks to improve the business climate and access to finance: investments in infrastructure and telecommunications: support for new technologies and early-stage innovation; and promotion of labor training closely aligned with employer demand.

An important condition for productivity and innovation are policies that support a healthy business climate to attract private sector investment and promote innovation. For example, a new IDB project in the **Dominican Republic** (DR-L1121) includes improving the business climate and productive development Despite pockets of innovation and mounting and innovation policies among its priorities to boost productivity in the country. Activities aim to simplify processes related to obtaining construction permits, paying taxes, promoting cross-border trade, and creating and registering businesses. Efforts also seek to strengthen institutional mechanisms to promote public-private dialogue, implement MSME support centers, approve regulatory provisions to increase competition, provide greater market transparency, and protect financial product and service users. Along the same lines, in **Uruguay**, IDB is supporting a project (UR-L1140) to modernize the regulatory and institutional framework for investment, trade, and innovation to consolidate sustainable economic growth in gap between the region and advanced economies, the country. The project aims to strengthen incentives to invest in innovation, enhance the innovation of Uruguayan businesses, and improve the export profile, leading to a more diversified economy with greater foreign direct investment.

The IDBG also provides support to inclusive, highquality, and sustainable infrastructure to address the region's infrastructure gap and boost economic growth and productivity. For example, through a project in **Paraguay** (PR-L1145), the IDB is supporting upgrades and maintenance of a highway and selected access roads that will lead to lower transportation operating costs and shorter average travel times for several communities in the Chaco region, with reductions as high as 40 percent anticipated in some areas. These improvements will help address the wide gap in transport infrastructure in this part of the country and will make the agricultural sector in these communities more competitive. In addition, the IDBG supports public transport projects that can contribute to reduced travel times and improved productivity, including a major upgrade to the São Paulo metro in Brazil (see Box 2.2).

Similarly, IDB Invest has been working in the telecommunications sector to close gaps in the key infrastructure of the twenty-first century: broadband in this area entails supporting the use of new techconnectivity. While mobile penetration in the region has risen exponentially, challenges remain in terms of quality and access for the most vulnerable populations that prevent them from taking full advantage of the latest technologies. For instance, the region's average download speeds are less than half the average speed in more advanced economies. To help close the digital gap, in 2017 IDB Invest signed and disbursed two loans in the telecommunication sector with Telecom Personal in **Argentina** (11975-01) and Tigo in Paraguay (11611-03), which will help these companies expand their broadband services, including in rural areas, and deploy mobile 4G technologies.

Supporting agribusiness value chains in Latin America and the Caribbean so they can raise productivity and help maximize the region's potential as a global food source is another area of focus for the IDBG. For example, IDB Invest financing for Renova in Argentina (12005-01), 12 the world's largest soybean crushing plant, will increase grain storage and loading capacity, and also build a barge terminal. As a result, Renova will contribute to food availability, create jobs in the industry, and promote foreign trade through soybean meal and oil exports. In addition, Renova is preparing and implementing a supply chain sustainability policy. stemming from IDB Invest's involvement. The IDB is also supporting **Argentina** with a Conditional Credit Line (AR-L1198) to contribute to competitiveness and development in regional rural economies. The project aims to help 16.000 farmers increase their annual production value by up to 50 percent and reduce losses associated with drought.

Focusing on innovation, a central part of IDBG work nologies that can play a transformative role in development and in strengthening local innovation ecosystems. For example, a new MIF project will create Flying Labs **Panama** (PN-T1185), a regional innovation hub aiming to harness the power of robotics (such as drones) for social innovation. To be hosted by the Universidad Tecnológica de Panamá, and in partnership with the nonprofit WeRobotics, the Lab will build local capacity, develop solutions to address social and environmental problems using these technologies, and catalyze entrepreneurship around robotics as a service. The project was developed in coordination with an IDB loan (PN-L1117), particularly the components

^{12.} Renova was awarded the Natural Resources Finance Deal of the Year by Bonds & Loans.

related to innovation for social inclusion and business. innovation for enhanced productivity.

The IDBG is also supporting productivity and innovation by providing access to finance through different mechanisms and at different stages of business development. To support early-stage innovation, the MIF approved a \$5 million equity investment in NXTP Fund II (RG-Q0040), which will provide seed capital for 30 tech-driven social enterprises in areas such as fintech, agtech, edtech, and cleantech that are pursuing both social impact and commercial profitability. The target capitalization is \$120 million, with a set allocation of \$30 to \$50 million to fund companies in **Argentina**, **Paraguay**, and **Uruguay**. Building on the success of NXTP Fund I, which has invested in over 190 tech-based firms, NXTP Fund II is a prime opportunity to reorient the region's venture capital sector and incorporate the triple bottom line approach, moving away from the concept of "impact first" or "impact only" and toward "impact investing," catalyzing similar investments in the region.

Shifting focus toward more established firms, IDB Invest is investing in the Capital Indigo Fund (12181-01). aiming to increase the availability of customized private debt financing for high-growth mid-size companies in **Mexico**, which currently have limited access to commercial bank financing for productive investments. In line with the needs of this underserved but high-potential cohort, the fund will provide mediumto long-term funding on a cash flow adequate basis, adapting credit evaluation processes to the characteristics of the target firms.

Investing in innovation and promoting policies to enhance productivity and reignite growth are essential to the region's future prosperity. More than 500 IDBG-supported projects in all 26 borrowing member countries had results related to productivity and innovation in 2017, including more than 2,000 kilometers of roads built or upgraded, and 410,000 MSMEs financed. Click here to see the specific projects contributing to these and other CRF indicators related to productivity and innovation.

410,000 MSMEs received financial support from IDBG-financed projects in 2017.

São Paulo Metro: **Better Commutes** for More People

Over one million commuters surge into the São Paulo through metropolitan São Paulo, connecting resicity center each day, where jobs and pay tend to be dential neighborhoods to important commercial disbetter than in other areas. Jobs are concentrated in tricts. The line also provides linkage to other public the city center because proximity to competitors, transportation routes, increasing the overall network suppliers, and customers make workers more pro- served by public transport. The program was deductive and increase opportunities for innovation. signed based on a PPP agreement. The public sector However, motor vehicle congestion offsets these performed the civil works, before turning over the opadvantages. Traffic jams reach 120 kilometers along eration and maintenance of the line to the private secmain roads some days (Rebelo, 2014). These bottlenecks increase commuting times and lower labor \$69 million loan to the concessionaire and helped to productivity. Indeed, evidence shows that workers mobilize \$240 million from additional investors. with longer commutes arrive late to work, leave earlier, or are more likely to miss work (Van Ommeren execution during 2017, intermediate results show and Gutiérrez-i-Puigarnau, 2011) and that they exercise lower levels of effort than workers with shorter the average daily number of passengers was apcommuting times (Zenou, 2002). Hence, reducing travel times can help this megacity of over 20 million target of 970,000 people in 2018. Results are also people move closer to its productivity potential.

The São Paulo Metro-Line 4 program (BR-L1079) aimed to reduce travel times for both users of the and complaints. Both the service quality index and metro and urban roads. Line 4 was designed as a printhe maintenance quality index have already reached

tor under a 30-year concession. IDB Invest provided a

While the IDB Invest loan program remained in that it is on track to reach its targets. As of 2016, proximately 700,000 people, on track to reach the positive in terms of maintenance and service quality. which covers aspects such as time between trains cipal commuter route running southwest to northeast 99 percent, surpassing the target of 95 percent.

Economic Integration







Enhancing trade and economic integration are important strategic objectives for Latin American and Caribbean countries. Despite advances over time, further effort is needed to address fragmentation in integration initiatives and increase intraregional trade. As such. economic integration is one of the IDBG's strategic priorities in its UIS and also is an important part of the 2030 Agenda. SDG 17 (Partnerships for the Goals) emphasizes such areas as increasing developing countries' exports and promoting an equitable multilateral trading system, while SDG 8 (Economic Growth) includes a businesses in the Americas, which reached more than target to increase Aid for Trade support for developing countries. Other SDGs focus on decreasing trade restrictions in specific sectors—all of which are relevant for the countries of Latin America and the Caribbean.

Despite the importance of trade and integration in the 2030 Agenda, the growing backlash against globalization in the current political climate presents challenges to advancing many economic integration initiatives. This reality raises the strategic value of IDBG's Summit of the Americas. wide-ranging support for economic integration initiatives in the region—from promoting the convergence of integration policies and facilitating the insertion of regional firms into global value chains to improving regional infrastructure and streamlining customs procedures. Much of this work is also dedicated to building institutional and private capacity to address barriers to deepening the regional market and competing in the to MSMEs (RG-L1115); and several ongoing integration global marketplace.

In 2017, the IDBG continued its strategic cooperation ties on integration issues through various global for a and initiatives. For example, the IDB continued to serve as the main institutional counterpart in the region for the World Trade Organization's Aid for Trade Pro-

gram, which aims to help countries integrate into the global economy and benefit from liberalized trade and increased market access. It also supported specific regional initiatives, including the Caribbean Community, Central America, Mercosur, and the Pacific Alliance to strengthen integration not only within Latin America and the Caribbean, but also with the rest of the world.

In addition, the IDB has continued facilitating strategic initiatives, dialogues, and public-private fora such as ConnectAmericas, the first social network for 140,000 unique registered users in 2017 and is designed to help SMEs carry out more and better international trade and investment transactions. The Americas Business Dialogue is another strategic initiative, which is driven by the private sector and fosters high-level public-private policy dialogue among the hemisphere's business and government leaders, including through policy recommendations to Heads of State within the

The IDB also supported a number of specific operations, including, for example, through the Agua Negra Tunnel to connect Argentina and Chile (RG-L1116); a program to improve integration among the five countries of the River Plate Basin (Argentina, Bolivia, Brazil, Paraguay, and Uruguay) with respect to such areas as infrastructure, border crossings, and support initiatives in Central America. Specifically, the Bank approved a technical cooperation (RG-T2908) to support improvements in the Mesoamerican transportation and logistics network and continued supporting the Central American Electrical Interconnection System, which has contributed to an eightfold growth in energy trad-

ing among the Central American countries since 2013. In addition, the IDB and the European Union signed a cooperation agreement in 2017 to develop phase II of the Central American Digital Trade platform to ensure the regional interoperability of border control agency systems that facilitate processes associated with regional trade. Box 2.3 presents the results of previous IDB projects supporting trade facilitation.

In terms of making the economies of the region more competitive in the global marketplace, the IDB is supporting a project in **Suriname** (SU-L1020) to increase the competitiveness of the agricultural sector through improvements in agricultural health and food safety, as well as agricultural research and technology transfer services that will help farmers mitigate climate change risks and adapt to its impact. The project is expected to increase the yield and production per hectare of specific crops (such as rice and oranges) through technology improvements and to facilitate exports through improved compliance with international export standards. As another example, in **Barbados** (BA-L1033), the IDB is working to increase the resilience of the tourism industry through new tourism products, strengthened digital marketing, and improved accessibility by air through a new route between the country and Latin America. The project aims to increase visits to the country's official tourism website by 300 percent and increase the total expenditures by visitors in Barbados by about \$83 million per year.

The IDBG also continued supporting international trade in the region through the Trade Finance Facilitation Program (TFFP), which eases access to financing for Latin American and Caribbean Financial Intermediaries through direct financing and guarantees. One of the ways the TFFP provides added value is by focusing on countries where there is a greater need for financing to support trade. In 2017, 71 percent of the 75 TFFP lines were available in small and vulnerable countries. However, in terms of volume, operations in small and

vulnerable countries represented only 51 percent of the total resources used through the program.

In addition to direct financing, the TFFP provides added value through mobilization, guarantees, and creating connections with correspondent Global Financial Intermediaries. The TFFP helps mobilize additional resources through securitization. In 2017, the program mobilized \$179.5 million in additional resources through 13 operations, which represented 19 percent of the total resources used through the program. In addition, the TFFP helps mitigate perceived risk by Global Financial Intermediaries by issuing guarantees. Issuance through the program has been increasing after a sharp fall in 2015. The number of guarantees almost doubled from 2016 to 2017, representing 27 percent of the volume of total transactions. Finally, the TFFP helps broaden financing sources for financial institutions in the region by enabling new connections with Global Financial Intermediaries. Seventeen new connections were created in 2017.

TFFP trade support in the region has grown from total financing of \$434 million in 2015 to \$750 million in 2017. However, this volume represents only half of the lines available through the program. While five lines were fully used more than once during the year, 37 lines were not used at all, signaling the opportunity to increase the utilization of the resources available through the program to support trade and regional integration.

As the backlash against globalization grows, bolstering the IDBG's efforts to improve the scale and efficiency of markets within Latin America and the Caribbean take on even greater importance. More than 400 projects covering all 26 borrowing member countries reported CRF results related to economic integration in 2017, with roughly 44,000 professionals trained or assisted in economic integration and more than 90,000 MSMEs provided with non-financial support. Click here to see the specific projects and initiatives contributing to these and other CRF indicators related to economic integration.

A Multi-Country Approach to Trade Facilitation

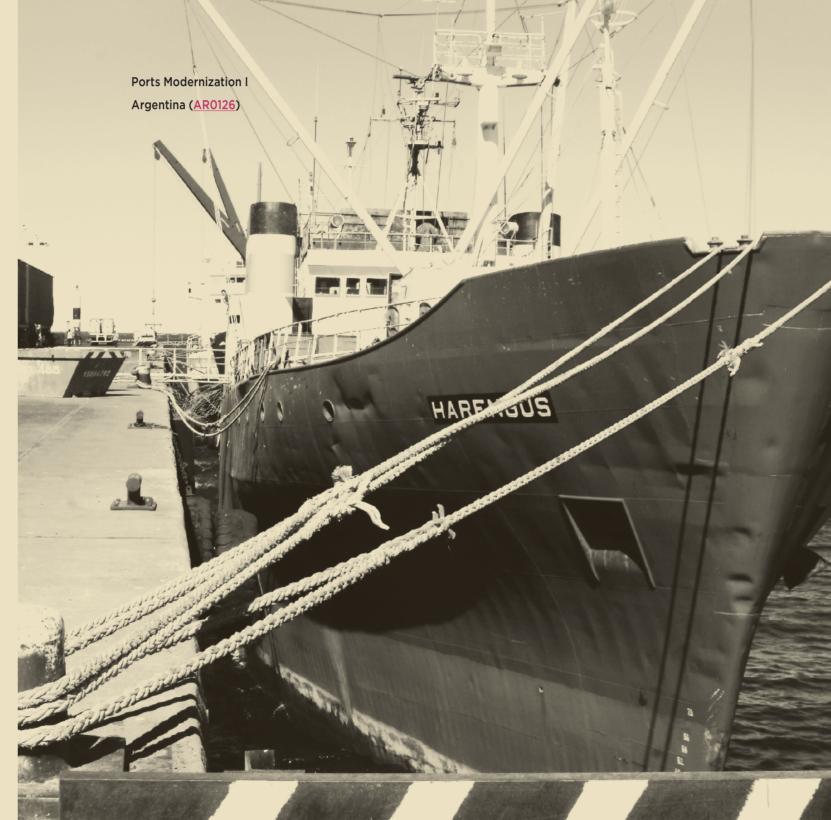
Latin America and the Caribbean lags behind other sit commercial goods. Some countries are taking this world regions with respect to the speed with which a step further by extending efforts beyond national goods can be imported and exported. Currently, it borders. For example, the Pacific Alliance countries, takes an average of five days to import goods into with IDB support, completed the harmonization and the region and four days to export, compared to less electronic exchanges of their phytosanitary and origin than one day to import and export in North Americertificates, and are working to include customs decca (Volpe Martincus, 2016). These lags contribute to larations in the interoperability platform of their single economic losses because international firms may be windows. deterred from sourcing goods or setting up production, local businesses and producers may suffer lost funding in support of single windows in Argentina, revenue (as when perishable or seasonal goods arrive late), and consumers may face higher prices or even Guyana, Honduras, Mexico, Nicaragua, Panama, Peru, product shortages.

more efficient, the IDB has been supporting trade facilitation in the region. Trade facilitation involves the standardization, harmonization, and automation of all procedures and practices related to the international sale and transfer of goods, and the information, data, a regional forum integrated by governmental, public, documents, and services associated with the transport and private organizations of the 26 Latin American of those goods. An important area of intervention is and Caribbean member countries, aims to strengthen connecting national electronic single windows, which coordination, cooperation, and partnership between allow traders to submit to a single body (or "window") the region's single windows and other stakeholders to the information needed to fulfill all the administrative promote interoperability, facilitate trade, and optimize procedures required by the various government offic- the use of resources in the export, import, and transit es to obtain authorization to import, export, or tran-transactions.

Since 2007, the IDB has provided \$338 million in Chile, Colombia, Costa Rica, El Salvador, Guatemala, Suriname, Trinidad and Tobago, and Uruguay. In ad-To streamline processes and make border crossing dition to projects at the national level, the IDB supports multi-country initiatives that connect national projects to the rest of the region and support trade facilitation more broadly. For example, the Inter-American Network of International Trade Single Windows,

sociated with reduced transit times and increased ex- facilitated imports. In **Colombia**, the growth rate of under the electronic single window had an average was approximately 3.9 percentage points higher than annual growth rate of 1.4 percentage points higher that of imports subject to separate, manual processes. than that from exports subject to the noncomputer- Thus, the single window has made it possible for Coized procedures. This resulted in average aggregate lombian firms to source more and better imports and

The IDB's support to single windows has been as- window from 2008 to 2013. Single windows have also ports. For example, in Costa Rica, exports processed firms' imports processed through the single window export gains of \$16 for every \$1 invested in the single to do so primarily through more frequent shipments.



Inter-American Development Bank Group

Gender Equality and Diversity





Agenda is ensuring that the benefits of development are enjoyed by all, with SDG 5 specifically dedicated to gender equality. While development advances have been made for women. African descendants, and indigenous peoples in Latin America and the Caribbean. these groups continue to experience unequal access to opportunities, social exclusion, and discrimination. In this vein, the UIS prioritizes gender equality and diversity as cross-cutting issues that should be the subject of direct investment as well as mainstreamed throughout the IDBG's strategies and operations.

In 2017, the IDBG launched the campaign "100% Committed to Gender Equality," which reinforces the institution's commitment to advance gender equality and empower women through all its operations. The IDB also approved an updated Gender Action Plan for 2017-2019, which focuses efforts on improving the quality of gender mainstreaming in operations, achieving and systematically reporting gender-related results in project monitoring and completion tools, and better integrating gender equality issues into country strategies.

To further advance gender equality in the private sector, IDB Invest and the MIF, together with the United Nations (UN) Global Compact and UN Women, launched the Women's Empowerment Principles Gender Gap Analysis Tool in 2017, a free online selfassessment that helps companies assess their gender equality policies and practices and identify areas for improvement. The tool was presented to 50 MIF and IDB Invest fund managers, and IDB Invest Advisory Services has put this tool into practice to develop gender action plans with clients, including pioneering

At the heart of the 2030 Sustainable Development efforts with two new private equity funds, MAS Equity (12050-01) in **Colombia** and Capital Indigo (12181-01) in **Mexico**. In addition, four IDB Invest projects approved in 2017 introduced gender performance-based incentives for the first time. Under these incentives. the interest rate on the portion of the loan package funded by the Canadian Climate Fund for the Private Sector in the Americas could be reduced depending on the results of gender equality activities achieved during execution, such as the implementation of corporate gender action plans and employee gender equality training.

> In terms of the IDBG's direct investment in gender equality in 2017, a public-private partnership was consolidated in Argentina to reduce gaps in women's economic participation as part of the Gender Parity Initiative, with support from the IDB and IDB Invest, in partnership with the World Economic Forum. In addition, the MIF approved a regional project (RG-T3019) to support female university students or recent graduates in science, technology, engineering, and math disciplines to start and grow high-impact entrepreneurial ventures. Box 2.4 presents results related to women's economic empowerment among projects in execution in 2017.

> In terms of mainstreaming, a new IDB-supported project (ME-L1258) seeks to modernize Mexico's National Employment Service to help an estimated 500,000 job-seekers find formal employment, with targeted efforts to promote gender equality through strategies such as dedicated employment fairs for women and capacity building to help reduce gender bias in selection and promotion processes. IDB Invest financing to BHD León (11807-04), the second-largest

private bank in the **Dominican Republic**, will provide access to credit to at least 300.000 SMEs, 40 percent the new institutional framework and the consolidation of which are expected to be led by women. In addition, for the first time ever with a financial institution. IDB Invest will provide advisory services to help the bank obtain Economic Dividends for Gender Equality (EDGE) certification for gender equality. To promote mainstreaming in the broader financial sector. IDB Invest and the Global Banking Alliance for Women co-sponsored the first "All Stars" training for financial institutions in the region looking to build comprehensive women's market strategies, which was hosted by BHD León. Similarly, IDB Invest is working with energy sector clients to promote greater female participation in traditionally male-dominated areas. For example, the Atlantic II wind farm project in **Brazil** (12009-3) has set two gender equality goals: at least half of its interns and at least 10 percent of its operations and maintenance employees will be women.

In addition, three MIF projects aiming to improve youth digital skills and employment in knowledge economy sectors, with a focus on women, were approved, including an inclusive tech employment model in Argentina (AR-T1178); a model to build talent for the software industry in **Bolivia** emphasizing secondary and university level training in math, soft, and digital skills (BO-T1297); and a regional project to integrate young people into the digital economy (RG-T2940).

The IDBG also continued its work to promote development with identity and inclusion of indigenous peoples and African descendants in 2017, with new projects that both directly invest in and mainstream diversity considerations.¹³ For example, in **Bolivia**, a new technical cooperation (BO-T1280) is supporting

public policies, contributing to the development of of the Indigenous Autonomous Native Peasant Governments. It is doing so by implementing regulations for the operation, strengthening, and implementation of Territory Management Plans, supporting fiscal decentralization, and backing support agreements for highly vulnerable indigenous peoples so that they can access Indigenous Autonomies—a governance structure in Bolivia that allows indigenous groups to self-

In **Peru**, the MIF approved the first development impact bond pay-for-success structure (PE-T1358), focused on climate-smart agriculture that specifically targets the sustainable development of indigenous people. The project is a market-driven approach to environmental conservation, aiming to work with 500 Asháninka coffee and cocoa producers to implement agroforestry systems, increasing quality, productivity, and market access while promoting conservation and leveraging the cultural values of the Asháninkas.

In **Chile**, the IDBG is supporting climate-smart agriculture and productive development in indigenous Mapuche communities facing decreasing land productivity caused by soil erosion induced by climate change. A MIF project (CH-T1181) will pilot the adoption of crop-rotation technologies using a new highprotein, climate-resistant variety of a traditional legume (lupine) in partnership with a company formed by indigenous cooperatives. There is growing demand for this high-protein product in the salmon-farming chain, and the main player in the global fish feed market is serving as the anchor company in this project. Once the technology transfer model is tested with 2,000 producers and validated, it will then be scaled

^{13.} Development with identity refers to promoting sustainable economic development, while simultaneously protecting cultural legacies and promoting respect for cultural, economic, and social values in accordance with indigenous worldviews.

Supporting **Women's Economic Empowerment**

Women's economic empowerment is an important as- subsequently been adopted in other countries—most pect of achieving gender equality and helping women recently, in **Honduras** (HO-L1117). Since the Honduras realize their full economic potential (SDG 5). Further- Ciudad Mujer project began execution in 2017, nearly more, women's participation in the labor market and 1.500 women have been provided with labor trainability to access finance can have critical impacts ing and job placement services, helping to address on broader economic growth (SDG 8). Nonetheless, Honduras's 43 percent workplace participation rate women face fewer economic opportunities than men for women—the lowest in Latin America. The project throughout the region and further efforts are needed facilitates participation in these and other services in both the public and private sector to address the offered by Ciudad Mujer by providing on-site care for barriers they confront. The three examples that follow illustrate some of the distinct ways the IDBG supports ers are receiving services. women's economic empowerment in Latin America and the Caribbean.

Providing labor training and job placement

ing women's labor force participation, the model has experts participated from 17 countries.

boys and girls under 12 years of age while their moth-

Supporting women entrepreneurs

The MIF's efforts to support women entrepreneurs in the region proceeded on various fronts. In Panama, the Canal The IDB's support for Ciudad Mujer in the region— de Empresarias project (PN-M1024) completed in 2017 beginning with El Salvador—has been a model in built the entrepreneurial skills of 1,060 women. Of these, providing integrated services for women through a 300 women entrepreneurs received personalized mensingle center called a Centro Ciudad Mujer. Services toring support, and nearly half reported increased sales include those related to women's economic empow- as a result. Continuing to connect women entrepreneurs erment—such as job training—as well as complemen- in the region with high-growth businesses with mentors tary services in such areas as health and violence and investors, the MIF held the fifth annual WeXchange against women. Building on the successes of the event in Santiago de Chile, which focused on STEAM (sciexperience in El Salvador in areas ranging from im- ence, technology, engineering, arts, and mathematics). proving women's use of public services to increas- Some 190 women entrepreneurs, mentors, investors, and



by ongoing IDB programs to promote indigenous development (CH-L1105) and productive development financing (CH-L1098), both executed by Chile's Production Development Corporation.

Peru (PE-L1171) aims to provide the population with adequate access to quality civil registry and identification services and specifically targets the delivery of services to vulnerable populations, including indigenous populations in remote communities. In Chile, IDB Invest is providing financing, through the Clean Technology Fund (CH-L1102), for Cerro Pabellón, the first geothermal plant in South America and a model sustainable project in the use of technology, minimicreation with adjacent indigenous communities. Enel Green Power Chile, the company leading this project, created a shared value plan to promote the area's improvement focused on two surrounding indigenous

communities, providing access to energy and business support for microentrepreneurs to be integrated into the local supply chain.

The IDB also held the Second Regional Dialogue In terms of mainstreaming, a new IDB project in on Diversity, "Public Policies for Ethnic and Racial Inclusion: Public-Private Partnerships." to highlight the work of governments and the private sector on the formulation of action plans for the inclusion of African descendants and indigenous peoples.

In all, more than 100 IDBG-financed projects in 21 borrowing member countries had CRF results related to gender equality and diversity in 2017, with 330,000 women benefiting from economic empowerment initiatives, 130,000 African descendants benefiting from zation of adverse environmental impacts, and value health services, and 470,000 indigenous persons benefiting from targeted anti-poverty programs. Click here to see the specific projects and initiatives contributing to these and other CRF indicators related to gender equality and diversity.

330,000 women benefited from economic empowerment initiatives with IDBG support in 2017.



Climate Change and Environmental Sustainability











The countries of Latin America and the Caribbean are highly vulnerable to the effects of climate change and highly dependent upon their natural resources for economic growth. Sustainability is at the core of the entire SDG Agenda and various SDGs are directly associated with climate change and environmental sustainability-from Sustainable Cities (SDG 11) and Climate Action (SDG 13) to Life Below Water (SDG 14) and Life on Land (SDG 15). If current trajectories continue, these are some of the SDGs where the region is have found that greater efforts are needed to reduce waste, protect marine environments, and combat climate change (Nicolai et al., 2016).

and environmental sustainability as their primary obsues to be mainstreamed throughout its operations. In 2017, the IDBG approved a joint Climate Change Action Plan, which outlines actions for the IDB, IDB Invest, and the MIF to reach the 30 percent climate financing goal by 2020 and systematically mainstream climate change into operations.¹⁴ The mainstreaming of climate considerations into new operations con-

tinued to advance in 2017. A systematic approach to upstream climate change has been put in place with the scanning of the annual pipeline to flag opportunities to include climate considerations early in the project cycle as well as to point out climate risks. In addition, climate change is being increasingly main-

The IDBG continued its work to reduce vulner-IDBG invests in projects that target climate change ability to the effects of climate change in 2017. In this vein, a new project in **Belize** (BL-L1028) is working to jective, but principally treats these as cross-cutting is- reduce disaster and climate-related vulnerabilities in the productive sector and to improve flood control in Belize City, as well as supporting nature-based shoreline stabilization measures in coastal areas of Caye Caulker, with an aim of reducing the number of people affected by recurrent floods and the associated economic losses. A new project in Bolivia (BO-L1191) will address water shortages, boost efficiency in manag-

streamed into strategic dialogue with governments and the IDBG country strategies. Along these lines, IDBG also continued its support to countries in fulfilling their commitments made under the Paris Agreeat greatest risk of falling short. For example, studies ment, through the NDC Invest platform in 2017, which aims to be a one-stop shop to help countries meet their climate goals.¹⁵

ing the supply and demand for water resources, and enhance resilience to the effects of climate change.

