

ANNUAL REPORT
2013.2014
Office of Evaluation and Oversight

EVALUATION OVERVIEW
AND IMPLICATIONS FOR IDB SUPPORT TO GROWTH
AND POVERTY REDUCTION



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Office of Evaluation and Oversight

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I am convinced that the Inter-American Bank will play a vital role in the development of the hemisphere.... This liberal and progressive institution, guided, as it is, by men with a deep understanding of the problems of Latin America, can be of major assistance in fulfilling the hemisphere's desire for social change and economic progress.

JOHN F. KENNEDY

Somos más que un Banco si recordamos que nuestro objetivo último es acelerar el desarrollo de la América Latina toda.

FELIPE HERRERA, FIRST IDB PRESIDENT

ABBREVIATIONS AND ACRONYMS

CC	Climate change
CPE	Country Program Evaluation
DEF	Development Effectiveness Framework
DEM	Development Effectiveness Matrix
GHG	Greenhouse gas
IDB	Inter-American Development Bank
IFD	Institutions for Development (department)
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MDB	Multilateral development bank
MECOVI	Program for the Improvement of Surveys and the Measurement of Living Conditions in Latin America and the Caribbean
MIF	Multilateral Investment Fund
OMJ	Opportunities for the Majority (department)
OVE	Office of Evaluation and Oversight
PBL	Policy-based loan
PCR	Project Completion Report
ReTS	Evaluation Recommendation Tracking System
SMEs	Small and medium enterprises
SCF	Structured and Corporate Finance (department)
SIS	Social Information System
VPP	Vice-Presidency for the Private Sector
VPS	Vice-Presidency for Sectors

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PREFACE



In recent years the international community has increasingly emphasized the importance of measuring and monitoring development results, including focusing greater attention on the careful evaluation of projects and programs. Learning what works and what does not is essential for organizations to be effective in meeting their goals.

As a key multilateral development bank serving Latin America and the Caribbean, the Inter-American Development Bank (IDB) aims to help its client countries achieve strong economic growth and reduce poverty. IDB's Office of Evaluation and Oversight (OVE) was established in 1999 as a wholly independent office reporting to the Bank's Board of Executive Directors. Its mandate is to evaluate and report on the development effectiveness of the Bank's work. Its location inside the organization provides the advantages of proximity—including in-depth day-to-day knowledge of the workings of the organization—while its independent status facilitates candor and objectivity.

This first Annual Report reviews the past two years of OVE's work, 2013-2014. It is designed in two parts. Part I reports on OVE's recent evaluation activities and findings, on developments in the Bank's evaluation "architecture" (including management self-evaluations and OVE validations) during the year, and on management's progress in implementing agreed-upon recommendations from previous OVE evaluations. Part II highlights a special topic, seeking to put OVE's work in a broader perspective by bringing new analysis and linking OVE's evaluation work to major themes of importance to development effectiveness. This year's themes are the Bank's core objectives of growth and poverty reduction, as specified in the Agreement for IDB's 9th General Capital Increase in 2010. These themes continue to be relevant for the next IDB institutional strategy, which is currently under preparation.

All of OVE's evaluations and management responses are disclosed to the public and can be found at www.iadb.org/evaluation. We hope that readers will find this Annual Report interesting and that it will help to make OVE's evaluations accessible, bring key evaluation findings to light, and contribute to the overall development effectiveness of the IDB Group.

CHERYL W. GRAY

Director



PART 01

PART 01

OVE'S EVALUATION ACTIVITIES
AND RECOMMENDATIONS,
2013-2014

PART 02

IDB SUPPORT FOR POVERTY
REDUCTION AND SUSTAINABLE
GROWTH: FINDINGS FROM RECENT
OVE EVALUATIONS

**OVE'S EVALUATION ACTIVITIES AND
RECOMMENDATIONS, 2013-2014**

PART 01

THE OFFICE OF EVALUATION AND OVERSIGHT (OVE) OF THE INTER-AMERICAN DEVELOPMENT BANK (IDB, OR THE BANK) HAS THE MANDATE TO INDEPENDENTLY EVALUATE IDB'S PROJECTS, PROGRAMS, POLICIES, AND CORPORATE INITIATIVES FOR DEVELOPMENT EFFECTIVENESS.

