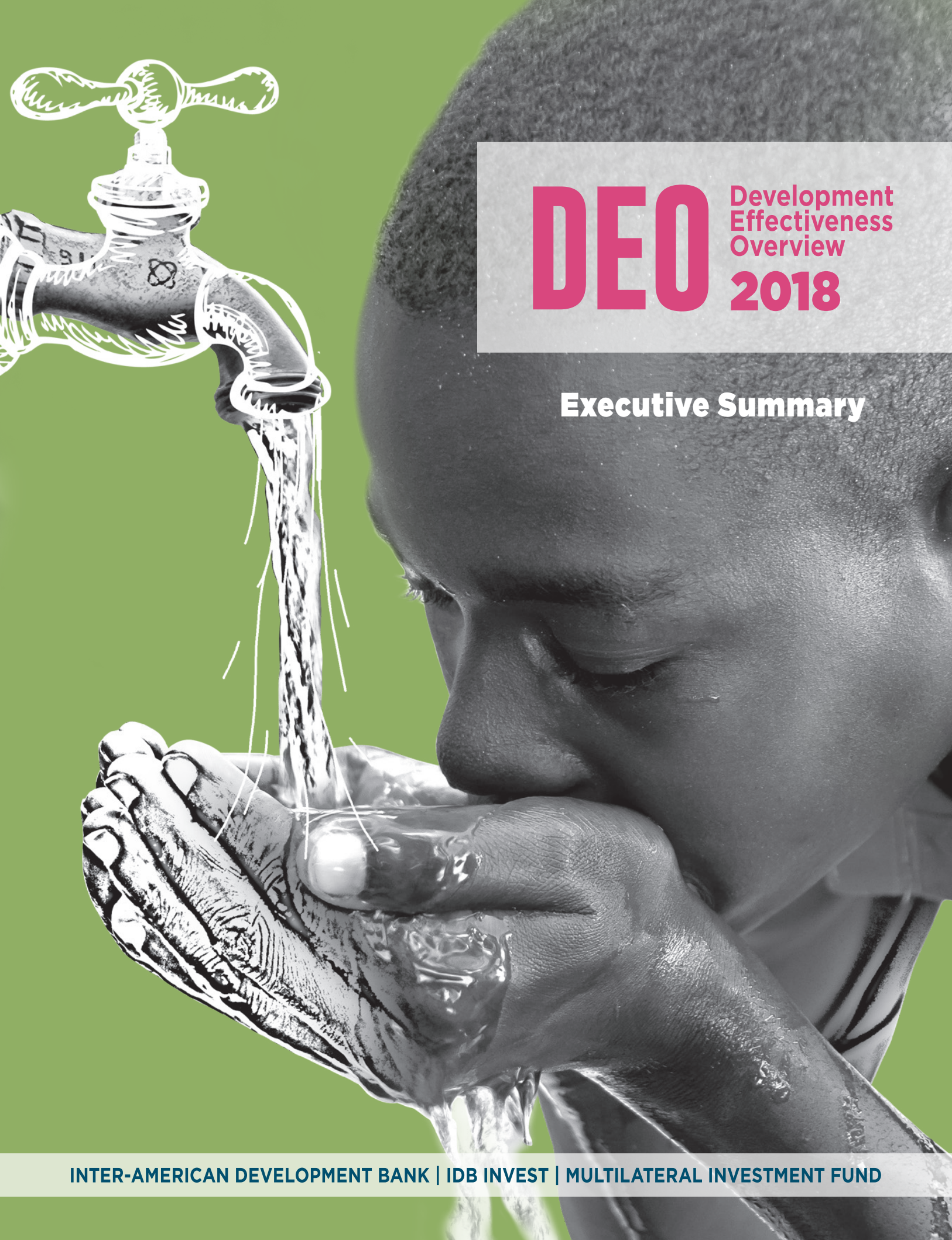


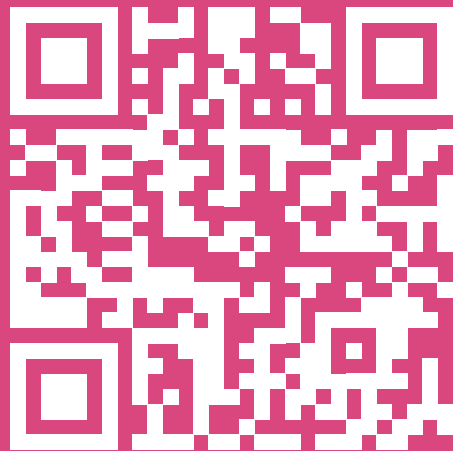


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Development
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2018

Executive Summary

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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.