In terms of climate change mitigation, the IDBG works across a range of sectors—from energy and transport to forestry and agriculture—to reduce or seguester greenhouse gas emissions to lessen the risk of climate change. Along these lines, IDB approved a new project in **Argentina** (AR-L1267) to renovate and electrify the passenger rail service of a section of the General San Martín Railroad, which will reduce travel times, improve the reliability of service, and decrease greenhouse gas emissions.

As part of its work in climate-smart agriculture, in **Honduras**, the MIF is supporting MSMEs in four agroforestry value chains with a combination of technical assistance to implement climate-smart practices and strengthen management practices, and a senior loan to provide credit to producer cooperatives, associations, and small producers to finance climate adaptation activities (HO-T1255; HO-L1152). This forestry financing pilot is coordinating with related IDB and government efforts in the country and can serve as a replicable model to help attract international climate fund resources to Honduras.

Through regional technical assistance programs (RG-T2720 and RG-X1244) launched in 2017, the IDBG is also supporting National Development Banks to issue green and sustainable development bonds to help address financing gaps through new sources emissions of more than 850,000 tons. of private funding. In Colombia, for example, Bancóldex issued the country's first green bond available through the Colombian stock exchange, raising local currency equal to roughly \$60 million to finance projects that mitigate the impact of climate change and improve the environmental performance of Colombi-

an companies. In 2018 and 2019, eight more National Development Banks in Argentina, Brazil, Colombia. **Ecuador**, **Mexico** and **Uruguay** will receive support to issue green and sustainable bonds. This work will also mobilize additional resources by combining IDB technical support with anchor investments from bilateral banks and other MDBs, including the European Investment Bank. 16

The IDB also continued its support to national programs aimed at transitioning to sustainable and efficient energy in countries such as Colombia (CO-L1217) and **Ecuador** (EC-L1223) in support of SDG 7 (Affordable and Clean Energy). In parallel, IDB Invest and the MIF are combining instruments to contribute to the Colombia Energy Efficiency Trust, which will promote private sector financing for SME energy efficiency projects that are being implemented by energy services companies. The Trust will purchase credit rights from underlying projects in the energy services companies' portfolios, with an eye toward a subsequent securitization stage to mobilize other investors. MIF equity (CO-Q0016), combined with equity from the Clean Technology Fund and the Trust's Master Servicer, will come in first, providing an adequate risk mitigation cushion to leverage senior debt from IDB Invest (11912-02). Over the life of the fund, it is expected that the energy efficiency projects to be financed will generate an overall reduction in greenhouse gas

IDB Invest is continuing to support large-scale renewable energy projects, contributing to greenhouse gas reductions and the diversification of energy matrixes across the region, with ongoing projects leading to tangible results in terms of sustainable energy production (see Box 2.5). In 2017, four projects were

^{14.} In 2017, 28 percent of the IDBG's total approved volume supported climate mitigation and adaptation, up from 22 percent in 2016 and 16 percent in 2015.

^{15.} The NDC Invest platform offers financial and non-financial support for countries to implement their Nationally Determined Contributions (NDCs) as part of the Paris Agreement, which includes helping them analyze policies, plan investment priorities, carry out project preparation studies, access concessional resources, and develop mobilization strategies. For more information on NDC invest and other IDB efforts in support of climate change and environmental sustainability in 2017, see the 2017 Sustainability Report.

^{16.} For more information, visit the GFL Green Finance Latin American and Caribbean website here.

Diversifying **Uruguay's Energy Matrix**

solar plants operating in the country, most of which are privately owned and hold a power purchase Emission Reductions. agreement (PPA) with the state-owned energy utility Transmisiones Eléctricas).

The IDBG played a key role in the successful dithe participation of the private sector in energy generation in the country, starting with the private sector December 2012.

nancing in Uruguay for project finance was limited to in the country. 12-year tenors. The IDBG provided a \$41.7 million loan financial viability of the project.

2017, the project produced 10 percent more energy in 2014 to 15 percent in 2015, and 31 percent in 2017.

In mid-2012, there were only four wind farms in op-than originally expected at closing (an 8 percent ineration in Uruguay, representing a total capacity of crease over 2016 levels) and displaced an estimated 43 megawatts. Today, there are 42 wind farms and 17 94,600 equivalent tons of carbon dioxide emissions. That year, the project's sponsor sold 76,443 Verified

Palmatir was among the first large renewable encompany, UTE (Administración Nacional de Usinas y ergy projects developed through private sector investment in Uruguay. The PPA originally tendered by UTE did not include certain provisions typically versification of Uruguay's energy matrix as well as in required to secure access to international financing for this type of project. The IDBG contributed to the renegotiation of the PPA to address these concerns, project Palmatir (UR-L1080), which was approved in which resulted in a successful bidding auction that served as a benchmark for subsequent PPA auctions When the project began, long-term commercial fi- of wind energy projects to private sector companies

Uruguay is now among the world leaders in the with a tenor of up to 20 years, which was critical to the share of energy generation from renewable resources-which accounted for 96 percent of total energy The wind farm started operating in May 2014, and generated in 2017. The importance of wind power with its 50 megawatts of installed capacity, it more in the energy matrix has increased notably in recent than doubled the capacity installed at baseline. In years, from 6 percent of the total energy generated

recognized as exemplary deals of the year by IJGlobal. including the Aela project in **Chile** (12111-01)¹⁷ to finance wind farms in three strategic geographic areas. which together will generate 332 megawatts of energy to be sold to 26 distributors. This wind power will add to the country's renewable energy mix and is expected to reduce carbon emissions by approximately 590,798 equivalent tons on average per year. Given the sheer size of total financing for this project (\$413.5 million) and longer tenor required, the IDBG's involvement (\$135 million) was critical in providing comfort to commercial banks that participated in the transaction.

A number of water and sanitation projects approved in 2017 also included climate elements as part of IDBG's efforts to mainstream climate considerations throughout its operations. For example, communities realize the full economic value of their IDB approved the Port-au-Prince Water and Sanitation Project III (HA-L1103) in Haiti, which has as its primary objective improving the quality of life and sanitary conditions of Port-au-Prince and rural communities through the provision of sustainable water and sanitation services. In support of SDG 6 (Clean Water and Sanitation), the project will address issues facing many parts of the country, such as low water coverage, unreliable water supply, and the high vulnerability of water sources to contamination. The project is also expected to invest 20 percent of its resources in adaptation measures to increase the resilience of the water and sanitation sector to climate impacts. In **The Bahamas**, IDB Invest also approved a loan in 2017 (12189-01) which, as part of the Grand on climate change and biodiversity. Bahama Utility Company's business plan to improve the quality and efficiency of its services, financed the purchase and installation of smart water meters to reduce non-revenue water losses.

In terms of environmental sustainability, the IDBG helps enhance the sustainability of natural capital as well as improve conservation and preserve ecosystem services. In this vein, IDB recently approved a new operation (PN-L1146) to help preserve and develop **Panama**'s cultural and natural heritage sites, including preserving four protected natural areas through more effective management and financial sustainability. By project completion, over 313,000 hectares of protected land and waterways—approximately 12 percent of Panama's total protected area—are expected to have improved management, including in Coiba National Park, Volcán Barú National Park and San Lorenzo Protection Forest and Reserve.

Similarly, the MIF is working to help countries and natural capital through innovative solutions led by the private sector. For example, the Intrinsic Value Exchange has pioneered a new asset class and online trading platform to bring natural assets onto a level playing field with financial capital. The MIF is working with Intrinsic Value Exchange in **Suriname** (SU-T1096) to demonstrate the viability of this pioneering model by placing a market value on the natural capital of the Central Suriname Nature Reserve, trading that value, and sharing the resulting wealth equitably with local communities while reinforcing conservation outcomes. If successful, this innovation has great potential as an alternative market-led solution in the context of compliance with commitments of the global conventions

At the regional level, the MIF is supporting another market-driven solution—an equity investment of \$4 million in the Althelia Sustainable Ocean Fund (RG-Q0042), the first global "blue economy" investment

^{17.} The Aela project was also named the Best Latin American Renewables Deal of the Year by Project Finance International.

fund (using the sea and its resources for sustainable development) slated to invest in the region. The fund will invest in real assets and improvements in the management of coastal fisheries, sustainable aguaculture projects, the supply chain of sea products, and other selected coastal projects, while ensuring the best available social and environmental governance. The expected impacts include improvements in food and climate security, means of subsistence, carbon sequestration, and ecological biodiversity. The fund has an end target es to be invested in projects in the region.

als with climate finance, the IDBG is continuing to enhance its ability to capture climate-related results with new climate-related disaggregation op-

tions developed for many CRF indicators that will allow for more detailed reporting on climate results in future years. In 2017, nearly 100 projects in 22 borrowing member countries reported CRF results related to climate change and environmental sustainability, with 28,000 individuals benefiting from IDBG-supported projects to improve management and sustainable use of natural capital, 3.9 million metric tons of annual CO₂ emissions expected to be avoided due to 2017 approvals, and an additionof \$100 million, with at least 35 percent of the resourcal 2,600 megawatts of installed power generation capacity supported in the region—all of which was In addition to a growing amount of new approv-renewable. Click here to see the specific projects and initiatives contributing to these and other CRF indicators related to climate change and environmental sustainability.

3.9 million metric tons of annual CO₂ emissions are expected to be avoided due to IDBG's 2017 approvals.

Institutional Capacity and Rule of Law



The final strategic priority of the IDBG's institution- example, the Support to the Public Sector Transforal strategy is Institutional Capacity and Rule of Law, which is intimately tied to SDG 16 (Peace, Justice and Strong Institutions) and remains a critical aspect of advancing the region's development. Many countries in the region have made progress in recent years in such areas as tax administration and collection, increased decentralization of public expenditures, improved transparency of public institutions, and improved citizen access to information. Nonetheless, the region faces a crisis of citizen confidence, with corruption scandals rocking several countries in 2017. Public satisfaction. distrust in government is increasing, satisfaction with public services is declining, and crime and violence to move from billions to trillions in development ficontinue to rate top among citizen concerns.¹⁸

In 2017, the IDBG continued its support to countries along the multiple dimensions related to institutional strengthening—from improving the delivery of public services and facilitating a healthy business environment to addressing citizen security and tackling corruption. In many cases, this support can be directly tied to one or more specific SDGs, such as IDB's support to an initiative in **Colombia** that takes a multi-sectoral approach to addressing many of the country's most pressing development challenges es and customs duties in El Salvador (ES-L1131), and (see Box 2.6).

IDB supports targeted projects to strengthen institutions in specific sectors (such as health and trans-

mation Programme in Jamaica (JA-L1073 and JA-L1078) is working to improve the delivery of public services by enhancing the quality of transactional services (such as obtaining a driver's license or paying taxes) and improving efficiency in public spending. By investing in information and communications technologies to make additional services available online and carrying out organizational and process reengineering, it expects to reduce the time required to deliver prioritized public services and increase citizen

In light of the 2030 Agenda and the commitment nance, increasing institutional capacity to mobilize domestic resources is of critical importance. IDB has ongoing initiatives in ten countries in the region (Argentina, Brazil, Colombia, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, and Uruguay) aimed at improving revenue collection, strengthening public expenditure efficiency, and other aspects of domestic resource mobilization through such activities as improving real property tax assessment systems in **Guyana** (GY-T1130), reducing noncompliance with taxstrengthening investment management in Argentina (AR-L1248).

Institutional capacity building is also treated as a port) as well as broader public sector reforms. For cross-cutting issue in IDB's operations because strong

^{18.} According to the global UN survey "My World," which had 9.7 million respondents as of May 2018, "an honest and responsive government" and "protection against crime and violence" are among the top 10 concerns facing the citizens of the region.

Supporting Colombia in Achieving the SDGs

Tackling the SDGs means tailoring IDBG responses ued work is needed to close these gaps. Addressing to the specific concerns of countries and subregions. these issues requires a response tailored to Colom-Over the past several years, IDB has been support- bia's unique circumstances. ing **Colombia** in its country-wide initiative known as Sustainable Colombia (Colombia Sostenible), which Sustainable Colombia Program (SCP), was approved is based on the SDGs and takes a systemic and multi- to support many of the objectives of Colombia Sossectoral approach to addressing rural development, tenible. The SCP targets 170 municipalities affected climate change, environmental sustainability, and by the conflict, addressing a range of interconnected social inequality in areas characterized by armed development challenges-from restoring degraded conflict. The IDB worked closely with Colombia, pro- ecosystems and financing sustainable agriculture and viding specialized technical assistance to define options for the structure and effective operation of the ity of local and regional actors. By the time the project initiative, as well as to identify the key regions, sec- is completed, more than 30,000 hectares of land are tors, and activities that could maximize sustainable expected to have benefited from sustainable producdevelopment impact in a post-conflict context. The tion practices, conservation incentives, and ecological IDB also facilitated an institutional process for decision-making and definition of the specific elements expected to adopt sustainable production systems of Colombia Sostenible.

Colombia's long-running civil conflict took a toll ducers is expected to increase by roughly 20 percent. on the environment, with conflict zones experiencing disproportionate levels of poverty and environmental destruction. In 2014, they had a multidimensional poverty index of 55 percent, compared with the coun- SDG 15 (Responsible Production and Consumption) try's average of 46 percent. In 2015, 89 percent of the and the broader Colombia Sostenible program incountry's deforestation took place in these zones. While the civil conflict came to an end in 2016, contindressing the SDGs. The IDBG's support to these types

In 2017, a \$100 million IDB loan (CO-L1166), entitled agribusiness projects to building the technical capacrestoration. In addition, more than 30,000 farmers are and average net income for small and mid-size pro-

The SCP contributes to many SDGs—from SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced Inequalities) to SDG 13 (Climate Action) and cludes Colombia's complete priorities in terms of adof initiatives is aimed at helping countries realize their specific SDG ambitions while building longer-term capacity at a local level to address priority development tion and the loss of natural capital; rural poverty; terrichallenges.

While most of the work to date has been focused on putting in place the systems and elements required by future operations supported through the Colombia to implement activities under this initiative, this work Sostenible Multi-donor Fund that was established in has already strengthened the institutional capacity in 2017 to channel financing to the program. To date, the Colombia to design comprehensive interventions that support economic, social, and environmental sustain- have contributed to the fund.

able development across areas that previously would have been managed separately, including deforestatorial development; local capacity; and climate change.

The loan approved in 2017 will be complemented Governments of Norway, Sweden, and Switzerland



Inter-American Development Bank Group

institutions are critical for addressing each of the other strategic priorities. Thus, many projects incorporate institutional strengthening as part of their strategy for enhancing the operation's long-term sustainability. For example, a \$30 million project approved for **Peru** and increasing the proportion of police investigations in 2017 (PE-L1153) aims to improve environmental conditions in 12 municipalities in areas degraded by solid waste. While most of the financing is directed to closing dumpsites, it also includes \$1 million to finance activities, including training to strengthen municipal and social management and support for the implementation of Recyclers' Social Inclusion Plans to help move informal recyclers to formal employment or alternate employment activities.

Rule of law and citizen security are also important aspects of strong institutions and a top concern for citizens of the region. In this vein, IDB has been supporting more than 300 subnational governments in **Argentina** (AR-L1074), as well as Santo Domingo in the **Domini**can Republic (DR-L1035), and a national project in Costa Rica (CR-L1031) to reduce criminal behavior and

improve the police force's effectiveness in addressing violent crimes. In 2017, a new project was approved in Jamaica (JA-L1074) to address the security challenges in that country, with an aim of reducing the murder rate of murders that result in prosecution.

The prosperity of the region is intimately tied to the ability of its institutions to inspire confidence among citizens and private enterprise to create the necessary conditions for economic growth, innovation, and social progress. More than 40 projects in 15 borrowing member countries had results related to institutional capacity and rule of law in 2017, with 28 government agencies strengthened with technological and managerial tools to improve service delivery, 334 subnational governments benefited from citizen security projects, and 10 countries supported with initiatives to improve domestic resource mobilization. Click here to see the specific projects and initiatives contributing to these and other CRF indicators related to institutional capacity and rule of law.

In 2017, 334 subnational governments benefited from citizen security projects supported by the IDBG.



Reflections

As each country in the region moves forward in advancing its SDG priorities, it will have to address the infrastructure gap (SDG 9), responding to climate change (SDG 13), and creating more sustainable cities (SDG 11), for example, remain critical throughout the region. Achieving the targets for these and other SDGs requires taking an integrated approach that recognizes the interconnectedness of development challenges.

The three challenges and cross-cutting issues of the UIS continue to remain relevant in the region, number of areas. While specific approaches must be of technology. tailored to the local context, a number of common underlying gaps exist that have the potential to have broad impact across many SDGs and development challenges. Specifically, continued and, in many cases, increased efforts in the following areas will be important to the region's development progress:

of recent upticks in poverty rates and the vulnerability IDBG must maintain its long-standing commitment to support programs that break the cycle of poverty and lead to sustainable improvements in socioeconomic conditions. Gaps in access to basic services require ongoing attention and the region's gains in education access need to be complemented by improvements in quality and student outcomes. To ensure no one is left behind, the IDBG needs to continue scaling up its efforts to mainstream the inclusion of gender and SDGs related to Sustainable Cities (SDG 11), Climate diversity considerations throughout its operations.

prove productivity and competitiveness: The pace of technological change makes accelerating innovation

and the use of technology in the region more important than ever to compete in the world market and address the region's productivity and innovation lags. The digital economy and digital technologies offer underlying issues that contribute to current gaps, opportunities to exploit emerging industries, improve Ongoing challenges related to closing the region's efficiencies and productivity, make knowledge more accessible, and scale solutions to pressing social and environmental problems. They also imply changes to how people work and the demand for skills. The IDBG should ramp up its support to help the region adapt to technological change and harness the opportunities it offers, such as through investments in innovation ecosystems and entrepreneurial solutions, support for education and training systems that are aligned to the evolving needs of the job market, and with further work needed to accelerate progress in a support for partnerships with leading global sources

Bolstering regional economic integration: The growing backlash against globalization raises the strategic value of the IDBG's efforts to advance economic integration in the region. In order to improve the export, productivity, and growth prospects of the region's economies, the IDBG must continue its efforts Addressing the region's social needs for all: In light to reduce the fragmentation of existing initiatives, facilitate the insertion of regional firms into global value many households face of falling back into poverty, the chains, improve regional infrastructure, and build institutional and private capacity to address barriers to competing in the global marketplace.

Mainstreaming climate change and sustainability: While the IDBG has made significant efforts to mainstream climate change and sustainability throughout its operations, continued vigilance on these topics is necessary given the fundamental role that natural resources play in the region's economies. With the Action (SDG 13), Life Below Water (SDG 14), and Life Leveraging technology and innovation to im- on Land (SDG 15) among those at greatest risk of falling short in the region, it is important that the IDBG sustain its efforts to mainstream climate change considerations in its operations and strategic dialogue with governments.

Strengthening institutions to mobilize resources and tackle corruption: Strong institutions are an essential ingredient to the region's development. In a SDG financing gap, time of low citizen confidence in public institutions. countries must strengthen their capacity to tackle areas, the IDBG must also focus heavily on the way corruption, fraud, and other practices that undermine public and investor confidence. Attention to creating economic and institutional conditions that will spur private investment remains critical to meet the region's development needs and attract catalytic investment to the region. At the same time, improvements in domestic resource mobilization (such as im-

proving revenue collection and strengthening public expenditure efficiency) and continued support to both public and private clients with designing and implementing PPP projects are needed to meet the

Beyond continuing and enhancing efforts in these it carries out its work to maximize the development benefit for each dollar invested and ensure that projects meet their targets. The next chapter discusses the key tools used for this purpose and more deeply examines the final achievement of results of completed projects.

The three challenges and cross-cutting issues of the UIS remain relevant in the region, with additional efforts needed to accelerate progress.

Rural Potable Water Program, Honduras (HO-X1017)



Driving toward Effective Development

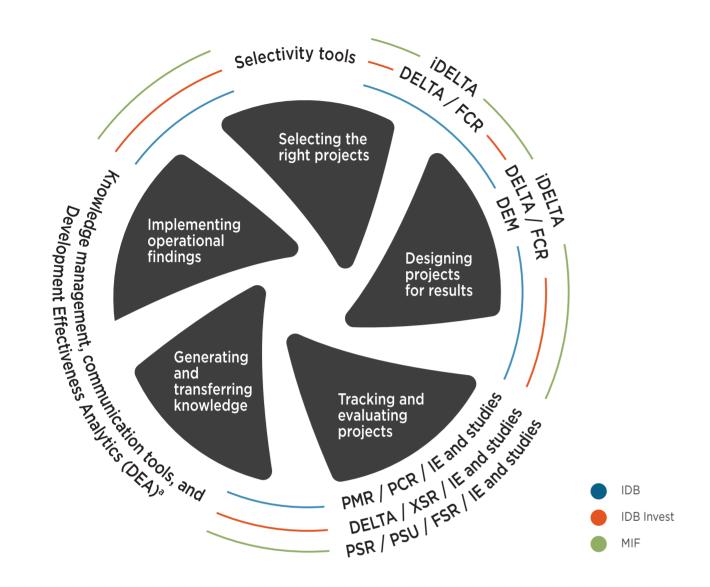
The overarching goal of the IDBG is to promote sustainable growth and social inclusion, while also re- ognized the DEF as a significant achievement of the ducing poverty and inequality. Achieving this goal IDBG due to its scope and robustness (MOPAN, 2017). requires the selection of projects that will generate Implementation of this framework has required a subresults in priority areas aligned with country and cli- stantial investment throughout the IDBG to change ent needs, as well as the effective design, monitor- the organizational culture from a focus on project aping, and evaluation of these projects. To this end, the provals to a focus on results. This change has required IDBG's DEF¹⁹ includes a set of tools to support the staff training, new IT systems, the creation of digital operational process from beginning to end, including platforms, and organization-wide change managedisseminating knowledge gained from projects and ment and dissemination campaigns. It has also refeeding learning back into the operational cycle, as quired a consistent focus on improvement. illustrated in Figure 3.1. This framework not only responds to the need for accountability to IDBG stake- decade ago, project design has improved (see approvholders, but also emphasizes continuous learning als sections below). The DEF has also enhanced IDBG's and improvement.

The international development community has rec-

Overall, since the implementation of the DEF nearly a ability to identify execution problems in the early stages

19. In the early 2000s, the Inter-American Investment Corporation (now IDB Invest) introduced a development effectiveness approach, laying the groundwork for the overarching IDBG DEF launched in 2008. In parallel, the MIF implemented a streamlined tracking and information system, coordinating its development effectiveness approach with the IDBG. After the private sector consolidation in 2016, IDB Invest launched a reinforced DEF for its operations (see 2016 DEO for more details), building on collective IDBG experience. See Appendix B for a more detailed explanation of the IDBG's DEF tools.

Figure 3.1 Development Effectiveness Framework Tools and the IDBG Project Cycle



Note: See Appendix B for a more detailed explanation of IDBG DEF tools. Knowledge management and communications tools include workshops, seminars, courses, publications, and blogs. DELTA = Development Effectiveness Learning, Tracking and Assessment Tool; DEM = Development Effectiveness Matrix; FCR = Financial Contribution Rating (rolled out in 2018); FSR = Final Project Supervision Report; IDB = Inter-American Development Bank; iDELTA = Innovation DELTA (rolled out in 2018); IE = Impact Evaluations; MIF = Multilateral Investment Fund; PCR = Project Completion Report; PMR = Progress Monitoring Report; PSR = Project Supervision Report; PSU = Project Status Update; XSR = Expanded Supervision Report.

of implementing projects (see monitoring sections below). Nonetheless, there is additional room for improvement and closing knowledge gaps, particularly when it comes to more systematically collecting findings from operations and applying this learning to the design of trix (DEM) future projects. In addition, IDBG projects that are now being monitored and completed are facing evaluability challenges because they were designed in the early stages of the DEF, when teams' abilities to design projects that were evaluable as well as their familiarity with the DEF guidelines were less advanced. This led to a cent and 71 percent of total approvals, respectively), mismatch with today's evaluation standards—there was a steep learning curve. The remainder of this chapter discusses the respective performance of the IDB, IDB Invest, and the MIF related to project approval, monitoring, completion, and evaluation.

The Inter-American Development Bank: Approval, Monitoring, Completion, and **Evaluation**

Approval

IDB projects include an ex ante assessment of how evaluable the project will be at completion. The IDB ensures the evaluability of operations by assessing ev-

ery operation's proposal and verifying that provisions exist to properly monitor the project's implementation and evaluation. At-entry evaluability of a project is measured with the Development Effectiveness Ma-

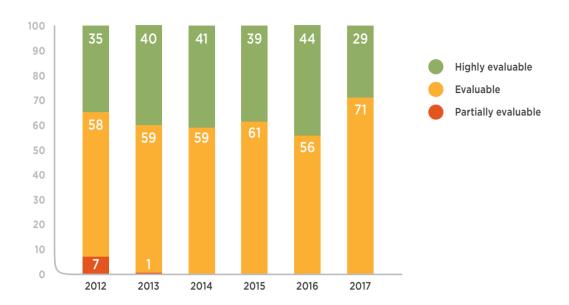
Figure 3.2 shows that since 2014, all approved SG loans have been categorized as evaluable or highly evaluable—that is, with an evaluability score of 7 (out of 10) or higher on the DEM. In 2017, 25 projects were rated as highly evaluable and 65 as evaluable (29 perdemonstrating that the IDB has successfully adopted this framework at entry.

It is critical that project design be informed by evidence-based solutions—that is, solutions that have been empirically tested under similar circumstances. In this way, projects will benefit from the growing body of knowledge in their field. When designing new operations, it is important to identify interventions that have been rigorously tested previously to assure that they work (internal validity), and that they work in the specific context in which the intervention is taking place (external validity). As shown in Figure 3.3, 71 percent of all SG loans approved in 2017 put forward solutions with empirical evidence.

The DEF supports the operational process from beginning to end.

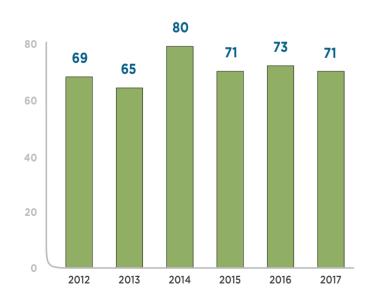
a. The DEA systematizes development effectiveness data collected throughout the project cycle to produce relevant portfoliolevel insights and analytics for IDB Invest stakeholders. It also includes an online lessons learned repository, which was launched in 2018.

Figure 3.2 Share of IDB Sovereign Guaranteed Loans by Evaluability Level, 2012—2017 (percent)



Note: To allow for cross-year comparisons, projects have been reclassified according to their DEM scores using the 2017 evaluability categories. "Highly evaluable" includes projects with a DEM score of 8.95 or higher; "evaluable" includes projects with a score between 7 and 8.94; and "partially evaluable" includes projects with a score between 5 and 6.99. No projects approved from 2012-2016 received an evaluability score of less than 5.

Figure 3.3 Share of Sovereign Guaranteed Approvals with Evidence-Based Solutions, 2012–2017 (percent)



innovative solutions to challenging issues, there are certain cases for which no empirical evidence exists because the proposed intervention is new and has not been tried before. In these cases, IDB interventions include rigorous evaluations so that the evidence generated will contribute to closing this knowledge gap (see Chapter 4 on Impact Evaluations (IE) for more information).