OVE undertakes 10 to 15 major evaluations each year, grouped into four broad categories: project evaluations, country program evaluations, sector and thematic evaluations, and corporate evaluations. This product mix is intended to provide varied and complementary perspectives on IDB's performance and development effectiveness. Table 1.1 shows the major evaluations produced by OVE in 2013 and 2014, and Box 1.1 summarizes the process for review, discussion, and disclosure of OVE's evaluations.

TABLE 1.1
MAJOR OVE EVALUATIONS 2013-2014

Project Evaluations	
Land Regularization and Administration Projects: A Comparative Evaluation	
The Implementation Challenge: Lessons From Five Citizen Security Projects	
A Comparative Analysis of IDB Approaches Supporting SMEs: Assessing Results in the Brazilian Manufacturing Sector	
Fifth Independent Review of SCF's Expanded Project Supervision Report Exercise	
Evaluability Review of Bank Projects 2012	
Country Program Evaluations	
Belize 2008-2012	Costa Rica 2011-2014
Dominican Republic 2009-2013	Honduras 2011-2014
Paraguay 2009-2013	Jamaica 2009-2014
Barbados 2010-2013	El Salvador 2009-2014
Chile 2011-2013	
Sector and Thematic Evaluations	
IDB Support to Secondary Education: Improving Access, Quality, and Institutions, 1995-2012	
IDB's Response to Key Challenges in Citizen Security, 1998-2012	
Climate Change and the IDB: Building Resilience and Reducing Emissions	
Independent Evaluation of the Climate Investment Funds (5 MDBs)	
Corporate Evaluations	
Mid-Term Evaluation of IDB-9 Commitments	
Second Independent Evaluation of the Multilateral Investment Fund	
How is IDB Serving Higher-Middle-Income Countries? Borrowers' Perspectives	
Evaluation of the Results of the Realignment	
Second Independent Evaluation of the Japanese Trust Funds at the IDB	
Evaluation of Special Programs Financed by Ordinary Capital	

BOX 1.1

OVE'S EVALUATION PROCESS

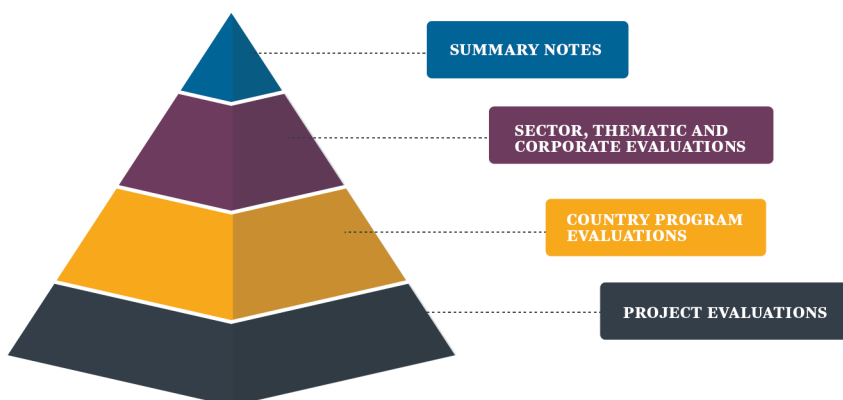
All of OVE's evaluations follow a formal process for preparation, review, Board discussion, and disclosure, which is laid out in various IDB governance and administrative documents. Each begins with an Approach Paper that lays out the evaluation questions and methodology. Approach Papers are reviewed and discussed with IDB management and then finalized, sent to the Board, and disclosed to the public. Drafts of final evaluations are reviewed and discussed with IDB management and, in the case of country program evaluations, with the country authorities. They are then finalized by OVE and sent to the Board for discussion and subsequent disclosure. If OVE included recommendations in the evaluation, the Board decides whether to endorse the recommendations. Management follow-up on endorsed recommendations is then tracked in the new Recommendations Tracking System discussed in this report.