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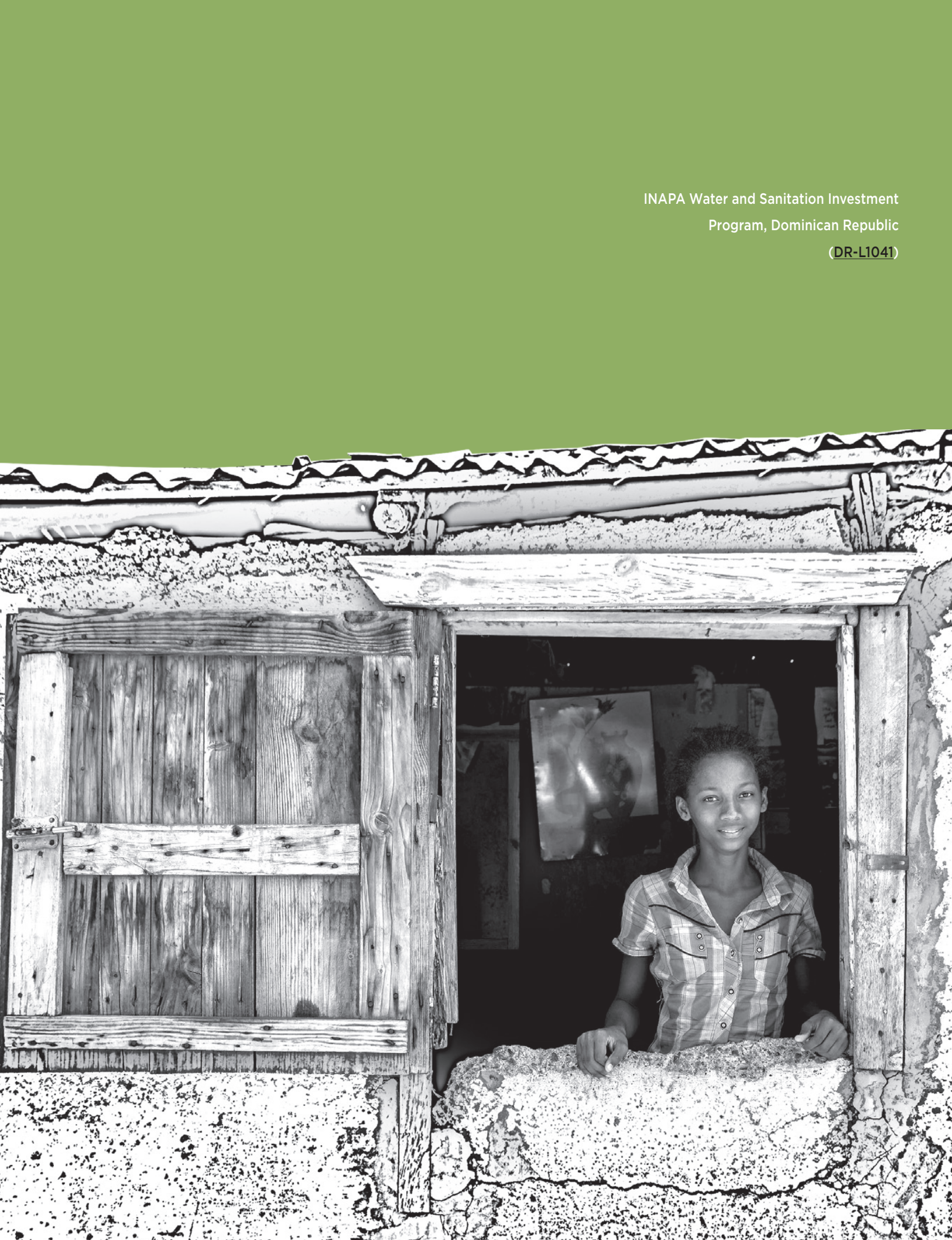
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INAPA Water and Sanitation Investment
Program, Dominican Republic
(DR-L1041)



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

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.

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 re-evaluating 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

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.

Beyond the areas in which the IDBG works, the 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 corrections where needed. After completion, project closeout reports help systematically collect findings on whether a project met its targets and achieved the desired development goals.

After nearly 10 years of implementing the DEF, 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 during 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 of the DEF in 2017.

At IDB, Management and the Office of Evaluation and Oversight (OVE) jointly agreed on a set of principles and guidelines to harmonize the criteria for evaluating projects at completion. As these guidelines were approved in early 2018, Project Completion Reports (PCRs) produced in 2017 were pre-

pared following previous guidelines, whereas OVE assessed these PCRs based on the updated guidelines. 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-

ing with IDB Invest to use the DELTA architecture to create a tool tailored to the renewed MIF mandate. 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



600,000 women benefited from economic empowerment initiatives



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 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 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. The majority of these indicators are on track. In several cases (such as [beneficiaries of targeted anti-poverty programs](#)) the expected results for 2016-2019 have already been surpassed. However, four indicators are currently not on track to meet the expected results for 2016-2019, includ-

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 address causes for execution delays.