Monitoring

The Progress Monitoring Report (PMR) is used to monitor the execution of the IDB's SG operations and

However, as the IDB seeks to design and implement capture the results they achieve over time with a view to using these findings to improve future execution. Once a project is approved, it is critical to monitor its status to ensure that implementation starts expeditiously, and that the project remains on track, consistent with its initial plan. As execution progresses, it is also important to monitor the achievement of results with respect to the anticipated targets. Box 3.1 describes the PMR classification within the lifecycle of an SG operation.

The IDB's active portfolio includes 662 operations, equivalent to \$52.4 billion as of December 31, 2017.

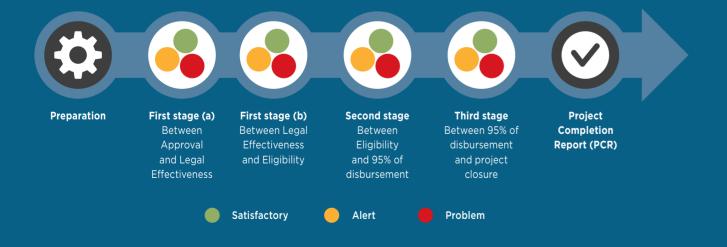
Lifecycle of Sovereign **Guaranteed Operations** and PMR Classification

(PMR), the operational lifecycle of an SG operation has bursement and runs until the operation closes. three stages, as shown in Figure 3.1.1. The first stage percent of project funds have been disbursed by the nancial plans.

For the purposes of the Progress Monitoring Report IDB. The third stage begins with the 95 percent dis-

The dimensions of project performance are meabegins with the approval of the operation by the Board sured through a set of indicators tailored to each of of Executive Directors and ends when the project the three stages. Some indicators are only used for reaches eligibility, which requires legal or administratracking purposes, while others are used for rating tive approval by the beneficiary country and the fulfill- project performance in three categories: satisfacment of the clauses for first disbursement. The second tory, alert, or problem. Projects are classified into stage starts when the project becomes eligible for its each category depending on how well they match first disbursement and continues until just before 95 country benchmarks and/or their execution and fi-

Figure 3.1.1 Lifecycle of Sovereign Guaranteed Operations



The active portfolio of the IDB (monitored through the PMR) includes 662 operations, equivalent to stage in Figure 3.1.1), the PMR uses an adaptation \$52.4 billion as of December 31, 2017. These include 602 SG loan operations and 60 Investment Grants greater than \$3 million.²⁰ In the 2017 classification exercise. 82 percent of operations were classified as satisfactory, 11 percent as alert, and 7 percent as problem. Figure 3.4 shows the performance classification of the PMR portfolio overall and by stage.²¹ Box 3.2 summarizes the main factors that impaired the execution of the operations classified as alert and problem.

eligibility (the first stage in Figure 3.1.1) and therefore cannot disburse, the classification is based on a more of their allocated resources (the third stage in comparison between the elapsed time from the approval date to the moment in which disbursements can start, considering interim legal steps depending on the characteristics of the country. The comparison is made with the country's benchmark determined by its own historical pattern with the IDB. Of sified as satisfactory, 3 percent as alert, and 3 percent the projects in this first stage in 2017, 85 percent as problem. were classified as satisfactory, 8 percent as alert, and 7 percent as problem.

For projects that are disbursing (the second of the Earned Value Method technique to classify execution performance by comparing the planned values of a project with the actual values achieved (earned value) and the actual costs. In short, what this methodology does is detect whether projects are delayed in their execution or experiencing cost overruns in comparison to their initial execution plan and to yearly updated plans. In 2017, 78 percent of projects that had disbursed less than 95 percent of their allocated resources were classified as satisfac-For approved projects that have not yet reached tory, 14 percent as alert, and 8 percent as problem.

> Projects that in 2017 had disbursed 95 percent or Figure 3.1.1) are classified according to the same criteria used in stage 2, plus one additional indicator that measures the time elapsed since the moment when more than 95 percent of project resources were disbursed until its closure. In 2017, 94 percent were clas-

^{20.} Operations with an approved Project Completion Report (PCR) by the end of the PMR cycle, investment grants of less than \$3 million, and investment grants through the Salud Mesoamerica Initiative are excluded.

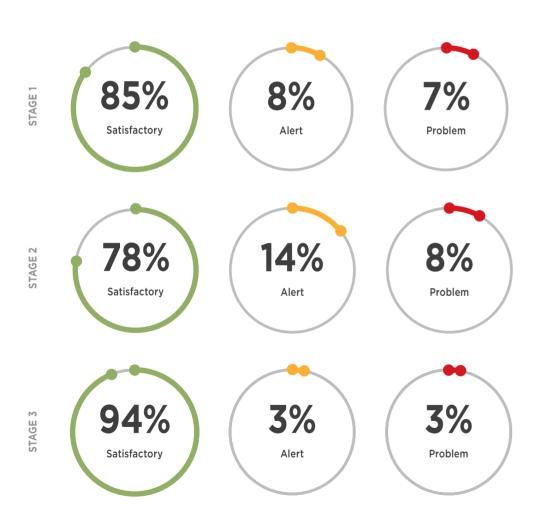
^{21.} In total, 599 operations received a performance classification for 2017. The remaning 63 operations monitored through the PMR are not subject to a performance classification. These include Policy-Based Loans (PBLs), Policy-Based Programmatic Loans (PBPs), and Performance-Driven Loans (PDLs),

Figure 3.4 PMR Portfolio Classification, 2017 (percent of operations)

a. Overall



b. By stage





Most Common Factors Influencing Project Execution in 2017

Collecting information about the factors influenc- management of solid waste, the government decided of alert or problem for projects that are not perform- the government decides to move forward. ing satisfactorily.

For example, in an operation focused on the integrated fully operational.

ing project execution is critical to addressing prob- to cancel one of the subprograms of the project and lem areas as they arise throughout the project's life- the current and expected bids for the year stopped as cycle and also to deepening the knowledge base of the government reassessed its priorities. As a result, what works (or does not work) in development more the operation was unable to continue execution as broadly. Through its PMR, the IDB monitors the main planned. Since then, the project team has continued to factors affecting the physical and financial progress maintain a close dialogue with the executing agency, of SG operations, as well as their achievement of de- participating in discussions to support the prioritizavelopment results. IDB project teams report in the tion exercise and supporting preparation activities that PMR the factors that contributed to the classification will allow for smooth reactivation of the program once

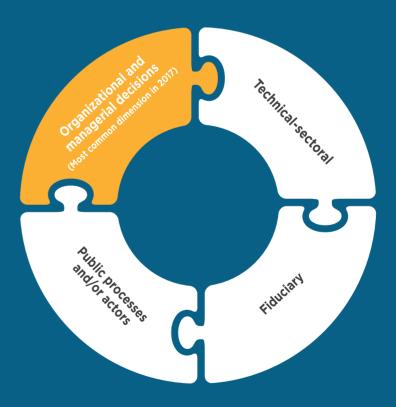
Regarding weak executing agency capacity, the The PMR allows teams to classify these factors constraints identified are in such areas as technical along one of the following four dimensions: organi- knowledge required to carry out the project's objeczational and managerial; fiduciary; technical-sectoral; tives; familiarity with IDB and/or country policies and and public processes/actors (see Figure 3.2.1). In 2017, regulations; skills in financial management, procureorganizational and managerial dimensions were most ment and other operational processes; and ability to often cited as contributing to issues in execution. In successfully lead coordination, monitoring, and evaluparticular, adjustments in government priorities and ation activities. For instance, in a tourism developweak institutional capacity impeded the physical and ment project, the quality of the civil works carried out financial progress of certain projects and limited the were affected by the limited technical knowledge of achievement of their expected development results. the executing agency to develop executive designs, In terms of government priorities, these can evolve and to supervise and manage the construction work for a number of reasons throughout a project's lifecycle after completion. As a result, even 18 months after the and can have a significant impact on project execution. civil works were finished the infrastructure was not

during project preparation. To address capacity gaps of their likelihood to occur and expected impact on such as those identified in the PMR exercise. IDB up- the operation. Specific response actions are crafted dated its institutional capacity assessment methodol- to manage these weaknesses effectively, which may ogy in 2017 and integrated it into the standard risk include engaging higher authorities in proactively management procedures for SG operations.

of executing agencies with respect to various areas. institutional arrangements are complex, such as in such as project management, technical skills, procure- operations that involve both national and subnational ment, and financial management. It also assesses the entities or multiple ministries. In order to complement communication and decision-making channels among the updated methodology, the IDB will be developthe different areas of the agency that are engaged in ing a toolkit in 2018 to help project teams select the project execution. Any weaknesses identified in the appropriate execution arrangements for operations, institutional capacity assessment are documented as building on lessons learned from past projects.

It is crucial to assess executing agency capacity potential risks for the operation and analyzed in terms managing the project and facilitating coordination The updated methodology evaluates the capacity among the parties. This is especially important when

Figure 3.2.1 Dimensions of Qualitative PMR Information



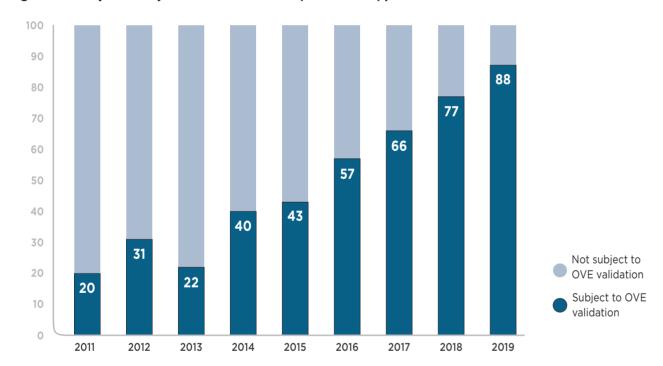
Completion and Evaluation

and PMR classification during the project lifecycle are tools designed within the scope of the DEF to ensure that at project completion there is verifiable evidence of what was achieved, how it was achieved, and what lessons can be drawn from the experience. The PCR is the DEF tool used to analyze whether a public sector project met its targets and achieved the desired deof operations that were designed and implemented using the DEF tools and are therefore subject to vali-

ment submitted 100 percent of the PCRs that needed Ex ante evaluability ratings (captured with the DEM) OVE's validation—that is, all projects that reached closed status in 2016 and were approved after the DEF came into full force.²²

As a response to OVE's evaluation and review of previous PCR guidelines (OVE, 2015 and 2017a), in 2017 IDB Management and OVE jointly agreed on a set of principles and quidelines to harmonize and unify the criteria for evaluating IDB projects at complevelopment goals. Today, most of the portfolio consists tion. These guidelines were approved in early 2018 and specify that achieved projects results must be compared against those indicators and targets esdation by OVE (see Figure 3.5). For 2017, IDB Manage- tablished when the projects were approved as well as

Figure 3.5 Projects Subject to OVE Validation, 2011–2019, percent



Note: 2018 and 2019 percentages are estimated. OVE = Office of Evaluation and Oversight

22. As mandated by IDB-9, PCR ratings for projects that were approved after the launch of the DEF need to be validated by OVE. In 2017, there were 65 operations (66 percent in Figure 3.5) subject to OVE validation. Of those, 41 required a PCR to be prepared, and the 24 remaining were either part of a series (13), were projects that were cancelled with less than 30 percent of disbursement (nine), or otherwise did not require a PCR (two).

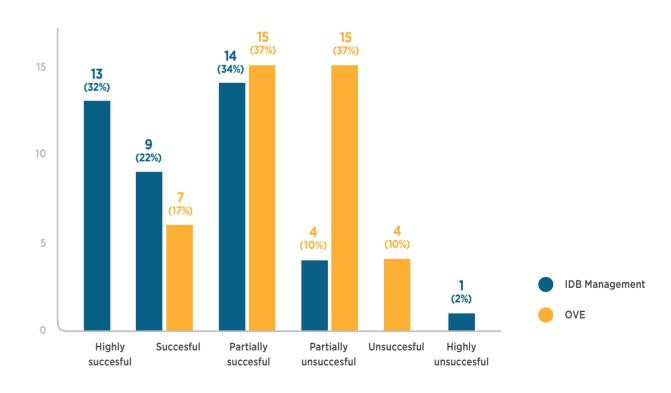
any changes in outcomes that were established within 60 days of the project reaching eligibility.²³ Guidelines prior to 2018 allowed for project teams to compare projects' achieved results against targets that were adjusted throughout the project lifecycle.

In 2017 project teams prepared PCRs following valid guidelines at the time, while OVE rated this same set of PCRs following the 2018 guidelines. Figure 3.6 presents PCR ratings by IDB Management and OVE. Management's self-evaluations resulted in overall higher ratings than those of OVE (see Table B.2 in approved in 2018 will be utilized by project teams to Appendix B for detailed ratings by project). Specifically, Management's ratings show that 88 percent of projects were partially successful or above,

successful or above. The differences in criteria between the guidelines used to prepare PCRs and the 2018 guidelines utilized by OVE for its ratings explain most of the discrepancies in the PCR scores shown in Figure 3.6.

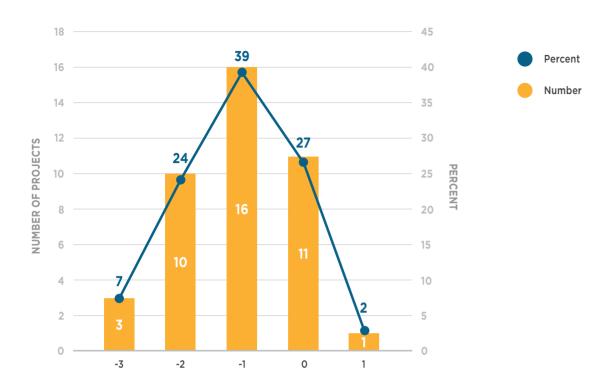
A total of 13 PCRs (31 percent) had noticeably different ratings between Management's self-evaluation and OVE's independent evaluation ratings—that is, a difference of two points or more on the six-point scale used to rate PCRs (see Figure 3.7). As the guidelines prepare future PCRs, moving forward IDB Management expects the divergence attributable to the use of different criteria between Management's self-evalwhile OVE found that 54 percent were partially uation and OVE's independent evaluation ratings to

Figure 3.6 PCR Ratings by IDB Management and OVE, 2017



^{23.} This adjustment was necessary to fully align the IDB's practice to the Evaluation Cooperation Group's evaluation standards.

Figure 3.7 Differences between Management's Ratings and OVE's Ratings



diminish gradually over time (that is, the transition • process may cause some divergence to persist in the coming OVE validation cycles). Some illustrate cases of both successful and unsuccessful projects after the 2017 PCR validation exercise follow.

Projects Rated as Successful

After the 2017 PCR validation exercise, a total of 23 projects were considered successful by both Management and OVE-that is, both gave scores in the top three categories of the six-point scale (highly successful, successful, or partially successful). The health reform program in Brazil (BR-L1044) and the project to strengthen financial services in Uruguay (UR-L1052) are textbook examples of good application of the DEF methodology. Independent of the sector or context in which these two projects took place, a robust design ensuring the sustainability of the project results over time made both projects successful.

A Successful Modernization of a Local Health **System in Brazil.** The Health Modernization and Humanization Program (BR-L1044), approved in 2011, was an important part of the process started in 2009 to restructure the health system in the municipality of São Bernardo do Campo in the State of São Paulo, Brazil.

The process aimed to align the Unique Health System of the municipality to the national policy, including integral and universal access to the health system. Both OVE and IDB Management rated the program as successful. The ratings matched mainly because the program design accurately considered the context of the intervention and had a logical theory of change that remained relevant over time, in which activities led to outputs, and those outputs led to the expected outcomes and impacts.

The program remained aligned to the country's and the IDB's priorities during the entire time in which it was implemented. However, the proiect had to make adjustments to improve the definitions of some indicators and to reallocate funds between components. Given that these changes where aligned with the overall logic of the program, the adjustments only slightly changed the rating under the new guidelines for PCRs.

The consistency in the results matrix of the project over time made it possible to track the evolution of indicators and evaluate to what extent targets were met. Both IDB Management and OVE considered the program to be effective given that it achieved (or partially achieved) most of its targets in terms of outcomes and outputs, and that the PCR included a plausible explanation of why those achievements could be attributed to the program.

The sustainability of outcomes was deemed "excellent" because the health reform remained a national priority after the program was closed. the execution unit was composed of permanent staff of the Secretary of Health, and a new program in the health sector was approved by the (BR-L1415).

· A Successful Program to Strengthen the Financial Services Superintendency in Uruguay. Strengthening the financial system has been a priority for **Uruguay** ever since the financial crisis of 2001-2003. Thus, the central objective of the project (UR-L1052) was to improve the efficacy and efficiency of the regulatory and supervisory functions of the financial services Superintendency of Uruguay's Central Bank (Superintendencia de Servicios Financieros, SSF). The program, which began execution in 2010, was designed

contributed to its success, and included activities to strengthen the SSF, improvements to the legal and operative procedures for the SSF's regulatory framework, and the application of new standards for financial supervision.

OVE and IDB Management both rated the program favorably in terms of the robustness of the design and the sustainability of results. Results achieved included the adoption of many international principles for the supervision of financial intermediaries, insurance agencies, securities, and pension programs. Factors contributing to the program's success included the decisive support from senior management at both the SSF and Central Bank, the successful engagement of consultants hired to implement the program and the subsequent continuity of some consultants as staff of SSF, and the positive and continuous collaboration between the IDB and SSF. Results achieved are considered sustainable because the SSF has institutionalized the program's objectives in its strategic plans.

Projects Rated as Unsuccessful

While there were several cases in which both Man-IDB to guarantee the continuity of the results agement and OVE found a project to be successful, there were also five cases (CH-L1061, PR-L1049, VE-L1030, VE-L1031, and the policy-based loan program series DR-L1014) where both Management and OVE found the project to be unsuccessful. Sometimes, projects that are approved with a robust design end up being affected negatively by external factors unanticipated during project execution or beyond the project team's control. Such examples can be found in the program to strengthen an integrated foreign trade system in Chile (CH-L1061) and a policy-based loan program series in the **Domini**can Republic (DR-L1014) to support competitivepragmatically and with a logical sequence that ness in the country. The success of the projects was

negatively affected by a lack of support within the institutions in which the programs were applied and within other national entities.

A Slow Start for an Integrated Foreign Trade **System in Chile**. The project Support for the Establishment of an Integrated Foreign Trade System (CH-L1061) aimed at facilitating and promoting foreign trade to better position **Chile** in the international economy. The main output of the program was the implementation of an integrated system for foreign trade. This platform was expected to serve as the only portal through which all foreign trade transactions would be carried out by making diverse technological platforms cohesive and allowing for interoperability across many agencies. At approval, identified risks included a low level of commitment from relevant agencies and resistance to change in the private and public sectors. These risks were expected to be mitigated by dissemination measures as well as capacity building activities for relevant stakeholders.

Nonetheless, these measures were insufficient. OVE and IDB Management agreed that the program was unsuccessful in achieving results, mainly because the system remains underutilized. While the foreign trade transactions conducted through the system do show evidence of saving time, use of the tool is not mandatory and some functionalities are yet to be integrated so that it may encompass all foreign trade procedures. Currently, only 26 percent of monthly exports are conducted through the integrated system and only 48 percent of customs agents are registered to use it. In the long-term, added functionality could allow for wider system use and better results could materialize.

A Program to Support Competitiveness Falls Short in the Dominican Republic. Another PCR rated unsuccessful covered a series of three policy-based loans (DR-L1014, DR-L1046, and DR-L1116) and supported reforms aimed at increasing competitiveness in the **Dominican Republic** by backing institutional changes to boost productivity, including improvements in fiscal management, trade, and the business environment. The reforms are all considered conducive to increase competitiveness in the development literature. For instance, it is widely accepted that the business environment affects investment decisions and thus its improvement increases business profitability.

However, in assessing the reforms as implemented, OVE and IDB Management agreed that the legal and institutional changes were insufficient in achieving results.²⁴ To give just one example, the reforms called for the creation of a Regulatory Commission for Free Trade. While this Commission was created and the governing body was constituted, an Executive Director was never designated. Thus, the Defense for Free Trade Law passed under the program remains unimplemented. Even though the reforms passed are considered best practices, gaps in translating policy into action hindered the achievement of results. In hindsight, it seems that the reforms did not take hold in the Dominican context, where many entities with differing mandates have not been able to coordinate adequately. Accompanying the policy-based

ground the reforms.

IDB Invest: Approval. Monitoring. **Completion. and Evaluation**

In the second year of deploying its reinforced DEF tools. IDB Invest took stock of experience to date to fine-tune the guidelines of the Development Effectiveness, Learning, Tracking, and Assessment tool (DELTA). The DELTA is a flexible, fact-based scoring system that rigorously measures the development impact, economic returns, and value added of each project, facilitating learning across the portfolio. To this end, the tool includes three key dimensions of analy-(2) the DELTA project score, which captures each operation's development outcome and additionality; and (3) the evaluability score, which assesses the quality of project design.

In addition to sharpening the DELTA guidelines, another major advance focused on developing a new monitoring approach for both IDB Invest and legacy operations.²⁵ This new monitoring approach (described in greater detail below) is based on the DELTA and aims to systematically assess project and portfolio progress toward achieving expected development impacts and results, identify operations in need of support to reach their objectives, and facilitate learn- shown in Figure 3.8. ing from operational experience. Finally, to complete the learning cycle and facilitate the incorporation of lessons into the design and implementation of other projects, an online repository of lessons learned from

loan with an investment loan might have helped completed projects was created as part of the Development Effectiveness Analytics (DEA) system.

Approval

A key attribute of the DELTA is that it allows for robust project assessment. The DELTA project score ranges from zero to 10, and a minimum of 5 is required for a project to be approved. In line with the 2017 median target of 8 set by IDB Invest Management, the median DELTA score at approval was 8.1, a significant increase from the median score of 7.6 in 2016. Disaggregating these scores by IDB Invest's three business sectors corporates, ²⁶ financial institutions, and infrastructure and energy—reveals various trends.

Infrastructure and energy projects continue to sis: (1) alignment to country and corporate priorities; have the highest median DELTA at approval, with a score of 8.7 in 2017, given the positive social and economic contribution they tend to have on a large number of final beneficiaries and their positive environmental impact. Corporate projects recorded the biggest increase in the median DELTA, from 7.1 to 8.1, in large part due to progress made in financial additionality. The median score of financial institution projects did not increase because the proportion of projects with a DELTA score between 9 and 10 was lower in 2017. However, the proportion of projects with a DELTA score above 8 increased significantly for both financial institutions and corporates, as

> The DELTA project score includes two key dimensions: development outcome and additionality.²⁷ Higher scores in both these areas raised the median DELTA project score in 2017 compared to 2016 (Fig-

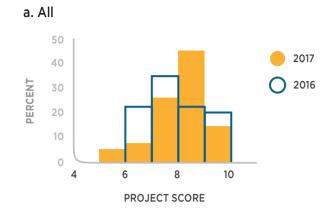
^{24.} Management rated the project as Highly Unsuccessful, and OVE's validation rated it slightly better as Unsuccessful.

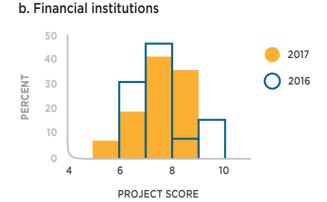
^{25.} Legacy projects are those approved before IDBG private sector operations were consolidated into IDB Invest on January 1, 2016.

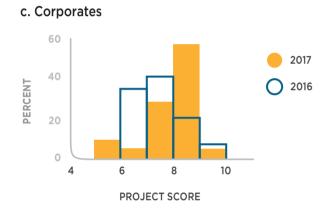
^{26. &}quot;Corporates" refers to corporate loans to companies in agribusiness, manufacturing, telecommunications, and tourism.

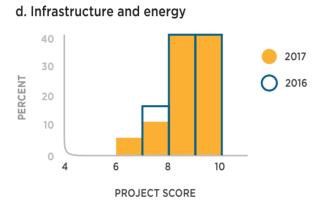
^{27.} See Chapter 1 for an explanation of how IDB Invest assesses the financial and non-financial additionality of its operations.

Figure 3.8 DELTA Score Distribution by Business Sector, 2017 versus 2016









Note: The figure does not include Trade Finance Facilitation Program (TFFP) operations.

Figure 3.9 Development Outcome and Additionality Score Distributions, 2017 versus 2016

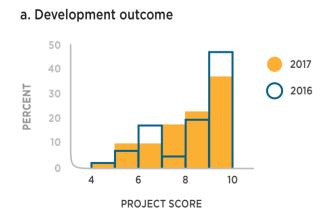
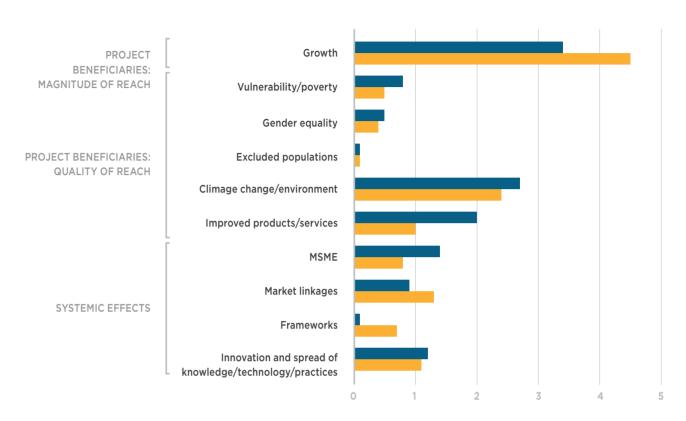


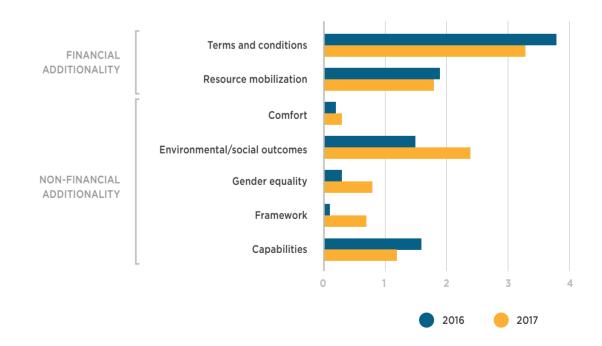


Figure 3.10 Average DELTA Scores by Category, 2017 versus 2016

a. Development outcome (project beneficiaries and systemic effects categories)



b. Additionality, 2017 versus 2016



Note: MSME = micro, small, and medium enterprise.

ure 3.9). Overall, in 2017 a larger percentage of proiects had development outcome scores above 7 and had additionality scores above 6.

Regarding the specific categories that comprise the development outcome dimension, a typical proiect scored higher on magnitude of reach and systemic effects (market linkages and frameworks) in 2017 versus 2016. In terms of additionality, projects scored higher in the dimensions of environmental and social outcomes, frameworks, and gender equality and diversity, reflecting IDB Invest's commitment to working with clients on these cross-cutting issues (Figure 3.10).

A deeper dive into the relationship between development outcome and additionality provides a better understanding of the characteristics of the projects IDB Invest has approved during its first two years of operation. Figure 3.11 shows the relationship between these two variables, as well as the combinations of these variables that provide a DELTA project score of 5, 7, and 9. Since the project score is the weighted average of development outcome and additionality, many combinations of these two variables can provide the same project score. For instance, all the combinations of development outcome and additionality on the solid line in Figure 3.11 produce a project score of 5, which is the minimum threshold for a project to be approved.

The value of the project score increases to 7 (dashed line) and 9 (dotted line) as the line moves toward the top-right quadrant, where the value of development outcome and additionality are both high. The concentration of infrastructure and energy projects in this zone shows that they typically receive high scores in both dimensions.

The top-left quadrant includes projects with high development outcome and lower additionality. Corporate projects tend to cluster here because they typically have lower financial additionality due to a

lower level of mobilization than infrastructure proiects and due to generally better market conditions for corporate finance versus project finance. Corporate projects that scored better in terms of non-financial additionality included advisory services to improve corporate governance, gender, or energy efficiency practices.

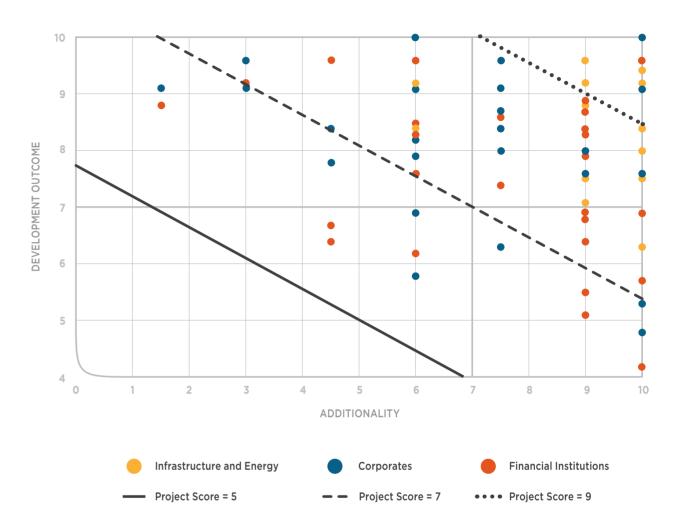
Operations with financial institutions are mostly dispersed along the right side of the figure, reflecting their heterogeneity in terms of development outcome and typically high additionality. Additionality is generally high for these types of projects because financial institutions finance their operations with short-term deposits, which IDB Invest complements with longerterm funding. IDB Invest has also made a concerted effort to improve gender and energy efficiency practices among financial institutions, which also boosts overall additionality.

Finally, the DELTA also scores projects based on their evaluability, which is key to assessing the quality of each project's design. Overall, the average evaluability score improved in 2017 (8.25) versus 2016 (7.85) and was above 8 across all three sectors. This improvement was due to projects more clearly defining their intervention logic, including clear objectives, targets, and indicators to measure results. Infrastructure and energy projects had the highest average evaluability score (8.38), followed by corporates (8.30), and financial institutions (8.04). Given the ongoing evaluability challenges with older projects in the IDB Invest portfolio discussed in the sections that follow, the progress made in improving the quality of project design in the first two years of implementation of the DELTA signals a clear move in the right direction in addressing these challenges.

Monitoring

In 2017, IDB Invest developed and implemented a new monitoring approach to track the progress of op-

Figure 3.11 Development Outcome and Additionality by Business Sector, 2016—2017



erations in terms of their development impact. This systematic approach includes a methodology and guidelines for updating the DELTA project score and progress on results matrix indicators annually for each project, allowing for consistency and comparability across projects and over time to facilitate portfolio supervision and analysis.

Because nearly all of the projects under supervision in 2017 were approved before the launch of IDB in their results matrices, others included indicators

Invest in 2016, an extensive process of standardization was required. This posed several challenges for monitoring and supervision. Legacy projects were approved using different development effectiveness tools and supervision methodologies, IT systems, and reporting processes. In addition, their evaluability was generally low. Relatively few legacy projects had established targets for the indicators

that were not necessarily related to the primary obiectives of the operation, and some lacked results that a group of 50 legacy projects (27 percent) were matrices altogether.

ing supervision. IDB Invest carried out an in-depth review of 185 legacy operations, 28 including updatlent "DELTA in supervision" score using the different development effectiveness tools that were applied when legacy projects were originally approved. A reweighting model was then used to weigh the previ-DELTA as possible. The original development effectiveness score at approval was also transformed into a "DELTA score at approval" using the same approach.

follows a two-step process to classify project performance across the portfolio. First, projects are preclassified as satisfactory, alert, or problem, based on the deviation between the DELTA project score recorded during the current year of supervision and the retrofitted DELTA project score at approval. Next, the development effectiveness officer can propose an adjustment to the pre-classification based on an asperformance.30

time, IDB Invest was able to classify legacy projects

their financial performance. It is important to note unable to be classified for two main reasons. First. To standardize how all projects are assessed dur- 20 of these projects (11 percent) have evaluability issues, including unclear project objectives or indicators, or lack of targets that impede performance asing their results matrices²⁹ and calculating an equiva-sessments. Most evaluability problems (90 percent) are concentrated among projects with financial institutions and are mainly due to the lack of relevant portfolio data on their borrowers, making it difficult to determine if the project achieved the intended ously considered dimensions as closely to those of the objectives. This problem was addressed with the introduction of the DELTA in 2016, which requires that financial institution clients provide specific information on the targeted portfolio. Second, 30 (16 per-Building on this standardization work, IDB Invest cent) of these projects have incomplete or unclear data from clients, which hinders an accurate classification. While projects with evaluability problems will remain difficult to classify, and will likely be deemed unsatisfactory once they reach maturity, ongoing efforts to retrieve information from clients will improve the assessment potential of those projects that currently have incomplete or unclear client data.

As presented in Figure 3.12, within the group of sessment of the DELTA sub-scores and results matrix 135 projects in supervision that were classified, 31 64 percent were satisfactory, 26 percent were alert, and Using this new monitoring approach, for the first 10 percent were classified as problem. Projects are classified as alert if some annual targets have not in the portfolio in terms of their progress toward been reached. Being on alert does not mean that reaching development impact targets, alongside there is a high risk of these projects not achieving

their development goals at maturity, but rather signals the need for additional support to help projects goals, it is classified as problem. meet their expected objectives. Variations between the overall pre-classification and final classification were mainly due to reclassifying a group of 16 proiects from satisfactory to alert in order to provide additional support as needed (five financial institutions, three infrastructure, and eight corporates). When a

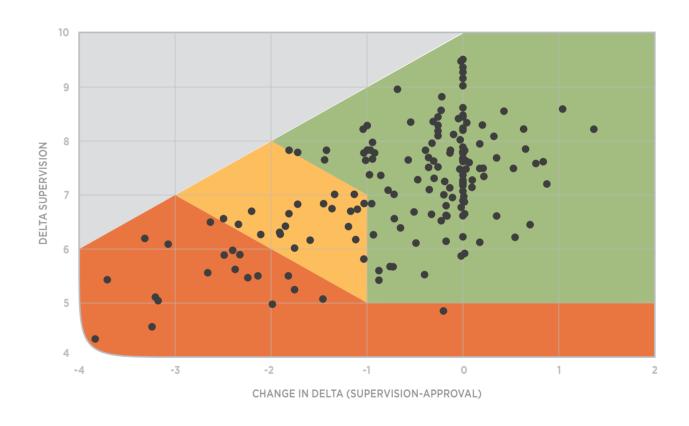
project is at high risk of not reaching its development

Completion and Evaluation

In 2017, IDB Invest prepared 43 Expanded Supervision Reports (XSR) to assess the success rate of projects approved between 2008 and 2014 and that reached early operating maturity in 2016.³² These included 27 projects

Figure 3.12 Classification of Projects during Supervision

a. Pre-classification of Projects



^{32.} According to the Evaluation Cooperation Group's Good Practice Standards, capital expenditure projects reach early operating maturity (EOM) when the project financed has been substantially completed; the project financed has generated at least 18 months of operating revenues for the company; and IDB Invest has received at least one set of audited annual financial statements covering at least 12 months of operating revenues generated by the project. For financial projects, the Good Practice Standards defines EOM as the day after at least 30 months following IDB Invest's final material disbursement for subloans or subinvestments.

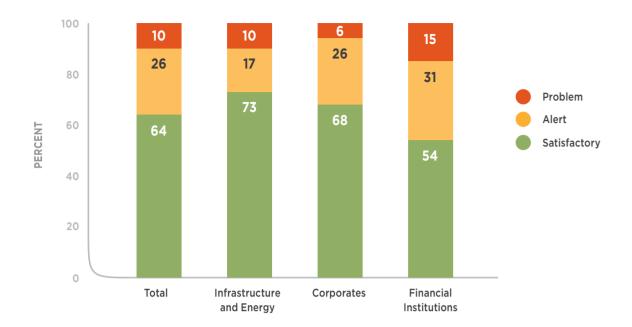
^{28.} These are operations that were in the supervision stage in 2017 and did not have an Extended Supervision Report (XSR).

^{29.} Results matrix indicators were adjusted to better track key project objectives, as well as to unify and simplify reporting processes. These changes do not require additional information from clients and, in most cases, will reduce reporting costs.

^{30.} To ensure proper portfolio monitoring, any changes to a project's pre-classification requires Management's approval, resulting in the final classification. Going forward, as more projects are assessed with the DELTA at approval, fewer adjustments between the two steps are expected.

^{31.} The 135 projects that were classified represent 84 percent of the total portfolio dollar amount currently under supervision.

b. Final Classification (percentage of operations)

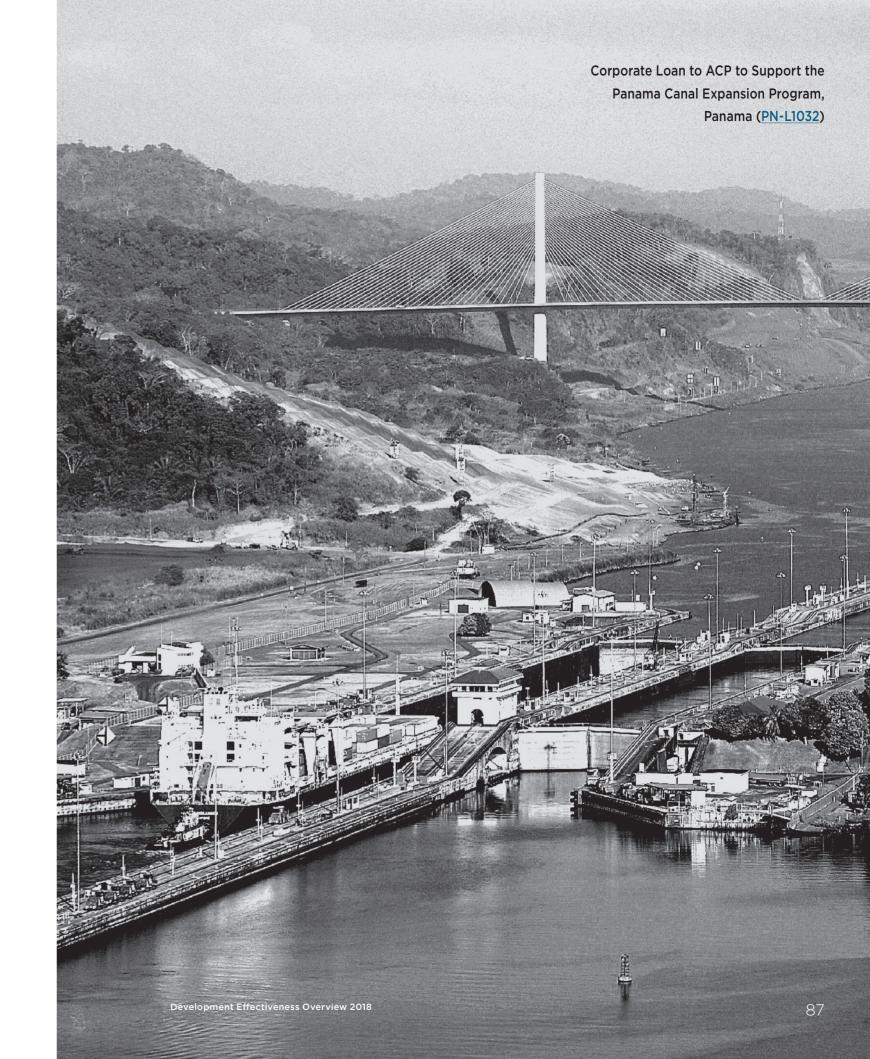


with financial institutions for on-lending to underserved segments—mostly SMEs, as well as female, low-income, and rural beneficiaries—11 projects in the corporate sector (including agribusiness, retail, and manufacturing), and five projects in infrastructure and energy.

monitoring section are also reflected at the project ect's main development objectives (effectiveness), completion stage: the lack of clearly defined objectives, indicators, or targets affects final project evaluation. Projects that have evaluability problems are not classified as satisfactory given that their project logic erations (56 percent) achieved favorable ratings and is compromised.

The OVE-validated project development outcome rating was favorable³³ for 25 (58 percent) of the reviewed projects.34 The assessment of development outcomes includes the effect on economic and social development based on a "with versus without project" The evaluability challenges discussed above in the comparison. While the focus is on achieving the projthe rating also considers the project's relevance, efficiency, and sustainability.

> In the financial institutions sector, 15 of the 27 opseveral resulted in improved access to financing for



Inter-American Development Bank Group

^{33.} Positive (or favorable) outcome categories refer to "Partly Successful," "Successful," and "Highly Successful" in the development outcome six-point classification range; and to "Excellent" or "Satisfactory" in the four-point classification scale in all the other dimensions.

^{34.} This is the final OVE-validated project rating for 2017. However, the ratings reported in the 2016 DEO (66 percent favorable) were not OVE-validated because the validated ratings were not available at the time the report was published. OVE's final 2016 validation concluded that 40 percent of projects received favorable ratings in the overall project development outcome category.

MSMEs. For example, IDB Invest supported an operation in **Nicaragua** that aimed to expand a bank's The project involved the construction, operation, and portfolio of SMEs and women-led SMEs. Overall, the SME portfolio grew from \$258 million in 2012 to \$741 million in 2016, while the women-led SME portfolio doubled from \$16.5 million to \$33.8 million during the same period. The number of outstanding MSME loans ment impacts include preventing the release of apincreased to 15,330 by the project's end. surpassing the target of 10,800, and over 90 percent of these local energy source to diversify the country's energy borrowers were micro and small enterprises.

were not rated satisfactorily, in addition to broader evaluability issues, other key reasons for this classification include financial institutions not tracking their portfolio to ensure funds were reaching the intended MSME beneficiaries or lack of portfolio growth against targets for these types of borrowers. Another issue that surfaced in the XSR review for this sector was a combination of a coordination failure between a loan and technical cooperation approved for the same client and entering a market without sufficient expertise. For example, a project with a financial institution in **Honduras** intended to provide credit lines to low-income families and individuals for solar photovoltaic systems. To better understand the demand for these systems, a technical cooperation was approved in parallel to the loan. Although the technical cooperation was delayed, and the market study was not done, the financial institution started offering loans for these systems. By the end of the project, the sub-portfolio had only grown to \$1.2 million of the expected \$6 million, and it had reached less than one-third of the expected number of beneficiaries, highlighting before launching a new product.

In the infrastructure sector, two out of five projects (40 percent) achieved favorable ratings. An example of a successful XSR in the energy sector was with the largest solar photovoltaic farm in **Chile**, one to have helped increase soybean production activity, of the largest in the Southern Cone at the time of ap-

proval, which had a significant development impact. maintenance of three solar photovoltaic power plants in the Atacama Desert, with a total nominal capacity of 26.5 megawatts peak. By increasing production of clean renewable energy, the project's main developproximately 51kt-56kt of CO₂ annually, developing a matrix, and demonstrating the successful use of a re-Overall, for those financial institution projects that newable resource as a substitute for fossil fuel generation to meet the energy needs of the mining industry.

> On the other hand, a transport project in the Mercosur region received an unfavorable rating largely due to adverse market conditions. The project provided a \$100 million loan to manufacture, purchase, operate, and maintain pushboats and barges to transport raw materials (iron ore) from Brazil through regional waterways to then be processed into steel and exported to China. However, expected project results in terms of increasing cargo capacity, promoting employment, and reducing CO₂ emissions did not fully materialize during the review period due to broader market forces, namely falling iron ore prices. However, since the recovery of iron ore prices in mid-2016, project performance has been improving, signaling that a longer operating maturity period and adjusting the XSR timing, might allow for a better perspective of the development impact of complex infrastructure projects.

Among the corporates, 8 out of the 11 projects (73 percent) received favorable ratings. For example, IDB Invest provided a \$5 million long-term loan to an agrithe importance of gaining sufficient market expertise business in Argentina that crushes soybeans to produce soybean oil and meal to finance its permanent working capital and boost productivity. The project helped to improve the company's debt profile and provided better liquidity and higher inventory levels that appeared which rose by 27 percent between 2012 and 2015.

An example of a corporate project that did not recieve a favorable rating aimed to finance the design and manufacture of buses that meet or exceed Mexican and international air emission standards. Specifically, the focus of the project was to support a company's technology development plan, in order to increase the number of buses that use cleaner air technology in **Mexico**. The loan was prepaid early, approximately 1.5 years after disbursement, an indication of low financial additionality for the project.

In line with IDB Invest's focus on learning and continuous improvement, an important part of the XSR exercise is identifying lessons that can be applied to future operations. The lessons captured from the annual XSR exercise and the ongoing review of projects via the monitoring approach described above are key to ensuring that projects are on track to achieving development results throughout their lifecycle. Box 3.3 summarizes several emerging lessons related to client focus.

In line with IDB Invest's focus on learning and continuous improvement, an important part of the XSR exercise is identifying lessons that can be applied to future operations.

Improving Projects with the Client in Mind

projects.

tions, investors failed to materialize as expected. In meet project objectives. others. loans that were not denominated in local curthroughout the region.

lient for projects with financial institutions that aimed support to clients as needed.

IDB Invest's core values center on being client fo- to increase lending to underserved borrowers, such cused, agile, and flexible. Lessons learned from as MSMEs, but did not meet targets. In some cases, past projects provide insight on how to better pur- clients did not expand their MSME portfolios as ensue these values in new operations across sectors. visioned due to shifting priorities during the lifetime And, while each project has its own particularities, of the operation. Other projects were with banks that certain themes emerge when looking at the bigger lacked clear targeting strategies for these segments picture of knowledge generated from a spectrum of or misapplied creditworthiness assessment tools that led to higher rates of default and eventual contraction Take the issue of tailoring financial instruments to of their MSME portfolio. These sorts of experiences client needs, for example: past experience shows that also highlight the importance of providing well-tarlocal context is key. In some projects with B-Loans geted advisory service support to clients to strengththat did not adequately consider local market condi- en their ability to reach new population segments and

Lessons such as these have fed into IDB Invest's rerency ran the risk of creating asset-liability mismatch- newed DEF tools through the incorporation of specifes for clients. With lessons such as these in mind, IDB ic measures and incentives into the DELTA to ensure Invest is working to expand its local currency lending that new financial institution operations take into consideration learning from past experiences. Likewise, Similarly, client focus also means selecting the right the new monitoring approach described earlier in this partners or clients to work with and ensuring that chapter was designed with clients in mind by allowtheir interests and business models are aligned with ing IDB Invest to identify when project targets are off project objectives. This lesson was particularly sa- track early on during execution and offer additional

The Multilateral Investment Fund: Approval, Monitoring, Completion, and Evaluation

Given the strategic and operational changes the MIF has been undertaking as part of its renewed mandate. the way it measures, analyzes, and reports project results and corporate performance have also been changing. Last year, MIF donors approved a strengthened Results Framework and Development Effectiveness Approach for 2017-2023. In line with the MIF's role as an IDBG innovation laboratory and its six guiding principles, 35 this new framework and approach include a set of indicators, baselines, thresholds, monitoring and evaluation arrangements, and instruments that the MIF is adopting across four categories: (1) Approval alignment with the IDBG mandate; (2) development impact; (3) innovation, scale, replication and resource mobilization; and (4) efficiency and fund performance.

The main changes introduced in this new framework and approach are as follows:

- **Focus:** The Results Framework was updated to include new "topline" indicators for the MIF's three priority areas-Climate-Smart Agriculture, Inclusive Cities, and Knowledge Economy-while other percent of funds). indicators were dropped.
- Innovation: With an increased focus on development partners and projects that can deliver innovation, the MIF is now tracking the extent to which in which they operate.

- Alignment with the IDBG mandate: As an innovation lab for the IDBG, the degree of alignment is now tracked.
- Scale and replication: Methods for measuring the frequency with which innovation is successfully scaled up have been adapted.
- Efficiency: The operational efficiencies introduced as part of the MIF Business Plan 2016-2018 are being tracked.

In addition, the MIF continued to pursue efficiencies with the IDBG in terms of project design, monitoring, and evaluation standards, as well as specialized studies and analytic work, including design and implementation of experimental evaluations.

In 2017, the MIF continued to select projects more strategically in line with its three thematic areas (Climate-Smart Agriculture, Inclusive Cities, and Knowledge Economy) and IDBG sector and country priorities. A total of \$84.6 million was approved for 67 projects, with \$47.2 million (56 percent of funds) going toward grants, followed by equity investments (\$25.6 million, or 30 percent of funds), and loans (\$11.9 million, or 14

In addition, as part of efforts to gain efficiencies and maximize IDBG synergies, the MIF began working with the IDB Invest Development Effectiveness team³⁶ to use the DELTA architecture to create a tool its projects are innovative in the market segments tailored to the renewed MIF mandate. This new "innovation DELTA" (iDELTA) tool is an important addi-

^{35.} The six principles are scalability, mobilization of resources, replicability, development impact, knowledge creation, and tight alignment with IDBG strategic and operational priorities.

^{36.} Joint work on developing the iDELTA started in September 2017. Collaboration between the MIF and IDB Invest around development effectiveness was formalized in a Service Level Agreement starting January 1, 2018. The tool is being finalized and rolled out in 2018.

tion to the MIF's project management system, aiming to ensure that project selection and design are in line reflected this intention. The idea is not for projects to with the MIF's focus on IDBG alignment, development impact, innovation, scalability, and mobilization. More specifically, the iDELTA significantly expands how MIF projects are assessed in terms of their level of innovation and scale potential. Beyond being a laboratory for cutting-edge innovations, the ability to scale tested solutions either through the IDBG or other actors is a key part of the MIF's renewed mandate. This implies greater focus on selecting solutions with the most scale potential and incorporating scale planning more explicitly into project design. The iDELTA tool is designed to help the MIF to do just this.

In addition, the iDELTA will serve as an operational and portfolio management tool for the MIF to facilitate strategic decision-making, as well as a guide for project teams by setting standards for project dereporting.

the iDELTA is a predictable, fact-based scoring system that is also flexible, as it can be adapted across fi-tivities to be undertaken, and key market players to nancial instruments. It allows for comparability across projects, countries, and time to facilitate portfolio analysis. The tool is divided into three sections:

- Alignment with IDBG, Country, and MIF Strategic ity of the intervention, the advantage of the solution Priorities.
- Project Score (0-10), which captures each project's potential development outcomes, level of intion capacity.
- **Evaluability Score (0-10)**, which assesses the overall quality of project design to ensure that and verified.

The iDELTA scoring system has been calibrated to section. The iDELTA is a dynamic instrument, meant generate a differentiation of scores across projects. The simulations carried out through a pilot applica-

tion of the tool with a diverse group of 25 projects score well on all categories, but rather to be focused and to do a few things very well.

In particular, the Project Score emphasizes both innovation and scale. The analysis takes a comprehensive look at the type, level, phase, intensity, and validation of the innovation being proposed by the project, as well as the use of technology. For example, is the project introducing an incremental innovation or a disruptive platform solution that can uproot the status quo? Is the solution at the proof of concept phase or is it ready for expansion? How fundamental is technology to the proposed solution?

As far as scalability, the iDELTA focuses on assessing key scale attributes, some of which can be influenced by project design, such as identifying the path to scale the executing agency of the project intends sign. Finally, it will also capture data for corporate to take once the MIF's execution time frame has ended; the estimated cost of scaling the solution; and In keeping with the modular structure of the DELTA, the extent to which the project's scale plan identifies clear partners for scale, relevant knowledge acengage. Other scale factors are determined more by the nature of a given solution, such as its potential market size at scale, existing evidence of the credibilover existing practices, and the ease of transferring the solution to others.

Ultimately, the iDELTA will serve as a strategic opnovation, scale potential, and resource mobiliza- erational tool to help MIF Management organize the portfolio across a spectrum of innovation to scale categories, identifying gaps and areas for improvement that can in turn improve the selection of future projdevelopment impact will be able to be evaluated ects. It will also complement and feed into the MIF's new Portfolio Management Tool described in the next to be improved on an ongoing basis as the MIF learns from its application across the portfolio.

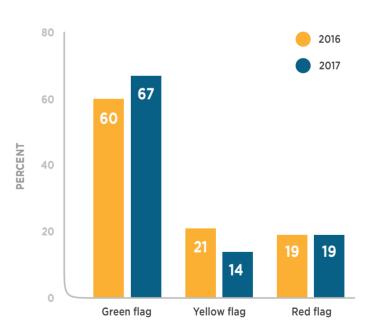
Monitoring

MIF resources more efficiently and effectively, the MIF has developed a new Portfolio Management Tool, which is being rolled out in 2018. The tool has three main objectives: to tag and visualize the active reduced number of key indicators and therefore has portfolio; identify non-performing or low-performing operations: and pinpoint high-performing operations with great strategic and/or knowledge value and scale potential. To this end, the tool classifies proiects for their strategic value (for all instruments) and by their operational and financial performance (only for grants). This will allow the MIF to prioritize projects and take action as needed to address both low and high-performing projects. The tool will help the MIF recognize success and failure early on, and to redeploy MIF resources toward parts of the portfolio with the highest potential.

For MIF loan and equity investment operations, Given the renewed mandate focused on managing a new monitoring and supervision tool, the Project Status Update, was introduced in 2017, replacing the Annual Supervision Report and Annual Fund Supervision Report. The Project Status Update focuses on a a simpler structure compared with the previous reports. The tool seeks to collect borrower and investee information in a timely manner and facilitate early detection of issues that may adversely affect a project's financial performance, allowing the MIF to take any necessary actions swiftly.

> As of December 2017, the MIF had an outstanding loan and equity investment portfolio of \$147.3 million, distributed among 73 operations. In terms of portfolio quality, according to the Project Status Update exercise. 67 percent of the number of operations were classified as green flag ("on track to high perfor-





Note: Green flag means projects are on track to high performance. Yellow flag means projects are under-performing, for equity investments minor losses are expected, and for loans, that they are in breach of covenant and likely to default. Red flag means projects are underperforming, for equity investments major losses are expected, and loans are in default with risk of principal loss.

mance"); 14 percent as yellow flag ("underperforming, minor losses expected" for equity investments and "in breach of covenant and likely to default" for loans), and 19 percent as red flag ("underperforming, major losses expected" for equity investments and "in default with risk of principal loss" for loans).

As shown in Figure 3.13, while the share of greenflagged operations increased compared to December 2016, the share of yellow flag operations decreased, and red-flagged operations remained the same. Red flag operations represented \$38.3 million in risk exposure, or 26 percent of the outstanding amount at the end of 2017. Performance as of December 2017 reflects the MIF's risk appetite and continues to be consistent with the MIF's current provision policy and long-term financial projections.

Completion and Evaluation

The MIF approved a new results framework, and a Service Level Agreement with IDB Invest, whereby several services related to evaluation will be provided by IDB Invest, starting in 2018. The MIF will continue to evaluate each project's performance and the achievement of project results and outcomes with a final edition of its Project Status Report. The MIF conducts an annual review of the results produced by the portfolio, including a more detailed review of projects that finalize execution during the calendar year. It identifies results achieved for the active portfolio, and scaling results for completed projects.

indicators and has worked to apply them to new approvals, as well as to the existing portfolio. The indica-

tor for MIF work in Climate-Smart Agriculture is firm productivity. Productivity is the best metric for measuring the performance of projects in the agricultural space. Projects in this area support innovations promoting technologies, processes, and practices that increase productivity and producer performance, while better integrating producers into value chains. In 2017 the MIF supported an estimated 61,300 small producers,³⁷ 28 percent of whom were women.