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 two areas where both IDB and IDB Invest are falling short of their respective 2019 targets: the percentage of operations with satisfactory development results at completion (as assessed by OVE) and the percentage of mid- and senior-level staff who are women. There are other indicators for which one of the institutions is off track: the percentage of lending to small and vulnerable countries (IDB Invest), the percentage of operations with high environmental and social risks rated satisfactory in the implementation of mitigation 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, 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 development partner for the region.

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](#).



Health Equity Improvement and
Services Strengthening Program,
Panama (PN-L1068)

Corporate Results Framework Tables^a

Table C.1 Regional Context Indicators^b

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	🌍
Proportion of terrestrial and marine areas protected (%)	13.3	2014	NA	NA	🌍
Government effectiveness (average LAC percentile)	48.6	2013	46.7	2016	🏛️
Rule of law (average LAC percentile)	39.8	2013	39.7	2016	🏛️

- 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		8,484,576	8,000,000	
Students benefited by education projects (#)		6,207,310	15,790,000	
Beneficiaries receiving health services (#)		9,445,663	38,000,000	
Beneficiaries of targeted anti-poverty programs (#)		8,315,666	8,000,000	
Beneficiaries of improved management and sustainable use of natural capital (#)		812,415	4,900,000	
Households benefitting from housing solutions (#)		266,462	850,000	
Beneficiaries of on-the-job training programs (#)		543,603	875,000	
Jobs created by supported firms (#)		174,896	140,000	
Women beneficiaries of economic empowerment initiatives (#)		627,094	1,300,000	

- 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 [Country Development Results page of the CRF website](#).
- 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 ^c
Micro, small, and medium enterprises financed (#)		967,284	3,400,000	
Micro, small, and medium enterprises provided with non-financial support (#)		183,890	260,000	
Households with new or upgraded access to drinking water (#)		634,346	950,000	
Households with new or upgraded access to sanitation (#)		662,512	1,300,000	
Installed power generation capacity from renewable sources (%)		100%	80%	
Roads built or upgraded (km)		4,181	6,300	
Professionals from public and private sectors trained or assisted in economic integration (#)		62,256	40,000	
Regional, sub-regional and extra-regional integration agreements and cooperation initiatives supported (#)		37	28	
Subnational governments benefited by citizen security projects (#)		470	52	
Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)		123	150	

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 [Country Development Results page of the CRF website](#).
- b. PISA = Programme for International Student Assessment.

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 ^c	85	-
	Lending to small and vulnerable countries (%)	IDB	37	2014	34	35	🟢
		IDB Invest	37	2016	23	40	🔴
	Operations meeting target preparation time (%)	IDB	83	2014	92	87	🟢
		IDB Invest	NA	NA	NA	TBD	-
Multisectorality	Partners satisfied with IDBG use of multi sector approach (%)	IDB	92	2015	89 ^c	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	🟢
		IDB Invest	NA	NA	64 ^d	75	🟡
	Operations with satisfactory development results at completion (%)	IDB	78	2014	54 ^e	80	🔴
		IDB Invest	66	2016	58 ^e	80	🔴
	Operations with high environmental and social risks rated satisfactory in the implementation of mitigation measures (%)	IDB	88	2014	80	90	🔴
		IDB Invest	91	2016	92	90	🟢
	Mid- and senior-level staff who are women (%)	IDB and MIF	37	2014	37	43	🔴
		IDB Invest	27	2016	28	35	🔴

- a. For more information, visit the [IDBG Performance page of the CRF website](#). 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 [Traffic 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.

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	🟢
		IDB Invest	44.7	2016	46.2	TBD	-
	Cost-to-development-related-assets ratio (%)	IDB	0.84	2014	0.81	0.80	🟢
		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 ^g	21.3 B ^h	❌
	Partners satisfied with IDBG's ability to convene other partners (%)	IDBG	72	2015	66 ^c	75	-
Knowledge and Innovation	Partners that consider IDBG solutions to be innovative (%)	IDBG	81	2015	80 ^c	85	-
	Total IDBG blog readership (#)	IDBG	2.1 M	2014	3.2 M	4.2 M	🟢
	Average visits to IDBG publications (#)	IDBG	139	2014	372	230	🟢
Strategic Alignment	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.

LESSONS IN DEVELOPMENT