Inclusive Cities projects are focused on private sector innovation for improving the living conditions for households in cities. That is why the topline outcome indicator for Inclusive Cities is a compound indicator that captures the number of families that see improvements in living conditions, which can be housing, transportation, sustainable urban services (such as water, sewerage and waste), and environmental services and amenities. Empowering sustainable urban growth translates into enhanced forms of communication and information, efficient transportation, increased access to goods and services, and circular solutions to generate scalable models for the efficient use of resources in finite spaces. In 2017, an estimated 57,000 households saw improved living conditions, of which 52 percent were women-led households.

Finally, Knowledge Economy projects are focused on using technology for job creation by powering inclusive tech-driven enterprise growth. Therefore, the topline indicator in this area is job creation by firms. Starting in 2016, the MIF adopted a set of topline Knowledge Economy recognizes that the digital and data revolution has created new economic opportunities for the poor and vulnerable by paving new paths

First Operation of the Urban Integration and Social and Educational Inclusion Program in the Autonomous City of Buenos Aires, Argentina (AR-L1260) COTY FIESTA "N Y M" Ğ1 17

^{37.} This is a conservative estimate of rural establishments benefiting from MIF projects. The MIF does not have an estimate of the percentage of those who have seen increases in productivity or business performance, given that many of these operations were not designed with these indicators.

toward social inclusion. By accelerating the pace of change, technology creates opportunities for those disrupting how companies, governments, and labor markets function, offering up innovative solutions for tackling pressing societal problems. In 2017, MIF-supported firms created an estimated 84,885 new jobs, 40 percent of which were held by women.

Replicating and Scaling MIF Projects

Given the MIF's renewed emphasis on expanding the reach of the innovative solutions it supports, the following examples highlight the results of projects closed or in the final stages of execution in 2017 that have been replicated or scaled by the IDBG and other actors.

Leveraging Natural Capital through Bird Watching Tourism. Approved in 2013, one of the IDBG's first projects focusing on leveraging the value of natural capital in order to generate income for local communities while also sustaining the environment, was a \$1.6 million regional technical cooperation project (RG-M1238) in The Bahamas, Belize, Guatemala and Paraguay, executed by the National Audubon Society. Using Geographic Information System (GIS) technology, the project first mapped bird "hotspots" against tourism infrastructure and poverty to select project sites in each country. Working with local experts and national tourism authorities, Audubon developed a locally-tailored bird guide training curriculum, as well as basic business and hospitality training. The program also provided equipment for bird guiding and trail development, with the objective of creating a network of community-based birding destinations that offer skilled local birding guides. high-quality interpretation and lodging, and related goods and services tailored to the high-value tourism market.

The project trained 285 guides (73 at the advanced level) and 445 local business owners, resulting in increased salaries and revenues. For example, in Guatemala, participating SMEs saw a 943 percent increase in average annual revenue, and trained guides increased salaries by 46 percent. In Belize, there was an 85 percent increase in SME revenue and a 68 percent increase in average yearly income for the trained guides. In The Bahamas, Audubon's work contributed to the National Trust's successful effort to establish a new protected area, Joulter Cays. In 2015, with funding from USAID. Audubon replicated the program in Colombia, which has the greatest bird diversity in the world, to develop the country's first birding trail in the Caribbean coast and Sierra Nevada region, training 44 local guides. To quantify the potential market opportunity for bird tourism in Colombia, in 2016, Audubon carried out an economic study using its member network in the United States. The findings show that over 278,000 U.S. birders would be interested in visiting Colombia and would be willing to pay an average of \$310 per day for birding trips, which could create 7,500 new local jobs.38 Based on the success of the pilot project and the market analysis, Audubon is now taking this model to greater scale with financing from Colombia's Ministry of Commerce and Tourism and other agencies to develop key birding and biodiversity destinations across the country's Andean region. The bird guide curriculum is also being adapted for guide trainings in Africa, starting in the Democratic Republic of Congo.

 Mainstreaming Private Sector Forestry Solutions. Forests in Mexico represent an extremely valuable store of natural capital that bears significant economic dividends. About 45 percent of forested land is found in ejidos (communallyowned agricultural land) and in communities with high poverty rates and limited opportunities for entrepreneurial development. Focusing on these eiidos, the MIF pioneered the first ever private sector operation (ME-M1079) of the Forest Investment Program (FIP)³⁹ aiming to mitigate climate change by improving the social and financial sustainability of Mexican community forestry enterprises that have little or no access to traditional finance. The \$6.9 million project provides technical assistance to improve the business skills,40 land management practices, and value chain links of community forest enterprises in five states. It also facilitates access to working capital loans through a MIF/FIP loan to the Mexican microfinance organization, FINDECA, with a longer than standard tenor and grace period. By proving that these enterprises can be good credit clients, the

project seeks to show that this is a sector that can be profitably bankable for the private sector. The MIF project is one piece of a larger \$41 million FIP investment program developed by the Mexican government in cooperation with the World Bank and the IDBG to test different solutions to reduce deforestation and forest degradation.

A 2017 Climate Investment Fund case study⁴¹ on the FIP program in Mexico showcases key outcomes of these efforts for communities. For example, in Oaxaca, a community forest enterprise received a credit line of \$265,000 for working capital investments that have reduced their wood processing time by over 50 percent, thereby increasing economic profit for the community. In turn, the newly generated capacities helped the enterprise to access credit lines from other financial institutions for larger-scale investments. The enterprise's sales have increased by more than 50 percent over four years, helping the community to see a 20 percent increase in returns annually since they started new forest management and harvesting activities. Results such as these show how the unique combination of grants and concessional loan financing provided by the project have lowered the overall risk for lending to community forest enterprises, bringing in financial institutions that would other-

38. Conservation Strategy Fund. Conservation Policy in Brief. August 2016.

^{39.} The Forest Investment Program (FIP) is a targeted program of the Strategic Climate Fund, which is one of two funds within the framework of the Climate Investment Funds. The FIP provides financing to support developing countries' efforts to reduce deforestation and forest degradation and promotes sustainable forest management that leads to emission reductions and the protection of carbon reservoirs.

^{40.} The total project amount includes a \$3.5 million MIF grant, \$2.9 million in FIP grant and loan resources, and \$500,000 in local counterpart resources. Grant resources are executed by the Conservation of Nature and loan resources are managed by the financial institution, FINDECA, which on-lends to the community enterprises.

^{41.} Climate Investment Funds c/o The World Bank Group. A Case Study of the Forest Investment Program in Mexico. 2017.

wise not be working with eiidos. In addition, across the five states of intervention, 350,000 hectares of land are under sustainable management, surpassing the project's original target seven-fold, and indicating that the forest is being better managed and deforestation pressure is being reduced.

Learning from the MIF's FIP project is now being scaled nationally by the National Forestry Commission, which was a partner in the MIF project, and is incorporating the lessons learned in the national scaling of its efforts to reduce deforestation and forest degradation. Moreover, this dialogue fostered by the IDBG with the National Forestry Commission formed the basis of a \$600 million IDB loan approved in 2017 (ME-L1268) to the government of Mexico to improve land management to reduce emissions and climate change vulnerability, including a focus on the forestry sector, aiming to conserve, reforest, and sustainably manage 3.7 million hectares. In addition, a \$300 million loan from the World Bank's International Bank for Reconstruction and Development includes forestry-specific activities that continue the work of the MIF/ FIP project in Mexico in promoting community development, access to job opportunities, and community resilience.

Replicating a Climate Change Adaptation Model in the Dry Corridor. One of the countries most affected by climate change globally is Guatemala. In particular, mostly indigenous communities located in the interior Dry Corridor region, which also extends to other Central American countries, have been affected by periods of prolonged drought that have reduced their income and food production. A MIF project (GU-M1044) launched in 2013 in partnership with the Mancomunidad Copanch'orti', an association of four municipalities in the department of Chiquimula, and the Centro Universitario de Oriente, developed a comprehensive, territorial model to improve watershed management and increase communities' resilience to climate change. The model includes building local capacity to adopt climate-smart production and agroforestry practices, developing an early warning climate system, connecting producers with value chains, and restoring native plants and animals that are resistant to high temperatures and water shortages to improve food security. The project collaborated with the government of Guatemala's forest incentives program, which has so far provided \$1.3 million in financial incentives directly to producers for implementing sustainable agroforestry practices on 6,200 hectares of land.

The project supported 5.000 families, improving their agroforestry practices, climate resiliency, market access, and nutrition. Impact was particularly notable in terms of improved nutrition for families receiving local chicken breeds-which have a higher temperature tolerance than commercial chickens—and training on how to care for them. Beneficiary families that previously consumed little if any protein in their diets reported increases in egg production and consumption of calories and protein. Results from an impact evaluation focusing on the food security aspect of the model show reduced stunting and severe stunting among girls aged six months to five years by 36 percent and 66 percent, respectively. The project also successfully empowered women to breed and care for their families' chickens and earn an income through the sale of eggs and meat.

Given the pressing need for food security across the Dry Corridor region and the evidence of impact generated by the MIF project, in 2017, the Ministry of the Environment and Natural Resources started replicating the poultry component of the model in six additional municipalities in the departments of Zacapa and Chiquimula. The Centre for International Studies and Cooperation is also integrating the poultry model into its program with small Mayan producers in the Rio Chixoy watershed. Together, these initial replication efforts aim to support 2.000 additional families. Ultimately, the Ministry of the Environment and Natural Resources aims to scale the intervention, including both the food security and agroforestry elements, throughout the Dry Corridor region to reach 100,000 families.

Reflections

Over the past 10 years of institutionalizing the DEF within the IDBG, the public sector (IDB) and private sector (IDB Invest and MIF) have joined forces to continually improve the design, monitoring, and evaluation tools used for operations financed by the DEF tools for IDB Invest, which emphasize learning IDBG. This joint process has benefited from regular feedback from OVE, the Board of Directors, and MDB working groups, among others. The institutionalization of the DEF in the IDBG represented an important form project teams, Management, and other stakeoperational change as well as a move toward an evaluation-focused institutional culture. The IDBG's DEF is currently recognized among the MDBs for being on the frontier of development effectiveness frameworks. However, this does not mean that the work on the DEF is done. Its tools and customized software systems require continuous refinements.

A decade ago the IDBG faced the challenge of homogenizing the design process for all its operations. At that time, project teams were learning how to design evaluable projects, which has now become the standard for IDBG operations. The evaluability challenge that the IDBG faces today during project monitoring and reporting, as well as in the external valida-

tion process for project closeout reports, is partially a reflection of early attempts to design evaluable proiects under the DEF guidelines.

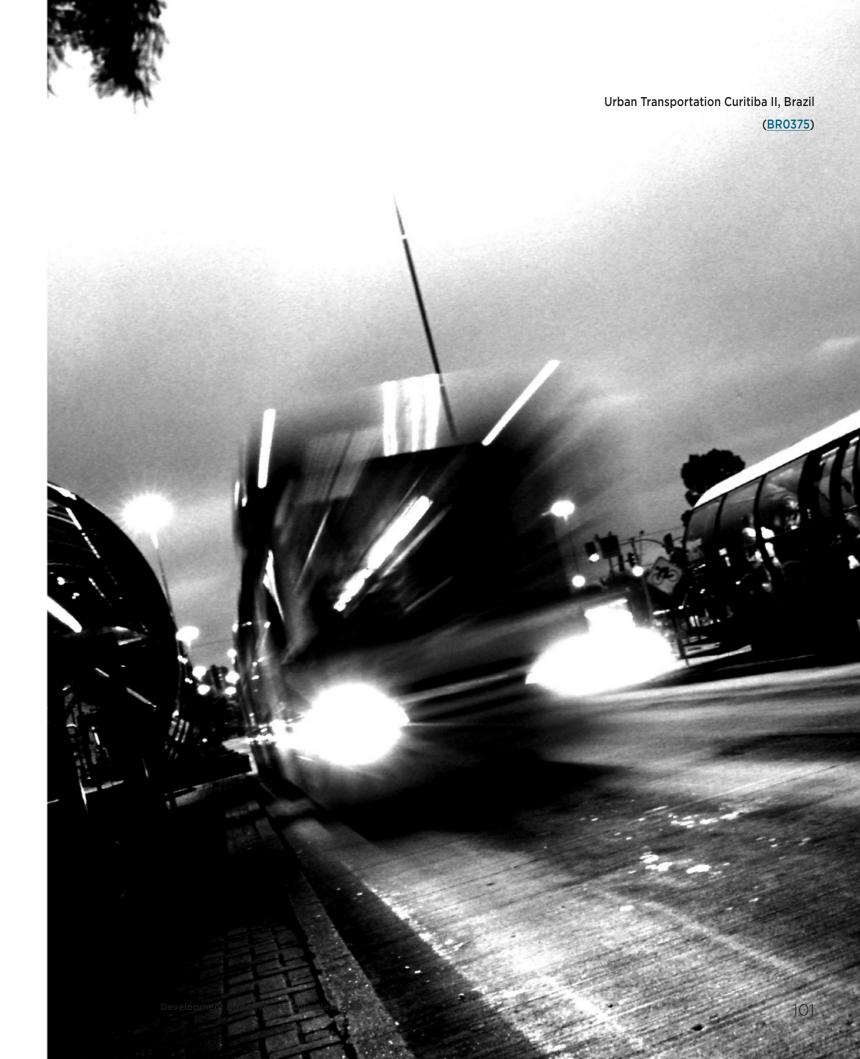
Today, IDB project teams are learning to use new PCR guidelines and estimate and collect accurate and homogeneous information on what was achieved and learned throughout the project lifecycle. For the first time in 2017, the IDB delivered all the PCRs that needed external validation to OVE and produced joint methodological guidelines with OVE to prepare and evaluate these reports in early 2018. Based on the differences observed between OVE and Management's PCR ratings in this most recent exercise and discussed in this chapter. the IDB has begun its PCR preparation exercise for the coming year earlier than in the past and has developed mechanisms to enhance dialogue with OVE throughout the process. As a result, it is expected that the differences between IDB Management's self-ratings and OVE's ratings will converge in the coming years.

In the second year of deploying the reinforced and continuous improvement, the institution took stock of experience to date to fine-tune the DELTA tool guidelines and conduct DELTA analytics to inholders about the portfolio's development contribution. A new, systematic monitoring approach to track the progress of all operations in terms of their development impact was also implemented. Since nearly all projects under supervision in 2017 were approved before the launch of IDB Invest, using different development effectiveness tools, systems, and reporting processes, an extensive review was completed to update results matrices and standardize how all projects are assessed during supervision. Finally, to close the learning cycle, IDB Invest developed an online repository of lessons learned from completed projects as part of its Development Effectiveness Analytics (DEA) system.

The MIF launched a strengthened Results Framework and Development Effectiveness Approach in countries in the region and their clients, which means 2017. in line with its role as an innovation lab for the IDBG. In addition, as part of efforts to gain efficiencies and maximize IDBG synergies, the MIF began working with IDB Invest to use the DELTA architecture to create a tool tailored to the renewed MIF mandate. This new "innovation DELTA" (iDELTA) tool is an important addition to the MIF's project management system, aiming to ensure that project selection and design are in line with the MIF's guiding principles. The iDELTA significantly expands how MIF projects are assessed in terms of their level of innovation and scale potential.

The IDBG supports solutions that are tailored to the that each of the hundreds of projects the IDBG finances differ greatly from one another. The challenge of measuring and grouping outputs and outcomes of operations with distinct scopes is not minor and it has meant a change in the culture of project management that requires further work in terms of fostering ownership, creating appropriate incentives (not only rewarding approvals, but collecting lessons from completed projects), and delivering training and internal communications.

Over the past 10 years of institutionalizing the DEF, the IDB, IDB Invest, and the MIF have joined forces to continually improve the design, monitoring, and evaluation tools used for operations financed by the IDBG.





Harnessing the Power of **Empirical Evidence through Impact Evaluations**

Today, the sheer quantity and accessibility of data and help build an evidence base around the impact of and information has ushered in new ways of un- development projects. derstanding our increasingly complex world. This This chapter begins with a look at the number holds enormous potential for enhancing the impact of IEs planned and carried out in both the pubof development work. The learning generated from lic and private sectors as well as the criteria used sound empirical studies is essential to ensuring the to determine when IE should be used. A detailed smart allocation of limited development resources look at insights from selected IEs follows, includto those programs and projects that have proven ing results that can inform the development of fueffective in the past, and hence are more likely to ture operations. succeed in the future.

As described in Chapter 3, the goal of the IDBG's Overview of the IDBG's project closeout reports is to determine whether op- **Impact Evaluation Agenda** erations financed by the IDBG met their goals, how well and effectively they performed, and to capture Since 2008, the IDBG has been working to strengthoperational learning to feed into future project design. en project evaluation capacity throughout Latin Impact Evaluations (IEs) go deeper, allowing develop- America and the Caribbean and has mainstreamed ment practitioners to assess whether an outcome on a the practice of conducting IEs into its operationgiven population is attributable to a specific develop- al cycle. In this time frame, the IDBG has carried ment program or project.⁴² IEs are a critical element out 45 workshops on IE design for policymakers,

of the IDBG's DEF and are used to fill knowledge gaps executing agencies, and IDBG personnel. In paral-

^{42.} Previous editions of the DEO, available on the IDB's publications website have described the different IE methodologies in detail. Therefore, they are not discussed in this chapter.

lel, IDB has produced several learning resources to disseminate its evaluation work, including the text- for Public Sector Operations book Impact Evaluation in Practice: Second Edition (in English, Spanish, and Portuguese), with more tional communication efforts.

A Snapshot of Impact Evaluations

The IDBG first started planning and implementing IEs within its public sector operations.⁴³ Since than 91,000 downloads to date, and the Evaluation 2008, the IDBG has been preparing an average of Portal, which is visited more than 100,000 times 40 IE plans per year as part of public loans (see a year. Similarly, in 2017 IDB Invest launched the Figure 4.1). This number varies by year and peaked Technical Note Series, Development through the in 2013. In 2017, 39 IEs were proposed for public Private Sector, aiming to produce a repository of sector projects in 17 countries and across 11 IDB knowledge products and IEs, as well as a new De-sector divisions (see Figure 4.2). In addition, 11 velopment Impact Blog as part of broader institu- IEs were completed on various topics covering 12 countries.

Figure 4.1 Number and Type of Proposed Impact Evaluations for Public **Sector Loans, 2008—2017**



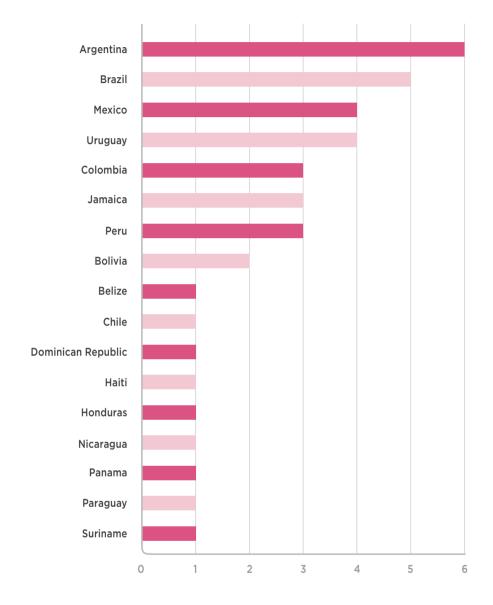
^{43.} The Office of Evaluation and Oversight (OVE) also produces IEs. However, they are not included as part of the IDBG's evaluation portfolio because OVE is an independent office. Information about OVE's IEs can be found on OVE's website.

Support the Socio Bosque Conservation Incentive Program, Ecuador (EC-T1306)



Figure 4.2 Number of Proposed Impact Evaluations for Public Sector Loans by Country and IDB Sector Division, 2017

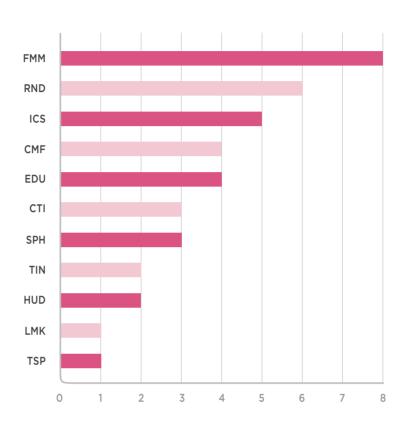
a. By country



While IEs are a valuable tool to help develop- to prioritize which projects (or elements of a projment practitioners attribute results to a specific ect) to evaluate. development project, the IDB does not require every project to include an IE. Given the significant the IDB to ensure alignment with its Institutional amount of time and resources that conducting these types of evaluations requires, it is important allocation of human and financial resources. To date,

Defining selection criteria to prioritize IEs allows Strategy and country priorities, as well as efficient

b. By IDB sector division



Note: CMF=Connectivity, Markets and Finance; CTI=Competitiveness, Technology and Innovation; EDU=Education; FMM=Fiscal Management; 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.

deciding whether to conduct and finance an IE for public sector operations has been a relatively decentralized process. Most IEs have been prioritized by IDB sector divisions and countries based on the strategic relevance of operations and the potential for knowledge generation.

In 2017, OVE carried out an assessment of IEs in IDB public sector operations (OVE, 2017b). This assessment, together with the IDB's IE experience, helped set five guiding principles for selecting and prioritizing IEs in the public sector moving forward. To carry out an IE, an evaluation must meet one or more of the following principles:

- 1. The evaluation should aim to provide information for an intervention where there is a lack of empirical evidence that can establish attribution (internal validity).
- 2. The evaluation should focus on an intervention ness, and growth—and more and more businesses are where there is a lack of empirical evidence on how it works in a specific context (external validity).
- 3. The evaluation can contribute to closing knowledge gaps identified in the Institutional Strategy.
- 4. The proposed intervention should be innovative.
- 5. The project counterparts should consider that an evaluation with attribution is important to inform increase accountability.

In addition, IDB Management is currently reviewing the IDB's IE tracking and monitoring system, 44 in line with OVE recommendations. 45 in order to better observe and communicate IE progress and results. Part of this effort includes systematically tracking the amount of budgetary resources the IDB uses for evalency and research replicability, the IDB will produce a set of guidelines on conducting ethically responsible for Transparency in the Social Sciences.

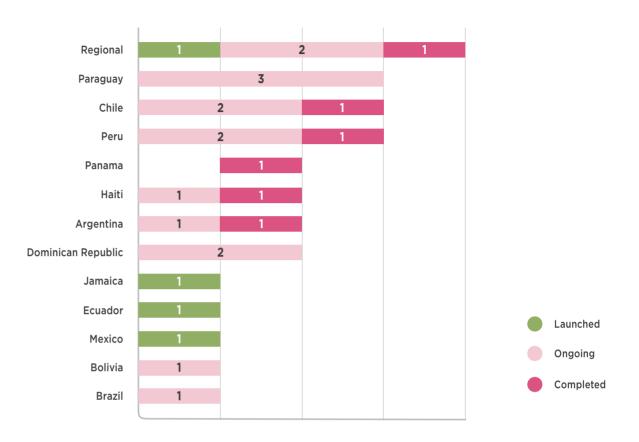
Advancing the Impact Evaluation Agenda in the Private Sector

Knowledge is increasingly seen as a key factor in promoting higher levels of firm productivity, competitiverelying on data-driven evidence to inform decision-making. However, IEs remain a relatively untapped resource that could help boost private sector development in the region. Development banks bring new opportunities to support their private sector clients in learning about the effectiveness of new products or processess both for their business and from a development perspective. the project design, contribute to sustainability, or This notion of adding value beyond financing is the cornerstone of IDB Invest's reinforced approach to development effectiveness.

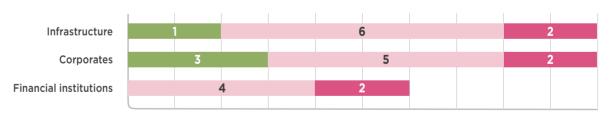
IDB Invest carefully chooses what to evaluate to maximize the value added of the knowledge created. IEs must be aligned with both business priorities and client needs, following the three guiding principles outlined in IDB Invest's IE Framework, which was featured in the uation. Finally, as part of its commitment to transpar- 2016 DEO.46 To this end, in 2017, IDB Invest launched five new evaluations, completed six (one implemented jointly with the public sector), and had fifteen ongoing evaluresearch in collaboration with the Berkeley Initiative ations across three business sectors and eight countries (see Figure 4.3).

Figure 4.3 Number of Private Sector Impact Evaluations by Country and Sector, 2017

a. By country



b. By sector



^{44.} Given changes underway to the IE tracking and monitoring system, this year's DEO does not include the current status of IEs in public sector operations, but rather focuses on key lessons and recommendations from completed IEs in 2017. The system should be completed in the second half of 2018.

^{45.} Recommendation 6 in OVE's assessment states: "Strengthen and move towards centralization of the Bank's systems to track all impact evaluations being conducted-from design to completion-and their costs, and to make high quality IEs and their documentation, the data used (when possible), and their lessons available to the public."

^{46.} See Box 4.3 in Chapter 4 in the 2016 DEO for a more detailed description of IDB Invest's IE Framework. IEs are selected based on the following guiding principles: (1) the operation is highly representative of existing or potential business lines for IDB Invest; (2) the operation includes innovative business solutions with important development impacts that can trigger systemic effects; and (3) the operation's prominence, size, and/or systemic impact on a country or industry is substantial, warranting more precise reporting of its effects on stakeholders.

Completed IDBG Impact Evaluations

This section summarizes key findings from IEs completed for both public and private operations in 2017. sectors.

Impact Evaluations of Public Sector Initiatives

In 2017, the IDB completed 11 IEs on a wide variety health, and nutrition to climate change and natural resources (see Table 4.1). Most of these IEs evaluated specific components of IDB-financed projects to identify if outcomes were attributable to the project. Others were not directly associated with IDB-financed projects, but rather focused on filling in knowledge gaps for the IDB and its clients.

As the IDB pushes the knowledge frontier on what works, it remains focused on the relevant questions that need to be answered to close knowledge gaps in development projects. Particularly, for the IDB sectors where IEs have been more prolific, this has implied a focus on second- and third- generation questions. That is, once there is a sufficient body of evidence showing that an intervention works, it is important to dig deeper. For example, while there is significant evidence showing the impact computer-assisted learning can have on educational outcomes,⁴⁷ particularly at the primary school level, many questions remain. How costeffective are these approaches? And what is the best ratio of computers to children in a classroom?

Of the eleven completed IEs in 2017, eight were on topics related to the IDB's Social Sector. The IE evidence base for the social sector is more abundant than in other sectors because administrative or household survey data is available for longer periods of time (alrelated to the social, environmental, and business lowing baselines to be established) and IEs in the social sector are typically easier to implement. For instance, it is feasible to find two communities with similar characteristics (statistically speaking) to assess the impacts of a vaccination or a laptop-distribution program in a of topics ranging from domestic violence, education, given country. However, this is not the case for natural disasters, which are random events that cannot be replicated. This is why the IDB's Social Sector is focusing more and more on second- and third-generation questions to keep closing knoweldge gaps in the region, as illustrated in the examples that follow.

> A set of experimental evaluations on teaching techniques conducted in Argentina, Belize, Paraguay, and **Peru** showed that more "hands-on" approaches to teaching math and science, whereby teachers work as facilitators, help students to develop problem-solving and critical thinking skills.⁴⁸ This evaluation argues that for education to serve today's tech-driven labor market, children must be placed at the heart of the learning process. At the same time, teachers can be trained to take a step back as transmitters of knowledge and to take on new roles as facilitators. In a more collaborative environment, children learn by challenging their own perceptions, as well as through interactions with peers and educators.

Another IE examining educational techniques focused on elementary schools in Honduras (HO-L1062)

Table 4.1 Completed Impact Evaluations in the IDBG Public Sector in 2017

Country	Operation number	Title of operation or evaluation
Climate Change and Sustainable Development Sector		
Ecuador	EC-L1071	National System for Rural Land Information and Management and Technology Infrastructure
Mexico	ME-L1121	ECOCASA Program
Nicaragua	NI-L1048	Environmental Program for Disaster Risk and Climate Change Management
Social Sector		
Bolivia	BO-T1181	Improving Child Nutrition Services in Bolivia (Phase 2)
Ecuador	EC-T1306	Support the Socio Bosque Conservation Incentive Program
El Salvador	ES-T1166	Community Outreach Model for the Prevention of Gender Violence Evaluation
El Salvador	ES-G1001	Mesoamerica Health Initiative 2015—pay for performance experiment
Honduras	HO-L1062	Primary Education and Technology Integration Program Evaluation
Jamaica	JA-L1063	Integrated Support to Jamaica Social Protection Strategy <u>Evaluation</u>
Peru	NA	The Effects of Non-Contributory Pensions on Material and Subjective Well Being <u>Evaluation</u>
Regional	NA	The Role of Inquiry and Problem Based Pedagogy on Student Learning ^a

Note: NA = not applicable: There is no operation number because the impact evaluation is not linked to an IDB loan.

not make a significant difference in student learning.⁴⁹ This finding complemented previous evidence found by another IDB evaluation (Arias and Cristia, 2014). The Educatrachos program, launched by the Honduran Ministry of Education in 2013, replaced standard ment to, traditional instruction materials.

and found that substitution of laptops for textbooks did math and Spanish textbooks with XO 1.75 laptops in high-poverty areas of Honduras. Because schools that received laptops did not receive textbooks, this study was one of the first randomized evaluations to look at technology as a substitute for, rather than a comple-

^{47.} See the International Initiative for Impact Evaluations on computer assisted learning.

^{48.} To learn more, see forthcoming article "The Future of Work Starts in Early Mathematics and Science" on the IDB blog, Development that Works.

a. This evaluation covers Argentina, Belize, Paraguay, and Peru.

^{49.} To learn more, see The Impacts of Shifting from Print to Digital Textbooks on the IDB blog, Development that Works.

The evaluation shows that the Educatrachos program effectively increased access to and use of computers at school. Similar to the findings from a report by the OECD, the evaluation found that laptops and traditional textbooks resulted in no differences in student performance—and at a large enough scale, basic computers that store multiple electronic copies of textbooks on their hard drives could actually be more cost-effective than physical textbooks. This means that despite no significant difference in student learning, schools could still gain from using laptops instead of books. However, more research is needed to assess program.

In contrast to the Social Sector, the body of evidence from IEs in the Climate Change and Sustainable Development Sector is scarce. To help fill some of these gaps, in 2017, three of the eleven completed IEs focused on topics related to this sector. Two IEs, one milk sales, which also boosted food security. in Ecuador and the other in Nicaragua, assessed how ing environmentally-friendly policies while improving communities' socioeconomic well-being. Each IE showed different results, illustrating the difficulties in obtaining the desired outcomes in projects related to climate change and sustainabilty.

The project in **Ecuador** (EC-T1306) aimed to improve both ecosysem conservation and the socioeconomic well-being of indigenous communities by providing them with modest payments to help maintain. The examples that follow illustrate key results from their ecosystems. While the project was effective on the conservation side, the payments did not have any impact on the socioeconomic well-being or economic actitivies of the recipients, as was originally expected. Previous studies with similar findings have credited this neutral socioeconomic effect to the higher costs incurred by the beneficiary communities to manage the program and maintain the local forest (Alix-García, Sims and Yañez-Pagans, 2015). More research is

needed to understand how this type of project can be adjusted to improve community socioeconomic wellbeing, and to better understand the short- and longterm costs of these interventions.

In contrast, the IE in **Nicaragua** (NI-L1048) that focused on disaster risk and climate change management found evidence of the project's effectiveness in promoting environmentally-friendly agricultural practices while improving the economic situation of a community. An evaluation of one of the program's components showed a positive impact on reducing the vulnerability of the beneficiaries to climate the potential cost-effectiveness of the Educatrachos change. This component helped restore the natural resource base of the intervention zones by increasing the adoption of tree cover and improving eco-forestry management plans and water capture. The project also contributed to improved livelihoods among households by increasing the value of production and

Evidence on the effectiveness of agricultural ineffective projects in each country were at implement- terventions on household-level indicators is scarce, especially in Latin America (IEG 2011). Most of this evidence is based on data coming from scientific experiments or from on-farm technology trials (Alston et al., 2000). This evaluation in Nicaragua is one of the first in the region to study this issue.

Impact Evaluations of **Private Sector Operations**

IDB Invest and MIF impact evaluation work related to financial inclusion, firm growth and productivity, and large infrastructure investments, among others.

Partnerships with financial institutions to generate evidence about how they can maximize development impact through their operations has been at the center of private sector evaluation efforts. Studies on innovative credit scoring models have been conducted to improve the financial inclusion of low-income indi-

viduals and SMEs, which often lack the collateral reguired by financial institutions to assess lending risk. In collaboration with the Entrepreneurial Finance Lab and a large bank in **Peru**, a team of evaluators from the MIF. IDB Invest, and the World Bank tested the use of psychometric tools to screen the creditworthiness of methods may be used to quantify private invest-SME owners. Results show that these tools help SMEs without a credit history increase their access to credit without worsening repayment behavior.⁵⁰ These tools might also be an effective way for banks to increase their SME lending portfolio.

IDB Invest has also been supporting a line of studies looking at firm-level data to understand the impact of advisory and financial solutions on firm growth and productivity. A study in Argentina shows that Diverpymex, an advisory program implemented by the Credicoop Bank Foundation with support from the MIF, was effective at encouraging non-exporter SMEs to enter foreign markets. In the medium- and longterm, the services provided also helped increase the ing the construction phase, signaling that country value of productivity and the total exports for firms that were already exporting, suggesting that there are efficiency gains from learning-by-exporting. Another study reinforces the importance of IDB Invest's flexibility in providing financial products in local currency. Specifically, it quantifies the negative causal effects of currency depreciations on firm-level capital expenditures in emerging countries when firms hold foreign currency debt.

In line with IDB Invest's Impact Evaluation Framework, the sheer size or prominence of an investment may call for a thorough evaluation. To this end, IDB Invest evaluated the effects of the **Panama** Canal Expansion project on the country. The study quantified

the project after the referendum of 2006 and how it induced private sector investments in canal-related and non-canal-related industries and services. The results of this study have also been showcased in an MDB Working Group as an example of how causal ment catalyzation effects. The study concludes that between 2006 and 2016, private gross fixed capital formation increased by approximately \$40 billion. which is 1.5 times larger than the counterfactual scenario that the country would have experienced without the announcement. The study also quantifies the overall impact on gross domestic product (GDP). The 3.7 percent growth rate achieved closely mirrors the growth rate of 3.9 percent predicted for the construction phase in an analysis commissioned by the Panama Canal Authority during project design (Pagano et al., 2012). This analysis did not consider potential private investment effects durpredictions might have underestimated the role of the private sector in explaining Panama's economic performance.

In line with its role as an innovation lab for the IDBG. the MIF has also been testing the effectiveness of different private sector approaches and filling knowledge gaps. For example, a study conducted in Ecuador focused on branchless banking, which has proven to be an effective model to extend financial services to underserved populations by allowing them to make payments, money transfers, and other transactions at local shops. However, the benefits gained by the network of retail stores outsourced as financial service providers in such models have not been quantified. the catalytic effect of the formal announcement of The study finds that in urban settings these business-

Development Effectiveness Overview 2018 Inter-American Development Bank Group 112 113

^{50.} To learn more, see the Technical Note: Are Psychometric Tools a Viable Screening Method for Small and Medium Enterprise Lending?, which is part of IDB Invest's Development through the Private Sector Series.

es exhibit higher foot traffic and sales than those that do not provide financial services. Moreover, the business owners themselves make greater use of financial services, such as business and savings accounts. Gains may be even higher in rural areas or places with a lower concentration of bank branches and competing non-bank correspondents.

A MIF study in **Guatemala** implemented experiments to test the effectiveness of Farmer Field Schools and the transfer of local chicken breeds—with a better tolerance to higher temperatures than commercial chickens—to vulnerable indigenous communities in the Dry Corridor region. The evaluation found positive program impacts on building climate change resilience in the communities. Beneficiary households in areas more exposed to high temperatures reported increases in egg production, consumption of calories and protein, and household expenditures. The results

also show strong impacts in height and weight indicators among girls between six months and five years old, reducing stunting and severe stunting by 36 percent and 66 percent, respectively.

Recent Trends and Insights from IDBG Impact Evaluations

The IDBG recognizes that generating knowledge that can be translated into value added for the region takes time and resources. Although the IDB launched its IE agenda 10 years ago, some of the development projects initiated at that time are still in the process of showing results. The insights described below are organized around prevalent trends and include findings from both ongoing (see Box 4.1) and completed IEs that highlight the IDBG's commitment to designing evidence-based projects with attributable impacts.⁵¹

Municipalities financed with the results-based conditionality doubled the number of preventative health visits compared to municipalities without conditionalities.

Evidence of the Impact of Results-based Incentives

Supporting the achievement of development outcomes is at the core of the IDBG mission. There has been growing interest among donors and MDBs in recent years in models that partially or fully condition funding on the achievement of outcomes, rather than financing inputs upfront under traditional investment loans. As discussed in Chapter 1, the Bank recently launched a new instrument "Results-based loans". However, rigorous evidence on the effects of conditioning development funding on results is hard to find. Teasing out the effects of the results-based incentives, separate from the overall financing, is particularly challenging, because the money and conditions are bundled together.

An IE of the results-based Salud Mesoamérica Initiative (SMI) uses a "natural experiment" to shed some light on questions regarding the impact of results-based incentives (Bernal, Celhay, and Martinez, 2018).⁵² SMI is implemented by the IDB with funding from The Bill & Melinda Gates Foundation, the Carlos Slim Foundation, and the government of Spain. A distinctive feature of SMI's funding model is the use of financial incentives, which are provided to countries based on the achievement of results.

Starting in 2009, the government of El Salvador an Invaluable Asset for Impact Evaluation implemented a health reform that expanded preventative health services in the country's 98 poorest municipalities through community health teams composed rely on expensive surveys to collect basic micro-level of doctors, nurses, and community health workers. Each community health intervention was funded in one of three ways: using national funds, multilateral

credit, or a combination of donor and national funding from SMI. Fourteen of the 98 municipalities were cofinanced by SMI using its results-based model, with incentives equivalent to 25 percent of the funding package tied to the achievement of externally measured maternal and child health targets at the end of two 18-month operations. The only condition imposed on countries for use of the incentive was that it had to be spent within the health sector. The remaining municipalities used conventional input-based funding, with no results-based conditionalities attached.

The short-term results were astounding. Municipalities financed with the results-based conditionality doubled the number of preventative health visits compared to municipalities without conditionalities. These results are among the first to study the effects of results-based aid to national governments. To date. available evaluations in low and middle-income countries have been carried out primarily with sub-national governments, such as in Indonesia (Olken et al., 2014) and Argentina (Gertler et al., 2014). While the results of SMI in El Salvador are promising, more studies will be needed to test alternative results-based lending models in a variety of sectors and settings.

A Game Changer: How Big Data Is Becoming

For decades, the study of development challenges such as poverty and poor infrastructure has had to data. It is no surprise that recent advances in information and communication technologies are providing a lower-cost alternative. What is surprising is that

^{51.} Previous editions of the DEO have highlighted other IE stories, which can also be found on the IDB blog Development that Works.

^{52.} To learn more, read the forthcoming article What Gets Measured, Gets Done on the IDB blog Development that Works.

the alternative data sources for impact evaluations come from NASA satellite imagery or navigation applications that crowdsource information from drivers stuck in traffic. A recent IDBG-supported evaluation used multiple sources of satellite data, as well as detailed historical administrative data, to evaluate the transport network of **Haiti** on economic activity in the country. The evaluation found significant increases in night-time luminosity (a proxy for economic activity) in areas surrounding roads that were improved when compared to areas surrounding roads that did not receive an intervention. Considering the elasticity of night-time luminosity and GDP at the national level, the authors conclude that road investments may have **How Insights from Behavioral Economics** generated an increase of between 0.6 and 1.2 percent in the communal-section GDP. The study also found that the areas that had larger gains were those located furthest from the capital, suggesting that benefits were distributed to a wide geographic area. However, when dividing the sample of communal sections into three groups, according to a baseline wealth index (Least Poor, Poor, and Poorest), the results show that the largest increase in luminosity came from the poor communities. This finding highlights not only impor- a field that draws from psychology insights to explore tant welfare effects but also the need for complementary policies to target the poorest of the poor. Overall, this evaluation is particularly important for showcasing how satellite data is becoming a key input to understanding the impact of IDBG-funded transportation projects in countries such as Haiti that lack ic model, which makes a number of assumptions about standardized data.

Another example of the benefits of using big data comes from the information collected by Waze, the world's largest community-based traffic and navigation app in which drivers share real-time information on traffic and road conditions. Data are collected in major cities across the region and refreshed every two minutes. For cities, having access to this crowd-

sourced data from Waze is a golden opportunity to conduct traffic studies at a fraction of what it would cost without this real-time information. For instance. measuring just one traffic intersection for a year, at a specific time of day in Medellín. Colombia can cost about \$3,500, and properly measuring a traffic corimpact of road rehabilitation projects in the primary ridor could require at least six such measurements. For a city like Medellín with 1.500 streets and 95.000 intersections, measuring just 10 corridors can cost as much as \$200,000. The IDBG is partnering with Waze to analyze this data in conjunction with both public and private operations related to urban development and transportation.

are Helping Improve Financial Inclusion

Development specialists face multiple obstacles when formulating projects, such as a lack of resources, difficulty in reaching the beneficiaries, and political, cultural, or ideological differences. Even if they can overcome these obstacles, IDBG specialists have found that sometimes projects do not yield the expected outcomes. Why?

The reason might stem from behavioral economics, why people sometimes make irrational decisions or why their behavior does not follow the predictions of traditional economic models. The fact is that everyone falls prey to behavioral quirks. And yet most policy, program, and product design is based on the traditional economhuman behavior. According to this theory, people weigh all available information, assess the costs and benefits of each option, and make a choice that is in their own best interest. But this is not always the case in practice. as people may take actions that go against the simplistic assumptions made by traditional economic models.

The private sector is not a newcomer to the field of behavioral economics and has been actively using



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data analytics and behavioral incentives to encourage employees, customers, and other stakeholders to achieve certain desired outcomes. The task for development banks is how to use these tools to maximize development impact and provide lessons than can be that encouraging low-income people to set a specific scalable and sustainable.

ducted by the MIF, tested whether triggering the norm of reciprocity between microentrepreneurs and banks from which they were seeking loans increases microentrepreneurs' participation in a business trainentrepreneurs more creditworthy and more likely to repay the loans and grow their businesses. Potential participants were personally approached by bank officers that delivered the invitation and were randomly assigned to either receive or not receive a small gift with their invitation to participate in the training program. The gift, a premium chocolate, had to be sufficiently small to avoid any income effects, but relatively valuable and appreciated as a gift to potentially affect behavior. Surprisingly, the gift had a negative and significant effect of 8.3 percentage points on participation rates. The study argues that an unexpected, temporary change in the context triggered a negative response from the entrepreneurs to the gift, which changed the direction of the expected result; thus, reciprocity.

ics tools in several of its IEs. In collaboration with financial institutions, several evaluations are being conducted to understand what type of incentives tackling behavioral biases can be most effective to increase savings, improve repayment, and reduce debt among low-income clients. The examples that follow showcase this work.

While poor populations might be limited in their capacity to save, in certain cases psychological biases

or a lack of understanding of the benefits of savings and the costs of debt can result in sub-optimal savings decisions. A study conducted in partnership with Banco Familiar, an IDB Invest client in Paraguay, found savings objective to prepare for unforeseen emergen-A randomized field experiment in **Ecuador**, concies was the most effective approach, followed by setting a specific savings objective with no specific purpose. Larger impacts were observed on people that received text message reminders.

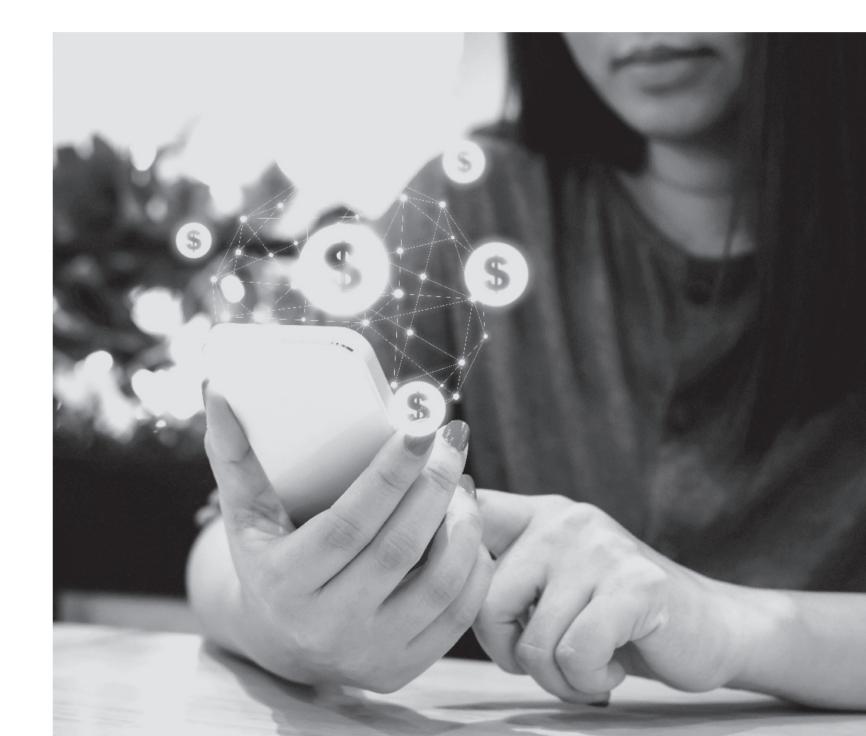
Another study conducted with clients from branching program. The program aimed to make the micro- es of Banco Estado of Chile located in vulnerable areas showed that two strategies were effective at increasing savings within the first 12 months after account opening. One was an Automatic Savings Plan that offered the client the possibility of making an automatic transfer of money from a regular account to a savings account. The second was a Savings Strategy that offered the client alternatives to reduce non-relevant expenses and provided educational videos, text messages, and supporting visual materials (magnets, calendars, card holders) highlighting the strategies. Interestingly, text message reminders about savings had no impact whatsoever.

Similarly, a MIF-supported program, Ahorro para Todos, promoted increased awareness of how financial products work. The program, rolled out through the intervention induced negative rather than positive a randomized trial in rural areas in **Peru**, was an effective mechanism to increase savings with the spon-IDB Invest has also leveraged behavioral econom- soring financial institution, Financiera Confianza, but had no overall impact on savings levels. The program also had a modest impact on the incidence of poverty among program clients. There were no documented impacts on the use of any other financial products, such as credit and insurance.

> What are the broader policy implications of these results? The majority of financial products in the region are geared toward credit, while savings products typically lack the same level of diversity and

not save and show that personalized and low-cost solutions, which can be implemented by financial also beneficial for banks, which need a strong base promising results.

focus on client needs. These results challenge the of savings accounts to remain solvent and profitwidespread belief that low-income individuals can- able. Since behavior is different across individuals and contexts, interventions will need to be carefully designed and piloted before being scaled up. More institutions, can render positive results. Besides be- evidence is needed to shed light on the specific ing beneficial for individuals, increasing savings is mechanisms and conditions that can sustain these



Inter-American Development Bank Group

Valuable Intermediate **Insights from an Impact Evaluation Underway in** the Dominican Republic

minican mothers were on this issue.

the approaches to be tested through this IE, the evalua- son why mothers do not breastfeed or stop breastfeedtion team organized four focus groups and collected 500 ing, although none of the mothers claimed this as their surveys from mothers with children under three years own personal reason for doing so.

In 2017, IDB Invest launched an IE seeking to under- old. The results show that, although mothers are aware stand how commercial products frequently used by of the benefits of breastfeeding for their babies, they lack parents, such as baby wipes, could be used to pass in- adequate knowledge about the recommended practices. in behavior. The study is being conducted in the Do- for the first six months, which is the practice recommendminican Republic, which has one of the lowest breast- ed by the World Health Organization, is needed. More 38 percent world average).^a To this end, marketing and than breast milk in the first six months. The women often psychology principles are being used to target mes- mentioned the lack of expert support to provide timely sages to consumers of baby wipes seeking to influence advice as a factor that contributes to low breastfeedsocial support to facilitate this practice, and increase from breastfeeding educators and 63 percent indicated overall breastfeeding rates. During the process of de- that they looked for information from close family and/ signing the IE, an important gap was identified. Al- or friends. Results also highlight the stigma associated though multiple initiatives had been implemented over with breastfeeding and low acceptance of the practice about what the main barriers and perceptions of Do- agreeing with this practice. Surprisingly, around 60 percent of mothers believed prevailing concerns about the To close this knowledge gap and guide the design of appearance ("aesthetics") of the practice is the main rea-

Overall, these results highlight the complexity of the issue from a behavioral economics perspective. These problem and the need for a holistic response. They also findings are the first in the country to provide such deopen avenues for testing an array of innovative private tailed information on this topic, and have also helped and public interventions that could serve to tackle this improve the IE's design.



a. Data are from World Breastfeeding Trends.



Reflections

As seen in this chapter, efforts to build a culture of fields and grow the use of big data in project evalu-IE at the IDBG continue to bear fruit, with diverse ations. In addition, the private sector windows of teams throughout the IDBG-from infrastructure, to the IDBG (IDB Invest and the MIF) will continue their natural resources, to climate change-implement- efforts to apply IEs for assessing or improving the ing IEs to expand the frontier of knowledge in these effectiveness of their projects. In order to maximize fields. Although the number and findings of IEs conthe benefit of these efforts, the IDBG is increasingly tinues to be higher in the social sector, the IDBG is relying on IE findings to inform the design of new establishing partnerships with other organizations operations and is working on a repository of IE data, to share evaluation methodologies in less explored reports, and lessons.

The IDBG is partnering with other organizations to share evaluation methodologies in less explored fields and increase the use of big data in project evaluations.

Health Equity Improvement and Services Strengthening Program, Panama (PN-L1068) Lima Metro Line 2 and Line 4 PPP. Peru (PE-L1160)

Monitoring the IDBG's Corporate Results

The IDBG's Corporate Results Framework (CRF) is with regard to each of the challenges and cross-cutthe primary tool for monitoring the achievement of the Group's strategic objectives, providing information about the IDBG's contributions to development in the region as well as the efficiency and effectiveness with which it works. While it is impossible to capture all aspects of the IDBG's work in a single set of indicators, the CRF provides insights about key contributions to development in the region as well as strengths and gaps in institutional performance. The CRF consists of three levels of indicators: (1) Regional Context; (2) Country Development Results; and (3) IDBG Performance. This chapter reviews progress at each of these levels in 2017 with a view to identifying how this information may be used in prioritizing activities and areas for improvement.

Regional Context Indicators

The Regional Context indicators (see Table 5.1) highlight the region's long-term development progress with respect to the IDBG's strategic priorities, providing a snapshot of the current state of the region ting issues prioritized in the UIS. The information provided through these indicators in the CRF is intended to provide a high-level overview, with deeper information available in specialized reports referenced in this section.

Progress against the Regional Context indicators is the result of a combination of policies and programs implemented by borrowing member countries, clients, and their development partners; as such, they cannot be directly attributed to IDBG support. Nonetheless, the indicators provide perspective on the broader development challenges in the region and help the IDBG monitor high-level trends that may affect future strategic planning and programming decisions.

Progress on the Regional Context indicators in 2017 reinforces the continued relevance of the development challenges identified in the UIS. Although the region experienced a slight return to growth in 2017, countries continue to face important structural challenges to address the region's development needs. While poverty had been declining in the region for many years, it has shown slight upticks over the last two years and inequality—as measured

Table 5.1 Regional Context Indicators^a

Indicator	Baseline	Year	Progress	Year	IDBG Strategic Priorities ^b
Poverty headcount ratio (US\$3.10 per day PPP) (%)	13.4	2013	13.4	2016	+†
Gini coefficient	0.493	2013	0.485	2016	+† =
Social Progress Index	71.0	2015	71.4	2017	+†
Growth rate of GDP per person employed (%)	1.3	2013	-1.5	2017	~
Global Innovation Index (LAC average)	33.5	2014	31.7	2017	~
Research and development expenditure as a percentage of GDP (%)	0.64	2011	0.70	2015	~
Intraregional trade in goods (%)	16.0	2014	15.0	2016	
Growth rate of the value of total exports of goods and services (%)	-1.5	2014	-1.6	2016	
Foreign direct investment net inflows as percentage of GDP (%)	3.7	2012	2.8	2016	
Greenhouse gas emissions (kg of CO ₂ equivalent per \$1 GDP (PPP))	0.44	2012	0.42	2014	③
Proportion of terrestrial and marine areas protected (%)	13.3	2014	NA	NA	③
Government effectiveness (average LAC percentile)	48.6	2013	46.7	2016	<u></u>
Rule of law (average LAC percentile)	39.8	2013	39.7	2016	盦

- a. The specific country mix included in the progress values reported varies according to the data available for each indicator. For more information and links to original data sources, visit the Regional Context page of the CRF website. NA = not applicable. External sources include: Social Progress Imperative, World Development Indicators, Global Innovation Index, RICyT, World Resources Institute (CAIT Climate Data Explorer), UN Department of Economic and Social Affairs, and the World Bank. 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.
- The Update to the Institutional Strategy outlines a number of strategic priorities, organized into the following three challenges and three cross-cutting issues: ** Social inclusion and equality; ** Productivity and innovation; ** Economic integration; == Gender equality and diversity; © Climate change and environmental sustainability. 🟛 Institutional capacity and the rule of law.

by the Gini coefficient—also edged slightly upward (Duryea and Robles, 2017).53

At the same time, the region's growth lags behind other world regions, with low levels and quality of investment constituting major factors hindering long-term growth in the region (IDB, 2018).⁵⁴ Furthermore, the technological revolution is disrupting traditional ways of working and the region's technology gap is at risk of increasing. There is also a continued need to deepen economic integration in the region as initiatives remain fragmented, intraregional trade in goods remains below potential, and exports posted another year of negative growth in 2016.55 Progress on all these fronts requires strong, trustworthy institutions that are accountable to their citizens and maintain public confidence.

Although these overall challenges remain important across the region, there continues to be wide variation in terms of the circumstances at the country or local level. The regional progress masks the heterogeneity in a region where income per capita ranges from \$1,900 in Haiti to \$25,700 in Chile (IMF, 2018). Thus, the story for an individual country may differ substantially from the regional statistic. For example, while the aggregate GDP per person employed for the region decreased by 1.5 percent in 2017, Trinidad and Tobago, where progress towards those results so far. GDP per person rose by 3.2 percent, was among several countries experiencing an increase compared to the previous year (World Bank, 2017b). This is one of the many reasons why the IDBG approaches development with a tailored approach focused on the evolving needs of each borrowing member country.

Country Development Results Indicators

The Country Development Results Indicators provide aggregate data on outputs and outcomes supported by projects financed by the IDBG. At this level of the CRF, the indicators capture results achieved by projects in the executing portfolio. Progress on these indicators is highly dependent upon programming decisions by the IDBG and its borrowing member countries and clients, as well as the time required for projects to be executed and generate measurable results.

Overall, the majority of the Country Development Results Indicators are currently on track. In several cases (such as subnational governments benefited by citizen security projects and beneficiaries of targeted anti-poverty programs), the expected results for 2016-2019 have already been surpassed. Other indicators that are approaching their expected results for this four-year period include households with new or upgraded access to drinking water and MSMEs provided with non-financial support. However, four indicators remain either off track to meet the expected results for 2016-2019 or have achieved only moderate

Indicators that are not currently on track include students benefited by education projects, beneficiaries receiving health services, beneficiaries of improved management and sustainable use of natural capital, and MSMEs financed. Despite not being on track to reach their expected results for 2016-2019, a

^{53.} For more detailed information on social progress in the region, see the IDB Report Social Pulse in Latin America and the Caribbean 2017: Family Legacy, Breaking the Mold or Repeating Patterns?

^{54.} For a deeper look at the region's growth prospects, see the IDB's 2018 Latin American and Caribbean Macroeconomic Report: A Mandate to Grow.

^{55.} For more detailed information on integration and trade in the region, consult the IDB's INTrade database.

number of ongoing projects contributed to progress in each of these indicators in 2017. Specifically:

- Nearly 4.2 million students benefited from education projects in 13 countries in the region through projects such as the Sector Support for Quality Education project (EC-L1155) in **Ecuador**, which financed important interventions (such as improving the nutrition status of students in public schools, in-service teacher training, and annual national achievement tests for students) to improve access to quality education in the country.
- Nearly 4.9 million individuals received health services in 10 countries in the region, through projects such as the Improved Access and Quality of Health and Nutrition Services project (GU-L1022) and quality of primary and secondary health and nutrition services to improve maternal and child under two years of age.
- as the Irrigation Program with a Watersheds Approach project (BO-L1084) in Bolivia, which aims for execution delays.

- to achieve a sustainable increase in the agricultural income of rural beneficiary households by expanding the area of farmland under irrigation and improving efficiency in the use and distribution of water for agricultural purposes.
- Nearly 410,000 MSMEs received financing from IDB, IDB Invest, and MIF projects throughout 16 countries in the region (see Box 5.1).

Given that the IDBG aims to be responsive to country and client demand, it is to be expected that not all indicators would be on track to achieve the expected results established as part of the CRF. Country priorities may shift over time, both in terms of the sectors in which they seek IDBG support and in terms of specific issues they aim to target within in **Guatemala**, which is strengthening access, use, a given sector. Corrective action for these off track indicators is not necessarily required if the trajectory is based on changes in country or client prihealth and reduce chronic malnutrition in children orities. If, however, the indicator is off track due to issues associated with the execution of ongo-More than 37,000 individuals benefited from im- ing projects, these projects are identified through proved management and sustainable use of natu- the PMR and DELTA monitoring system discussed ral capital in 13 countries through projects such in Chapter 3. In those cases, the IDBG works with countries and clients to identify and resolve causes

In 2017 nearly 4.2 million students benefited from education projects in 13 countries in the region.

BOX 5.1

Working Together to Serve MSMEs

MSMEs play an important role in the region, accounting theless, they tend to stay small and have low producings to better meet the needs of smaller businesses. tivity. Inadequate financing is a key limitation. MSMEs For example, a long-term \$150 million loan to Banco to bear its complementary comparative advantages.

en financial market regulation and supervision, cre-percent. Similarly, an IDB Invest project with Banco ate confidence in the investment climate, and foster Improsa in Costa Rica helped to more than triple SME programs that channel financing toward productive loan tenors over a similar time frame, and the bank development and MSMEs. In turn, these efforts help increased its SME portfolio by 11 percent. stimulate private investment. In 2017, IDB Invest began rethinking its approach to serving MSMEs, leveraging women-owned/led companies are even more overthe knowledge and experience of the IDB on the regululooked despite the recognition that women are great lation and public policy side, and of the MIF, which has savers, prudent borrowers, and loyal customers. To a long track record of supporting innovative financial address this issue, the women entrepreneurship Bankinclusion models and specialized MSME financial in- ing program has been combining private investment termediaries. A sharpened focus toward supporting through IDB Invest with MIF technical assistance to this underserved market segment will entail partner- help banks develop new products and services to serve ing with a range of commercial financial intermediar- this large potential market. Since 2012, the program ies, including financial institutions and corporate value has partnered with 17 banks in 11 countries. At least 9 chains to channel funding to MSMEs, as well as pro- of these banks have joined the Global Banking Alliance moting the spread of knowledge and innovations that for Women, fostering both regional and international expand MSME access to finance.

IDB Invest has been partnering with financial instifor the majority of businesses and employment. None- tutions across the region to adjust their product offerin the region face an estimated financing gap of \$210- Industrial in Guatemala helped the bank to offer lon-\$250 billion (IFC, 2011). In order to address this gap ger tenors to SME clients. From 2012 to 2015, SME loan and improve MSME productivity, the IDBG is bringing tenors increased from 71 to 83 months, average loan sizes doubled from \$20,000 to more than \$40,000, The IDB's public policy interventions aim to strength- and the Bank's SME portfolio grew more than 200

> Within the underserved MSME market segment, knowledge exchange around best practices.

Table 5.2 Country Development Results Indicators: Outputs and Immediate Outcomes^a

Indicator	IDBG Strategic Priorities ^b	Results 2016-2017	Expected Results 2016-2019	Status ^c
Reduction of emissions with support of IDBG financing (annual tons CO ₂ equivalent) ^d	~ (3)	8,484,576	8,000,000	Ø
Students benefited by education projects (#)	+†~=	6,207,310	15,790,000	
Beneficiaries receiving health services (#)	+ † =	9,445,663	38,000,000	8
Beneficiaries of targeted anti-poverty programs (#)	+†=	8,315,666	8,000,000	Ø
Beneficiaries of improved management and sustainable use of natural capital (#)	+ 1 ~ ② 盒	812,415	4,900,000	^
Households benefitting from housing solutions (#)	+†=	266,462	850,000	0
Beneficiaries of on-the-job training programs (#)	+†~=	543,603	875,000	0
Jobs created by supported firms (#)	~ =	174,896	140,000	Ø
Women beneficiaries of economic empowerment initiatives (#)	+†~=	627,094	1,300,000	0

- a. Data reported for the Country Development Results Indicators relies on the monitoring processes and tools described in Chapter 3, including the PMR for IDB operations, the DELTA for IDB Invest operations, and the PSR/PSU for MIF operations. For most indicators, data is provided by executing agencies and clients with subsequent validation by IDBG project teams. In cases where precise data is not available, total figures may be estimates. For more information, visit the <u>Country Development Results page of the CRF website</u>.
- b. The UIS outlines a number of strategic priorities, organized into the following three challenges and three cross-cutting issues:

 **Social inclusion and equality; **Productivity and innovation; **Economic integration; **Gender equality and diversity; **Climate change and environmental sustainability; **Institutional capacity and the rule of law.
- 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 5.2 because the CRF includes Expected Results 2016-2019 for this indicator.

Table 5.2 Country Development Results Indicators: Outputs and Immediate Outcomes^a (continued)

Indicator	IDBG Strategic Priorities ^b	Results 2016-2017	Expected Results 2016-2019	Status ^c
Micro, small, and medium enterprises financed (#)	+†~=	967,284	3,400,000	8
Micro, small, and medium enterprises provided with non-financial support (#)	+∱ ۞ ~ =	183,890	260,000	0
Households with new or upgraded access to drinking water (#)	+∱~⊖=	634,346	950,000	0
Households with new or upgraded access to sanitation (#)	+∱~⊘=	662,512	1,300,000	0
Installed power generation capacity from renewable sources (%)	~ (3)	100%	80%	0
Roads built or upgraded (km)	~ ♦=	4,181	6,300	0
Professionals from public and private sectors trained or assisted in economic integration (#)	~ 🛞	62,256	40,000	Ø
Regional, sub-regional and extra-regional integration agreements and cooperation initiatives supported (#)	⊕ <u></u> <u></u> <u> </u>	37	28	Ø
Subnational governments benefited by citizen security projects (#)	+ ∱ ~= <u>≘</u>	470	52	Ø
Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)	+ † ~ ⊕ • ⊕ = <u> </u>	123	150	0



Table 5.2 presents specific progress values by indicator, including the status of the indicator with respect to the likelihood of achieving the expected results established in the CRF. Additional details—including the specific projects contributing to progress on each indicator—are available through the Country Development Results section of the CRF website.

Beyond the indicators displayed in Table 5.2, there are six additional Country Development Results Indicators for which the CRF does not include targets because they are associated with higher-level intermediate outcomes that materialize over a longer cent progress results for the IDBG Performance Inditime frame (see Table C.3 in Appendix C). For several of these indicators, it is not feasible to quantify the IDBG's contribution to progress. Instead, the IDBG **Staying on Course** tracks which projects align to these indicators and reports this information on each indicator's page of the CRF website. For example, the indicator formal employment of women measures the percentage of women who are formally employed or self-employed in a variety of sectors. While a single project supported by the IDBG will not have a meaningful impact on the value of the indicator for the region, it may have important effects at the local level.

IDBG Performance Indicators

The CRF's IDBG Performance Indicators measure how the IDBG supports countries and clients in achieving results. These indicators were designed to measure each of the operational guiding principles of the UIS: responsiveness; multisectorality; effectiveness and ef-

ficiency; leverage and partnerships; innovation and knowledge; and strategic alignment.

A key objective of monitoring the IDBG Performance Indicators is to identify areas where the IDBG is doing well, so the IDBG can stay the course and meet its 2019 targets, as well as areas where progress is straying off course and corrective actions may be needed. It is at this level of the CRF that the performance results can be most heavily used to inform decision-making because these indicators more directly reflect areas under the IDBG's control. The most recators are shown in Table 5.3.

Several of the IDBG Performance Indicators are on track, showing improvements over the baseline or a current value close to the 2019 target. The IDB is on track to achieve its respective target for lending to small and vulnerable countries, one of the metrics to track IDBG's responsiveness. In addition, the IDB maintains healthy cost-to-income and costto-development-related-assets ratios (measures of efficiency) and has improved performance on the average visits to IDBG publications and blog readership (measures of knowledge-sharing). In addition, the percentage of operations meeting the target preparation time has increased substantially over the last four years, surpassing its 2019 target. The median preparation time for SG loan operations declined from 6 months in 2014 to 4.4 months

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Table 5.3 IDB Group Performance Indicators^a

	Indicator	Institution	Baseline	Year	Progress 2017	Target 2019	Status ^b
	Partners satisfied with IDBG development solutions (%)	IDBG	74	2015	79°	85	-
eness	Lending to small and vulnerable	IDB	37	2014	34	35	0
Responsiveness	countries (%)	IDB Invest	37	2016	23	40	8
Resp	Operations meeting target	IDB	83	2014	92	87	0
	preparation time (%)	IDB Invest	NA	NA	NA	TBD	-
orality	Partners satisfied with IDBG use of multi sector approach (%)	IDB	92	2015	89°	TBD	-
Multisectorality	IDBG loan operations with multidisciplinary team compositions (%)	IDB	54	2014	58	Monitor	-
	Active operations with satisfactory	IDB	69	2014	82	75	0
	performance classification (%)	IDB Invest	NA	NA	64 ^d	75	
	Operations with satisfactory	IDB	78	2014	54°	80	8
eness	development results at completion (%)	IDB Invest	66	2016	58°	80	8
Effectiveness	Operations with high environmental and social risks rated satisfactory	IDB	88	2014	80	90	8
Ξ	in the implementation of mitigation measures (%)	IDB Invest	91	2016	92	90	0
	Mid- and senior-level staff who are	IDB and MIF	37	2014	37	43	8
	women (%)	IDB Invest	27	2016	28	35	8

- a. For more information, visit the <u>IDBG Performance page of the CRF website</u>. B = billion; M = million; NA = not available; NSG = non-sovereign guaranteed; TBD = to be determined; TC = technical cooperation.
- b. Each indicator for which a target has been established has been categorized into one of the following three statuses based on the <u>Traffic Light Methodology</u>: On Track, On Watch, On Watch,
- c. Data reflects External Feedback System data for 2016 as these surveys are currently undergoing adjustments.
- d. Projects in supervision are classified as satisfactory, alert, or problem. Being on "alert" does not mean that projects are at high risk of not achieving their development goals at maturity, but rather signals the need for additional support to help projects meet their expected objectives. See Chapter 3 for more details.
- e. The percentage of projects with satisfactory development results at completion in 2017 is based on the validation by the Office of Evaluation and Oversight. Reporting for 2016 was based on Management's assessment, which yielded a value of 88 percent for IDB operations and 66 percent for IDB Invest operations. See Chapter 3 for a deeper look at the achievement of results in completed projects and the differences between Management's and OVE's assessments.

Table 5.3 IDB Group Performance Indicators^a (continued)

Indicato	or	Institution	Baseline	Year	Progress 2017	Target 2019	Status ^b
	Cook to income matic (0/)	IDB	40.3	2014	37.1	40	0
ency	Cost-to-income ratio (%)	IDB Invest	44.7	2016	46.2	TBD	-
Efficiency	Cost-to-development-related-assets	IDB	0.84	2014	0.81	0.80	0
	ratio (%)	IDB Invest	1.0	2016	1.3 ^f	TBD	-
Leverage and Partnerships	Mobilization volume by NSG financed projects / companies (\$)	IDB Invest	8.9 B	2012-2014	5.7 B ⁹	21.3 B ^h	8
Levera	Partners satisfied with IDBG's ability to convene other partners (%)	IDBG	72	2015	66°	75	-
ge	Partners that consider IDBG solutions to be innovative (%)	IDBG	81	2015	80°	85	-
Knowledge and Innovation	Total IDBG blog readership (#)	IDBG	2.1 M	2014	3.2 M	4.2 M	0
Kr	Average visits to IDBG publications (#)	IDBG	139	2014	372	230	0
	New approvals aligned with at least one challenge or cross-cutting issue of the Update to the Institutional Strategy (% of lending and TC volume)	IDBG	99.4	2016	99.8	NA	-
Strategic Alignement	Social inclusion and equality	IDBG	47	2016	43	NA	
ligne	Productivity and innovation	IDBG	56	2016	65	NA	
gic A	Economic integration	IDBG	22	2016	31	NA	
strate	Gender equality and diversity	IDBG	17	2016	12	NA	
O)	Climate change and environmental sustainability	IDBG	32	2016	45	NA	
	Institutional capacity and rule of law	IDBG	36	2016	40	NA	

- f. The denominator for IDB Invest's cost-to-development-related-assets includes the IDB NSG portfolio since IDB Invest's administrative expenses include costs associated with the origination of new operations for the IDB, and the management of its existing portfolio as per the terms of the capitalization scheme, cross-booking arrangements, and service level agreements between the IDB and IDB Invest.
- g. Mobilization data reported for 2017 reflects cumulative progress 2016-2017.
- h. The target of 21.3 B is a cumulative target for 2016-2019.

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ness indicators. In the case of the IDB, the percentage tivity and innovation, with approximately 65 percent of active operations with satisfactory performance classification is on track for 2017, with 82 percent of strategic priority. Conversely, gender equality and diprojects meeting this criterion, 11 percent on alert, and 7 percent in problem status.⁵⁶ At IDB Invest, 92 percent of operations with high environmental and social risks were rated satisfactory in the implementation of mitigation measures. In addition to its ongoing work in implementing robust environmental and social review procedures that include not only the ex ante analysis but also the supervision process, in 2017, IDB Invest also carried out several capacity building events on environmental and social sustainability for its clients and potential clients and developed an online training course on environmental and social risk management
IDB loan operations with multidisciplinary teams has for financial intermediary clients.

In addition to those indicators that are on track, there are a number of indicators for which no target has been established as the IDBG simply monitors performance on the indicator over time. These include the indicators related to strategic alignment and multisectorality.

In the case of **strategic alignment**, more than 99 percent of the volume of all IDBG approvals in 2017 were strategically aligned to at least one of IDBG's strategic priorities.⁵⁷ The greatest amount of financing

The IDBG is also on track on some of its **effective-** for IDB, IDB Invest, and MIF was aligned to producof approved financing across the IDBG aligned to this versity was the area with the lowest level of strategic alignment across the IDBG for the second year in a row. While there are no targets for strategic alignment, the relatively low level of strategic alignment to gender equality and diversity indicates that more work may be needed to mainstream these considerations in IDBG operations. Detailed information on strategic alignment by IDBG institutions as well as at a project level may be found on the indicator webpage of the CRF website.

> In the case of *multisectorality*, the percentage of increased slightly in the past couple of years, illustrating how the principle of multisectorality has taken greater hold within the IDBG (see Box 5.2 for an example of a multisectoral project recently approved in Nicaragua). While 54 percent of SG loan operations had team members from multiple sector divisions in 2014, this increased to 58 percent in 2017. Of note, the percentage of operations with team members from the climate change division has increased as the IDBG has increasingly worked to mainstream climate considerations.

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^{56.} Details by project stage are available on the indicator webpage on the CRF website.

^{57.} IDBG strategic priorities are: social inclusion and equality; productivity and innovation; economic integration; gender equality and diversity; climate change and environmental sustainability; and, institutional capacity and rule of law.

Multisector Solutions to Improve Public Health in the Dry Corridor in Nicaragua

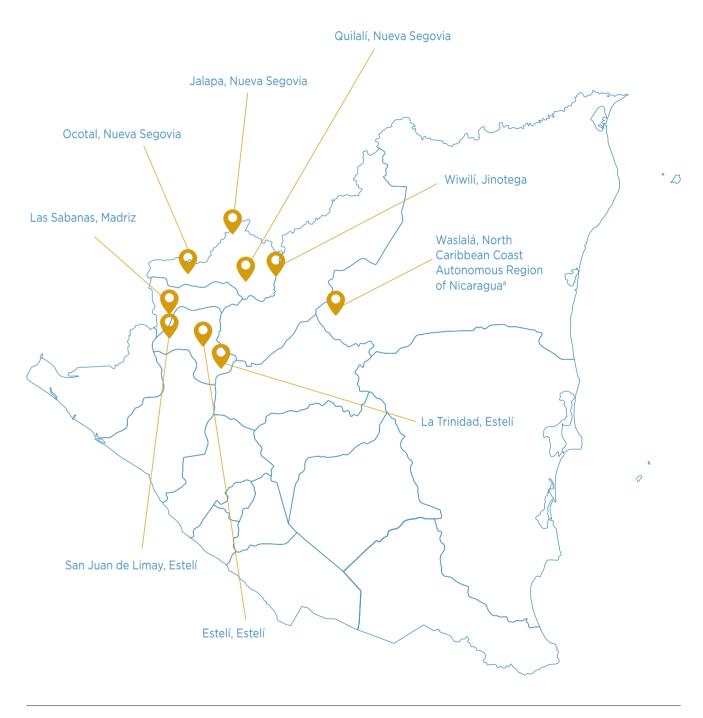
lagging significantly behind the national average on nical expertise to tackle these challenges. these and other health indicators. At the same time. tation options.

of implementing the transport-related activities, and than it would otherwise.

Nicaragua faces higher rates of chronic child malnutri- other institutions will participate in the strategic cotion, and maternal and infant mortality than many of ordination of the program where it relates to their its peers in the region. While there have been recent mandates. Likewise, given the project's multisector improvements at the national level, sharp disparities approach, the team included health, transport, and remain within the country, with remote rural areas water and sanitation specialists to bring diverse tech-

The project will focus on improving public health climate change is reducing the availability of clean in an area (see Map 5.2.1) covering 1.7 million people water and air and contributing to rising incidences of through regional management of health care and vector-borne diseases, such as malaria and dengue. In some of its most significant determinants (includaddition, populations in rural areas often face trans- ing water quality and vector control), promoting portation barriers to accessing health care because of healthy practices, and improving access roads and the poor quality of roads and limited public transport the coverage and quality of health services. The anticipated impacts of the project include accelerating In recognition of these interconnected challenges, the reduction in maternal and child morbidity and in 2017 the IDB approved the Multisector Program mortality, slowing the advance of the main chronic to Improve Health Determinants in the Dry Corridor diseases, and controlling vector-borne diseases. By (NI-L1143) in Nicaragua. Because the overall proj- addressing determinants outside the health sector ect objective is focused on improving the health and that have an important effect on health-particularwell-being of the population in the targeted areas, the ly those related to the availability and quality of wa-Ministry of Health is the main executing agency for ter and sanitation services as well as the geographic the project. As the co-executing agency, the Ministry accessibility of health services—the project is exof Transportation and Infrastructure will be in charge pected to have a greater impact on public health

Map 5.2.1 Municipalities served by the Multisector Program to Improve Health Determinants in the Dry Corridor



a. While Waslalá is part of the North Caribbean Coast Autonomous Region of Nicaragua, for the purposes of health services it falls under the local integrated healthcare system of Matagalpa due to its distance from the regional seat.

Adiusting Course

For a number of indicators, corrective action may be needed to make more rapid progress toward the established targets. Specifically, the following six indicators are not on track to meet their targets: mid- and senior-level staff who are women; IDB operations with high environmental and social risks rated satisfactory in the implementation of mitigation measures: IDB Invest lending to small and vulnerable countries; mobilization volume of NSG financed projects/companies; ceived the "Assess" level of EDGE Certification.⁵⁹ ioinactive IDB Invest operations with satisfactory performance classification; and the percentage of IDBG operations achieving intended development results at project completion.

Improving Gender Parity for Mid- and Senior-Level Roles

In the case of gender parity, the IDBG has taken deliberate actions over the past several years to create an inclusive workplace, strengthen the internal pipeline of female talent, and attract female candidates through its external recruitment activities. In spite of these efforts, the level of gender parity at the more senior levels of the institution remained relatively stable from 2016 to 2017. While the percentage of mid- and seniorlevel positions held by women edged up slightly at IDB Invest in 2017 (from 27 percent in 2016 to 28 percent in 2017), the increase was not substantial enough to make meeting the 2019 target likely. In the case of the IDB

(including the MIF), the percentage fell slightly from 38 percent in 2016 to 37 percent in 2017.

While it is unlikely that either the IDB or IDB Invest could meet its respective targets of 43 percent and 35 percent by 2019.58 the IDBG is continuing to advance its efforts in favor of gender parity. Promotions into the positions considered "mid- and senior" at IDB (that is. from the IDB's Grade 5 to Grade 4) were distributed equally among men and women in 2017. IDB Invest reing the IDB in actively fostering a gender-equal workplace. However, 70 percent of external IDBG hires at mid and senior grades were male in 2017.

A high volume of anticipated staff retirements in the coming years represents an important opportunity for sourcing and recruiting of senior women to close the gender gap at these levels. The IDBG is prioritizing this and carrying out several proactive measures, such as running social media campaigns targeting senior professional women (over 900 women were targeted in a recent round), publishing blogs on corporate channels where the work of female specialists in operations and senior management is being highlighted, using artificial intelligence to review the language used in postings to avoid bias, participating in virtual job fairs that target senior professional women, and revamping the jobs site to make it more modern and user-friendly and to include photos of women working at the IDBG.

58. The targets for IDB and IDB Invest differ due to differences in the grade levels considered mid- and senior-level at each institution.

At IDB, these positions include all positions at Grade 4 and above, whereas for IDB Invest, those at Grade C and above are included.

In addition, the IDBG is focused on improving the representation of women in mid- and senior-level technical positions by continuing to support the leadership, visibility and potential of women within its staff. Over the last five years, the IDBG has designed programs such as the Emerging Women's Leadership program, which has graduated 162 women across the organization with the potential to undertake leadership roles, and the Working Mama program, a group coaching program to provide women with tools to balance their personal and professional challenges. The IDBG is also developing an interviewing skills program for women to help them enhance their skills in this area.

Mitigating Project Risk

Another indicator on which IDB is currently off track relates to the effective mitigation of environmental

and social risks for high-risk operations. In light of significant improvements in this indicator under the CRF 2012-2015, the IDB established an ambitious target of 90 percent for 2019.

In 2017, 80 percent of IDB projects with high environmental and social risks were found to have satisfactory implementation of mitigation measures. This represents a slight decline from the 2016 value of 82 percent, equivalent to a net increase of two projects. However, revisions in the methodologies for both assessing risk and performance in implementation of risk mitigation measures in 2016 and 2017 mean that these values are not directly comparable. 60 These changes in methodologies are part of a broader effort to strengthen risk management throughout the project lifecycle and support the allocation of resources for supervision according to the level of risk.

In 2017, 34 percent of the approval volume of IDB lending and 23 percent of the approval volume of IDB Invest lending targeted small and vulnerable countries.

^{59.} The EDGE (Economic Dividends for Gender Equality) certification for workplace gender equality consists of three levels. "Assess" is the first level and it means that the organization "makes a public commitment to a strong gender balance across the talent pipeline, to pay equity, to a solid framework of gender equality policies and practices as well as to an inclusive workplace culture as reflected by high engagement levels of both male and female employees." For more information, visit the page of the Global business certification standard for gender equality

^{60.} The revised methodology to assess environmental and social risk includes a more rigorous assessment of the level of risk, thereby reducing the overall number of projects classified as "high risk." Furthermore, the safeguard performance ratings are also now based on a more disciplined monitoring process and application of safeguard policies, leading to a lower overall percentage being classified as having satisfactory implementation of risk mitigation measures.

Given that the institution is increasingly moving to prioritize taking more risk to finance development proiects that may not otherwise receive support from more risk-averse lenders, it may be necessary to dedicate additional efforts to supervision and capacity-building regarding the effective management of environmental and social risks. To date, efforts to strengthen risk management and support the allocation of resources for supervision according to the level of risk have focused on the design of a multiannual risk-based supervision plan risk level of the project, the production of portfolio risk reports for internal stakeholders to enable better decision-making and allocation of resources, and the integration of environmental and social risks into the IDB's overall risk management methodology and system.

Reaching Small and Vulnerable Countries

IDB Invest's lending to small and vulnerable countries fell from 37 percent of its approval volume in 2016 to 23 percent in 2017, even though transactions in these countries represented 38 percent of total transactions. This decrease can be traced to the fact that several very large projects in countries such as Brazil and Colombia were approved in 2017. In 2017, IDB Invest approved a dedicated approach for increasing operations in small island economies, which contributed to a 29 percent increase in lending to these countries from 2016 to 2017. There are natural fluctuations in this indicator and IDB Invest remains committed to meeting its target for lending to small and vulnerable countries as well as ensuring that 10 percent of its approvals benefit small and island economies by 2020. IDB Invest has built a robust pipeline in its different teen such projects were identified and reclassified from segments and continues to strengthen its origination efforts in countries that have benefited less from NSG financing in the past, which is expected to improve performance on this indicator in 2018. Furthermore, the increasing presence of investment officers and perform satisfactorily.

throughout the region-now represented in 23 of the 26 borrowing member countries—will contribute to improvements on this indicator.

Mobilizing Private Finance

As discussed in Chapter 1, mobilization of private resources continues to grow as a focus area within IDBG. While it may not be feasible to reach the CRF target in the coming two years, scaling up work to crowd in private finance remains critical and the IDBG will need with differentiated levels of supervision according to the to continue its efforts to grow mobilization, including through increased employee incentives to focus on mobilization, revamping financing modalities with high mobilization potential, and introducing new instruments and vehicles that attract institutional investors.

Active IDB Invest Operations with **Satisfactory Performance Classification**

As discussed in Chapter 3, nearly all IDB Invest projects under supervision in 2017 were approved before the consolidation of the private sector arms in 2016, using different development effectiveness tools, systems, and reporting processes. Therefore, an extensive review was needed to update results matrices and standardize how all projects are assessed during supervision. Using this new monitoring approach, IDB Invest was able to classify the performance of 73 percent of legacy projects in the portfolio for the first time, resulting in a 64 percent satisfactory rating. As part of its new monitoring system, IDB Invest is taking a proactive approach toward identifying projects that are nearly satisfactory but may need additional support to receive a solid satisfactory classification and are therefore flagged as "alert." Six-"satisfactory" to "alert" in 2017. Going forward, IDB Invest's new systematic monitoring approach will ensure that projects are identified to receive additional support as needed to meet their development impact targets

Achievement of Intended Development **Results at Project Completion**

The relatively low percentage of both IDB projects (54 percent) and IDB Invest projects (58 percent) that OVE determined had satisfactorily achieved development results at completion could be regarded as cause for concern—particularly when compared to the 80 percent target. However, as described in Chapter 3, OVE's ratings are calculated based on a different methodology than the methodology that was being used at the time when this CRF indicator's target and baseline were defined. This implies that, for IDB projects, for example, the 54 percent value achieved in 2017 as well as future measurements of the indicator are not comparable to the 80 percent target and the indicator baseline of 78 percent (moreover, subsequent values for the indicator can be expected to be below the 80 percent target although gradually increasing over time). Regardless of the precise project classification, however, the fundamental take-away from both OVE and Management's assessments is that there are opportunities to continue to improve results delivery in IDBG operations. While IDBG's results focus has grown substantially over the past decade, this has not always led to measurable improvements in project outcomes—particularly for projects approved in the early stages of the application of the DEF. Looking forward, continued vigilance during project design regarding project logic, objectives, and indicators will be critical to improve the achievement of measurable development results over time.

Achievement of Results through Technical Cooperation

Performance of technical cooperation (TC) operations is an area that has received growing attention leading up to and following the launch of the TC Monitoring and Reporting System in 2016. To begin capturing TC performance in a more standardized way, the CRF includes an auxiliary indicator regarding TC performance.⁶¹ In 2017, 62 percent of TC operations with results planned for the year were performing satisfactorily, meaning they had achieved 75 percent or more of their planned outputs, cumulatively, from their first year of execution until 2017. This value represents a five-percentage point decrease from the TC performance baseline value of 67 percent established in 2016. While the CRF does not include a target for this indicator, the decline in performance from 2016 to 2017 indicates that action may be needed to adjust course. As such, Management will be implementing a series of measures beginning in 2018 to ensure that project teams are fully equipped with the tools and awareness necessary to optimize the prospects for satisfactory TC performance. One such measure includes additional support to project teams with estimating the completion date of deliverables, an area in need of improvement given the tendency for outputs to be completed before TC closure, but not necessarily according to the initially envisaged schedule.⁶² Other measures include developing and communicating real-time execution alerts related to output de-

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^{61.} CRF auxiliary indicators complement the main indicators and allow Management to explore capturing data on new indicators, such as TC performance. For more information, see the approved CRF document or the IDBG Performance Auxiliary Indicators page of the CRF website.

^{62.} For example, 77 percent of TC operations that closed in 2017 had satisfactory performance, 15 percent higher than the overall average of 62 percent.



livery to project teams and exploring the possibility of assigning more weight to the TC Performance Indicator when considering the allocation of resources among the Ordinary Capital Strategic Development Programs.

Reflections

While the Regional Context does not shift dramatically over the course of the CRF's four-year period, CRF indicators may shine a light on areas meriting the IDBG's closer engagement with member countries and clients over the medium term. At the same time. the Group strives to maintain a strategic eye toward areas of emerging importance, identifying opportunities to hone the focus on such structural challenges as strengthening institutions, closing the technology gap, and investing in innovation, which are major obstacles hindering long-term growth. Continuing to partner with borrowing member countries to deepen the IDBG's engagement on these fronts will lay the foundation for unlocking the region's growth potential, which, as discussed in Chapter 2, will remain a top public policy concern for the years to come.

In terms of indicators at the Country Development Results and IDBG Performance levels, at the halfway point of the UIS and the 2016-2019 CRF, strong prog-

ress has been made on a few CRF indicators, and moderate progress on many others. For indicators that are lagging, the IDBG is working to improve the trajectory toward the 2019 targets, wherever possible—from taking a deeper look at continued improvements in achieving intended development results to improving gender parity throughout the higher levels at IDBG.

The CRF and the IDBG's suite of development effectiveness tools discussed in Chapter 3 remain critical in fostering a culture of results across the IDBG. Drawing on lessons from the last decade, the IDBG recognizes the fundamental importance of effective feedback loops that allow for continuous improvements. Information from the CRF is increasingly being used as an input into business planning and resource allocation at the IDB to ensure a stronger alignment with the UIS and to ultimately ensure that gaps in performance are addressed. These feedback loops and the culture of learning discussed throughout the DEO are a vital part of what makes the IDBG an effective development partner for the region. At the same time, considerations of efficiency and the optimal use of human and budgetary resources remain crucial to maximize the value for money IDBG delivers for its stakeholders. These improvements must continue to be driven by a focus on serving countries and clients as effectively and efficiently as possible.

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Appendix A. The Evaluation Recommendation **Tracking System (ReTS)**

Recommendations made by OVE and endorsed by the Board of Executive Directors are tracked in the ReTS. ture actions and progress in implementation.⁶⁶ IDB has used the ReTS since 2013, and IDB Invest began a similar process in 2017, and will begin to formally use the ReTS in 2018.63 Management prepares an action plan for each Board-endorsed recommendation and updates implementation progress annually. OVE actions, OVE agreed with management to assess the validates both the relevance of the action plan and the extent of its implementation, using information available in the ReTS and otherwise made available by IDB Invest. The ReTS was intended to provide the Boards with a measure of accountability on how well the IDB and IDB Invest follow up on Board-endorsed recommendations.

Two full validation exercises have been conducted. in 2016 and 2017, as well as a validation of the ReTS pilot in 2014.64 OVE's evaluations have made 208 recommendations since the ReTS was launched in 2013: 57 recommendations stem from evaluations delivered to the Board in 2017 (click here to see the full list). Of the 208, the Board endorsed 197 (95 percent), and 102 action plans assessed by OVE were considered to of these were included in the 2017 validation exercise. 65 OVE reported significant improvement in the quality of action plans, compared to those prepared in 2016, due in part to Management's introduction of a new mecha-

nism (template and process, described below) to cap-

The OVE Annual Report 2017 describes the following improvements: "...the process for the 2017 validation incorporated lessons learned from the 2016 exercise. First, to avoid the implementation of non-relevant relevance of proposed new actions at the time the action plan is prepared, rather than at the end of the vear. Second. Management revised some of the actions that OVE had deemed partially or not relevant in 2016, and OVE reviewed these again, along with new actions issued in 2017. Finally, OVE provided informal feedback to management teams preparing new action plans or modifying existing plans, allowing management the opportunity to improve relevance ratings before they became final" (Paragraph 1.4). The higher scores for both relevance and implementation reflect these process improvements.

More than three-quarters (78 percent) of the 102 be fully or substantially relevant to address the recommendation—a significant improvement over 2016, when 61 percent of action plans were assessed as fully or substantially relevant (Figure A.1).

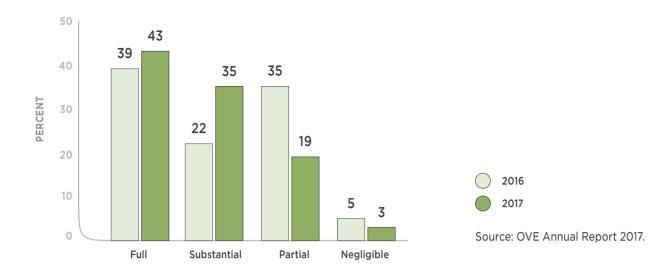
^{63.} With some variations, the World Bank, the Asian Development Bank, the European Investment Bank, the Global Environment Facility, and the International Fund for Agricultural Development all have monitoring systems to track actions in response to the recommendations issued by their independent evaluation offices. All include annual validation of management's progress by the independent evaluation office.

^{64.} The complete results of the current validation exercise are available online in the IDB's publication page.

^{65.} The other 95 either were retired in 2016 from the ReTS, were new and did not yet have a final action plan, or were from OVE's Mid-term Evaluation of IDB-9 Commitments and thus covered by OVE's final IDB-9 evaluation.

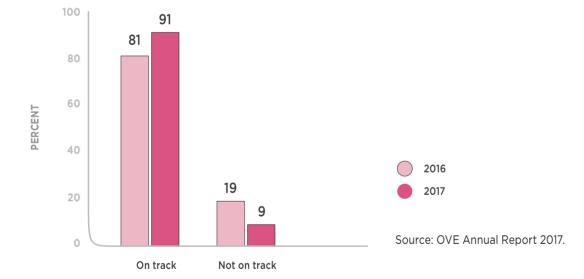
^{66.} All actions must include intermediate milestones and means of verification to report progress.

Figure A.1 Relevance of Action Plans in 2016 and 2017



A validation by OVE of the extent of implementation of 93 of the 102 action plans was also included in the 2017 validation exercise;⁶⁷ it found significant improvement with respect to the 2016 exercise. While in 2016 81 percent of the action plans assessed were considered to be on track, 91 percent were on track as of December 2017 (Figure A.2).

Figure A.2 Degree of Implementation of Action Plans in 2016 and 2017



Further improvements to ReTS are in the works to make more effective use of the ReTS as a tool for both accountability and learning. These include further enhancements to the ReTS Portal and improved clarity and streamlined processes for validation, among others.

Appendix B. IDBG Development Effectiveness Framework Tools

^{67.} The others were too recent to be able to measure implementation progress or had negligible relevance.

Table B.1 IDB, IDB Invest, and MIF Development Effectiveness Framework Tools

	IDB	IDB Invest	MIF
At origination/At entry	The Development Effectiveness Matrix (DEM) is used to rate all loans to ensure that 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.	The Strategic Selectivity Scorecard is a tool for ex ante identification of areas with the highest potential development impact. It is tailored to IDB Invest's business segments, reflects corporate and institutional targets, and feeds into and is informed by IDBG country strategies. The Development Effectiveness Learning, Tracking and Assessment (DELTA) is used to score all IDB Invest investments in terms of their development impact and level of IDB Invest additionality (project score). It also ensures the investment's alignment with the strategic priorities of the IDBG and IDB Invest (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. The Financial Contribution Rating (FCR) complements the DELTA by measuring the financial contribution of each transaction to IDB Invest, based on the Risk-Adjusted Return on Capital (RAROC).	The iDELTA (rolled out in 2018) scores all MIF projects in terms of their development impact, innovation level, scale potential, and resource mobilization (project score). It will also ensure project alignment with strategic IDBG and MIF priorities. Finally, the iDELTA will assess the quality of the design at entry for the proper measurement of results throughout the life of the project.
During execution	The Progress Monitoring Report (PMR) captures results generated during project execution on a semi-annual basis as well as project costs over time.	The DELTA in supervision 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. The Development Effectiveness Analytics (DEA) system systematizes development effectiveness data collected throughout the project cycle to produce relevant portfolio-level insights and analytics for IDB Invest stakeholders. Data analytics are based on the DELTA Project Score and key project indicators, and also include aggregate analyses at the portfolio level to inform strategic decision-making. The DEA also includes an online lessons learned repository.	The Project Supervision Report (PSR) (grants) and the Project Status Update (PSU) (loans and equity) capture the progress of project execution, achievement of milestones, completion of project objectives, and financial performance in the case of investments. In addition, mid-term evaluations are deployed to provide sector expertise needed to realign or redesign projects that are off track.
After completion/At maturity	The Project Completion Report (PCR) is used to evaluate completed loans in terms of the extent to which they were effec- tive in achieving results, efficient, relevant to local needs, and sustainable.	The Expanded Supervision Report (XSR) 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.	The Final Project Supervision Report (FSR) is used to evaluate projects at completion. It is the main tool for reporting on project implementation and results, providing early evidence of replication and scaling, and offering lessons learned.
After	Impact evaluations are use knowledge gaps exist.	ed to estimate the causal effect of projects, particu	larly in areas where

Table B.2 Ratings of IDB Project Completion Reports, 2017

Country	Number	Name	Lending instrument	IDB Management rating	OVE rating			
	Climate Change and Sustainable Development							
Bolivia	BO-L1107	Disaster risk management program II	PBP	Highly successful	Successful			
		Infrastructure and Energy	1					
Barbados	BA-L1015	Water and sanitation systems upgrade	ESP	Partly successful	Partly unsuccessful			
Bolivia	BO-L1100	Reform program for the water, sanitation, and water resources sectors in Bolivia	PBP	Highly successful*	Partly unsuccessful			
Brazil	BR-L1088	Program for urban development and socioenvironmental inclusion in Manaus	GCR	Successful*	Partly successful			
Brazil	BR-L1163	PROCIDADES: Integrated development program for the município Passo Fundo-PRODIN	GCR	Partly successful*	Partly unsuccessful			
Brazil	BR-L1278	Rehabilitation for the Furnas and Luiz Carlos Barreto hydroelectric power plant	ESP	Highly successful	Partly successful			
Ecuador	EC-L1040	Modernization of pumping stations on the Esmeraldas-Quito multiproduct pipeline	ESP	Highly successful*	Successful			
El Salvador	ES-L1061	Rural connectivity program for the northern and eastern zones	GOM	Highly successful	Partly successful			
Guyana	GY-L1036	Linden water supply rehabilitation program	ESP	Partly successful	Partly unsuccessful			
Haiti	HA-L1041	Natural disaster mitigation program in priority watersheds	ESP	Partly successful	Partly unsuccessful			
Haiti	HA-L1086	Emergency road rehabilitation program in response to hurricane Sandy	IRF	Partly successful*	Partly successful			
Jamaica	JA-L1027	Road Improvement Program	GOM	Partly successful	Partly unsuccessful			
Nicaragua	NI-L1053	Housing and comprehensive habitat improvement program	ESP	Successful*	Partly successful			
Peru	PE-L1070	Water resources management modernization program	ESP	Partly successful*	Partly successful			
Suriname	SU-L1036	Support to the institutional and operational strengthening of the energy sector	PBP	Successful	Partly unsuccessful			
Uruguay	UR-X1007	Water program for small rural communities	IGR	Highly successful*	Partly successful			
Venezuela	VE-L1030	Support for rural and small town water supply systems: Phase II	ESP	Partly unsuccessful*	Unsuccessful			
Venezuela	VE-L1031	Strengthen national capacity for integrated solid waste management	ESP	Partly unsuccessful	Partly unsuccessful			

Table B.2 Ratings of IDB Project Completion Reports, 2017 (continued)

Country	Number	Name	Lending instrument	IDB Management rating	OVE rating
		Innovation, Competitiveness, Institutions, Finar	ncial and Capita	l Markets	
Belize	BL-L1014	Community action for public safety	ESP	Highly successful*	Partly successful
Chile	CH-L1061	Support for the establishment of an integrated foreign trade system	ESP	Partly unsuccessful	Partly unsuccessful
Colombia	CO-L1092	Strengthen the national science, technology, and innovation system: Phase I	PFM	Partly successful*	Partly unsuccessful
Dominican Republic	DR-L1116	Program to support competitiveness policy I and II	PBP + ESP	Highly Unsuccessful*	Unsuccessful
Honduras	HO-L1044	Support the 2012 population and housing census and integrated system of house	ESP	Partly successful*	Partly unsuccessful
Jamaica	JA-L1055	Fiscal structural programme for economic growth III	PBP	Highly successful	Partly successful
Mexico	ME-L1161	First program under the CCLIP for the financing productive development	CCLIP	Highly successful	Successful
Mexico	ME-L1189	Strenghthening the public finance program II	PBP	Highly successful*	Successful
Paraguay	PR-L1049	Develop the national statistical system through the 2012 population and housing	ESP	Partly unsuccessful	Unsuccessful
Paraguay	PR-L1062	Third program under the CCLIP for the financing of the AFD	CCLIP	Highly successful*	Partly unsuccessful
Uruguay	UR-L1052	Program to strengthen the Financial Services Superintendency (SSF)	TCR	Successful	Successful
		Social Sector			
Argentina	AR-L1108	Program to support the policy on improving equity in education (PROMEDU II)	ESP	Partly successful	Partly successful
Argentina	AR-L1118	Strengthening of policies on childhood, adolescence, and family	ESP	Successful	Partly unsuccessful
Brazil	BR-L1044	Health modernization and humanization program	ESP	Successful*	Successful
Dominican Republic	DR-L1079	Support for health sector and social security consolidation II	PBP	Highly successful	Partly successful
El Salvador	ES-L1056	<u>Ciudad Mujer</u>	ESP	Successful*	Partly unsuccessful
Honduras	HO-L1059	Strengthen decentralized management and supply of health services in Honduras	ESP	Successful*	Successful
Honduras	HO-L1071	Support to the social protection network program	ESP	Partly successful*	Partly successful

Table B.2 Ratings of IDB Project Completion Reports, 2017 (continued)

Country	Number	Name	Lending instrument	IDB Management rating	OVE rating
		Social Sector (continued	d)		
Jamaica	JA-L1069	Support for education sector reform I, II, and III	ESP	Highly successful*	Partly unsuccessful
Panama	PN-L1068	Health equity improvement and services strengthening program	ESP	Successful*	Partly successful
Peru	PE-L1154	Results management program for social inclusion II	PBP	Partly successful	Partly successful
Suriname	SU-L1019	Second basic education improvement program (2nd BEIP)	ESP	Partly successful	Unsuccessful
Uruguay	UR-L1046	National strategy for children and adolescents (ENIA) support program	ESP	Partly successful	Partly successful

Note: PCR overall effectiveness scores range from 1 to 6. A project is considered to be Highly successful if its score is equal to 6; Successful if its score is equal to 5; Partly successful if its score is equal to 4; Partly unsuccessful if its score is equal to 3; Unsuccessful if its score is equal to 2; and Highly unsuccessful if its score is equal to 1. CCLIP = Conditional Credit Line for Investment Projects; ESP = Specific Investment Operation; GCR = Global Credit Operation; GOM = Global of Multiple Works Operation; IGR = Investment Grant; IRF = Immediate Response Facility for Emergencies; OVE = Office of Evaluation and and Oversight; PBP = Programmatic Policy Base Loan; PFM = Multi-Phase Lending Project.

^{*} To allow for cross-year comparisons, these projects have been reclassified according to their PCR ratings using the 2017 overall rating categories.

Appendix C.Complete Corporate Results Framework Tables

Note: In some cases, values may be updated over time to reflect revisions to the source data or adjustments to indicator definitions to ensure consistency over time. Please refer to the <u>CRF website</u> for the latest data as well as information on how each indicator is calculated.

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Table C.1 Regional Context Indicators^a

Indicator	Baseline	Year	Progress	Year	IDBG Strategic Priorities ^b
Poverty headcount ratio (US \$3.10 per day PPP) (%)	13.4	2013	13.4	2016	+†
Gini coefficient	0.493	2013	0.485	2016	+1=
Social Progress Index	71.0	2015	71.4	2017	+†
Growth rate of GDP per person employed (%)	1.3	2013	-1.5	2017	~
Global Innovation Index (LAC average)	33.5	2014	31.7	2017	~
Research and development expenditure as a percentage of GDP (%)	0.64	2011	0.70	2015	~
Intraregional trade in goods (%)	16.0	2014	15.0	2016	
Growth rate of the value of total exports of goods and services (%)	-1.5	2014	-1.6	2016	
Foreign direct investment net inflows as percentage of GDP (%)	3.7	2012	2.8	2016	
Greenhouse gas emissions (kg of CO ₂ equivalent per \$1 GDP (PPP))	0.44	2012	0.42	2014	©
Proportion of terrestrial and marine areas protected (%)	13.3	2014	NA	NA	③
Government effectiveness (average LAC percentile)	48.6	2013	46.7	2016	盦
Rule of law (average LAC percentile)	39.8	2013	39.7	2016	<u></u>

- a. The specific country mix included in the progress values reported varies according to the data available for each indicator. For more information and links to original data sources, visit the Regional Context page of the CRF website. External sources include: Social Progress Imperative, World Development Indicators, Global Innovation Index, RICyT, World Resources Institute (CAIT Climate Data Explorer), UN Department of Economic and Social Affairs, and the World Bank. LAC = Latin America and the Caribbean; NA = not applicable; 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.
- b. The Update to the Institutional Strategy outlines a number of strategic priorities, organized into the following three challenges and three cross-cutting issues: ** Social inclusion and equality; ** Productivity and innovation; ** Economic integration; ** Gender equality and diversity; ** Climate change and environmental sustainability. ** Institutional capacity and the rule of law.

Table C.2 Country Development Results Indicators: Outputs and Immediate Outcomes^a

Indicator	IDBG Strategic Priorities ^b	Results 2016-2017	Expected Results 2016-2019	Status ^c
Reduction of emissions with support of IDB financing (annual tons CO ₂ equivalent) ^d	~ (3)	8,484,576	8,000,000	Ø
Students benefited by education projects (#)	+†~=	6,207,310	15,790,000	
Beneficiaries receiving health services (#)	+†=	9,445,663	38,000,000	8
Beneficiaries of targeted anti-poverty programs (#)	+†=	8,315,666	8,000,000	Ø
Beneficiaries of improved management and sustainable use of natural capital (#)	+	812,415	4,900,000	^
Households benefitting from housing solutions (#)	+†=	266,462	850,000	0
Beneficiaries of on-the-job training programs (#)	+†~=	543,603	875,000	0
Jobs created by supported firms (#)	~ =	174,896	140,000	Ø
Women beneficiaries of economic empowerment initiatives (#)	+†~=	627,094	1,300,000	0

- a. Data reported for the Country Development Results Indicators relies on the monitoring processes and tools described in Chapter 3, including the PMR for IDB operations, the DELTA for IDB Invest operations, and the PSR/PSU for MIF operations. For most indicators, data is provided by executing agencies and clients with subsequent validation by IDBG project teams. In cases where precise data is not available, total figures may be estimates. For more information, visit the <u>Country Development Results page of the CRF website</u>.
- b. The UIS outlines a number of strategic priorities, organized into the following three challenges and three cross-cutting issues:

 **Social inclusion and equality; **Productivity and innovation; **Economic integration; **Gender equality and diversity;

 **Climate change and environmental sustainability; **Institutional capacity and the rule of law.
- 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 C.2 because the CRF includes Expected Results 2016-2019 for this indicator.

Table C.2 Country Development Results Indicators: Outputs and Immediate Outcomes (continued)

Indicator	IDBG Strategic Priorities ^b	Results 2016-2017	Expected Results 2016-2019	Status
Micro, small, and medium enterprises financed (#)	+†~=	967,284	3,400,000	8
Micro, small, and medium enterprises provided with non-financial support (#)	+∱ ⊗ ~=	183,890	260,000	0
Households with new or upgraded access to drinking water (#)	+†~=	634,346	950,000	0
Households with new or upgraded access to sanitation (#)	+†~{}=	662,512	1,300,000	0
Installed power generation capacity from renewable sources (%)	~ 😌	100%	80%	0
Roads built or upgraded (km)	~ ⊕=	4,181	6,300	0
Professionals from public and private sectors trained or assisted in economic integration (#)	~ ⊕	62,256	40,000	Ø
Regional, sub-regional and extra-regional integration agreements and cooperation initiatives supported (#)	⊕ <u></u>	37	28	Ø
Subnational governments benefited by citizen security projects (#)	+	470	52	Ø
Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)	+ † ~ ⊕ ②= <u> </u>	123	150	0

Table C.3 Country Development Results Indicators: Intermediate Outcomes^a

Indicator	Baseline	Year	Progress	Year
Countries in the region with improved learning outcomes according to PISA (Math/Reading) ^b	Math: 25% Reading: 62.5%	2012	Math: 50% Reading: 50%	2015
Maternal mortality ratio (number of maternal deaths per 100,000 live births)	72	2013	67	2015
Property value within project area of influence (% change)	NA	NA	NA	NA
Public agencies' processing times of international trade of goods and services (% change)	NA	NA	NA	NA
Formal employment of women (%)	45.2	2011-2014	42.6	2015
Percent of GDP collected in taxes (%)	18.0	2014	22.1	2016

a. For more information, visit the <u>Country Development Results page of the CRF website</u>.

Table C.4 IDB Group Performance Indicators^a

	Indicator	Institution	Baseline	Year	Progress 2017	Target 2019	Status ^b
Responsiveness	Partners satisfied with IDBG development solutions (%)	IDBG	74	2015	79 °	85	-
	Lending to small and vulnerable countries (%)	IDB	37	2014	34	35	0
		IDB Invest	37	2016	23	40	8
	Operations meeting target preparation time (%)	IDB	83	2014	92	87	0
		IDB Invest	NA	NA	NA	TBD	-
Multisectorality	Partners satisfied with IDBG use of multi sector approach (%)	IDB	92	2015	89°	TBD	-
	IDBG loan operations with multidisciplinary team compositions (%)	IDB	54	2014	58	Monitor	-
Effectiveness	Active operations with satisfactory performance classification (%)	IDB	69	2014	82	75	0
		IDB Invest	NA	NA	64 ^d	75	
	Operations with satisfactory	IDB	78	2014	54°	80	8
	development results at completion (%)	IDB Invest	66	2016	58e	80	8
	Operations with high environmental and social risks rated satisfactory in the implementation of mitigation measures (%)	IDB	88	2014	80	90	8
		IDB Invest	91	2016	92	90	0
	Mid- and senior-level staff who are women (%)	IDB and MIF	37	2014	37	43	8
		IDB Invest	27	2016	28	35	8

- a. For more information, visit the <u>IDBG Performance page of the CRF website</u>. NA = not available; TBD = to be determined; B = billion; M = million; NSG = non-sovereign-guaranteed; TC = technical cooperation.
- b. Each indicator for which a target has been established has been categorized into one of the following three statuses based on the Iraffic Light Methodology: On Track, On Watch, Off Track.
- c. Data reflects External Feedback System data for 2016 as these surveys are currently undergoing adjustments.
- d. Projects in supervision are classified as satisfactory, alert, or problem. Being on "alert" does not mean that projects are at high risk of not achieving their development goals at maturity, but rather signals the need for additional support to help projects meet their expected objectives. See Chapter 3 for more details.
- e. The percentage of projects with satisfactory development results at completion in 2017 is based on the validation by the Office of Evaluation and Oversight. Reporting for 2016 was based on Management's assessment, which yielded a value of 88 percent for IDB operations and 66 percent for IDB Invest operations. See Chapter 3 for a deeper look at the achievement of results in completed projects and the differences between Management's and OVE's assessments.

b. PISA = Programme for International Student Assessment.

Table C.4 IDBG Performance Indicators (continued)

Indicator		Institution	Baseline	Year	Progress 2017	Target 2019	Status ^b
Efficiency	Cost-to-income ratio (%)	IDB	40.3	2014	37.1	40	0
		IDB Invest	44.7	2016	46.2	TBD	-
	Cost-to-development-related-assets ratio (%)	IDB	0.84	2014	0.81	0.80	0
		IDB Invest	1.0	2016	1.3 ^f	TBD	-
Leverage and Partnerships	Mobilization volume by NSG financed projects / companies (\$)	IDB Invest	8.9 B	2012- 2014	5.7 B ⁹	21.3 B ^h	8
	Partners satisfied with IDBG's ability to convene other partners (%)	IDBG	72	2015	66°	75	-
Knowledge and Innovation	Partners that consider IDBG solutions to be innovative (%)	IDBG	81	2015	80°	85	-
	Total IDBG blog readership (#)	IDBG	2.1 M	2014	3.2 M	4.2 M	0
	Average visits to IDBG publications (#)	IDBG	139	2014	372	230	0
Strategic Alignement	New approvals aligned with at least one challenge or cross-cutting issue of the Update to the Institutional Strategy (% of lending and TC volume)	IDBG	99.4	2016	99.8	NA	-
	Social inclusion and equality	IDBG	47	2016	43	NA	
	Productivity and innovation	IDBG	56	2016	65	NA	
	Economic integration	IDBG	22	2016	31	NA	
	Gender equality and diversity	IDBG	17	2016	12	NA	
	Climate change and environmental sustainability	IDBG	32	2016	45	NA	
	Institutional capacity and rule of law	IDBG	36	2016	40	NA	

- f. The denominator for IDB Invest's cost-to-development-related-assets includes the IDB NSG portfolio since IDB Invest's administrative expenses include costs associated with the origination of new operations for the IDB, and the management of its existing portfolio as per the terms of the capitalization scheme, cross-booking arrangements, and service level agreements between the IDB and IDB Invest.
- g. Mobilization data reported for 2017 reflects cumulative progress 2016-2017.
- h. The target of 21.3 B is a cumulative target for 2016-2019.

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