IDB Board members have had lively discussions on many of the evaluations included in this Annual Report. Evaluations can touch on management and governance challenges on which Board members may have differing views. Some Board members have questioned the extent to which OVE should delve into country policy issues to set the context for country program evaluations. Others have questioned whether OVE's recommendations are at an appropriate level of specificity or are instead either too general or too specific. Since some degree of tension is inherent in the evaluation process, the evaluations have led to a constructive dialogue on key issues of relevance to IDB and LAC.

Project evaluations

Evaluations of individual projects underpin more aggregated evaluation work at the country, sector, thematic, or corporate level (see Figure 1.1). An accurate picture of IDB's results requires a clear understanding of the performance—including the relevance, effectiveness, efficiency, and sustainability—of the lending and nonlending activities the IDB supports.

FIGURE 1.1
THE EVALUATION PYRAMID

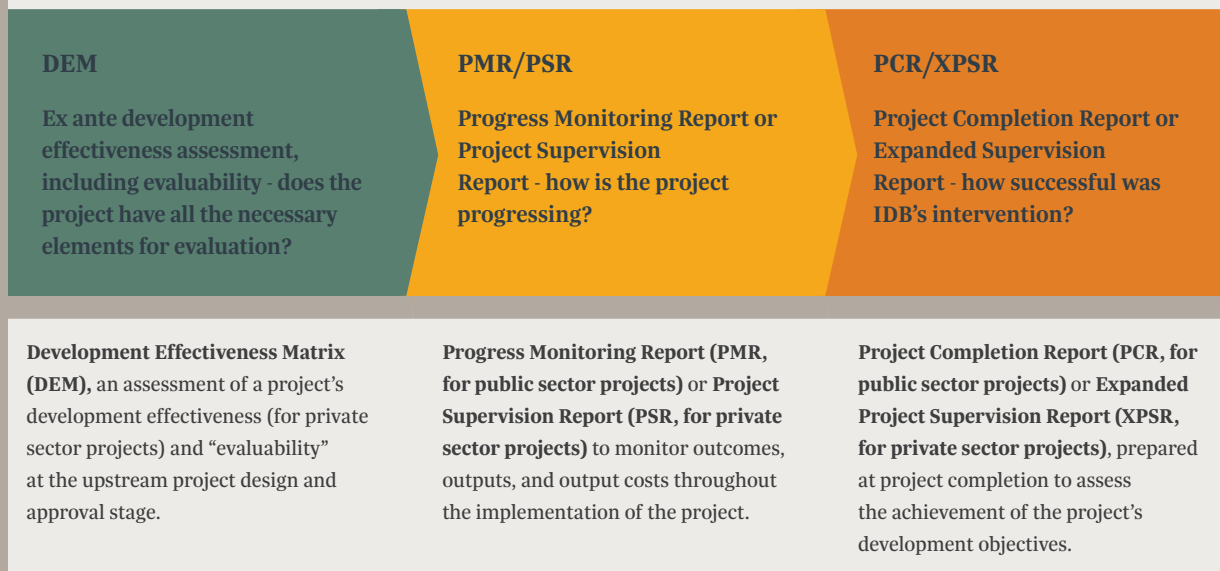


Comparative Project Evaluations. Each year OVE undertakes in-depth evaluations of a cluster of similar projects in a particular sector. These comparative project evaluations provide lessons of experience to help Bank staff design and implement future projects in these areas. In 2013-14 OVE completed two comparative project reviews—*Land Regularization and Administration Projects: A Comparative Evaluation*, covering nine land projects, and *The Implementation Challenge: Lessons from Five Citizen Security Projects*, as well as an impact evaluation entitled *A Comparative Analysis of IDB Approaches Supporting Small and Medium Enterprises (SMEs): Assessing Results in the Brazilian Manufacturing Sector*. These three evaluations and their implications for the Bank’s support for growth and poverty reduction are discussed further in Part II of this report.

Support to IDB’s Project Evaluation Architecture. Besides undertaking comparative project evaluations, OVE has an important role in strengthening IDB’s overall evaluation “architecture” by validating management’s self-evaluations of project performance. In the past few years IDB has made significant strides in improving its project evaluation architecture through the design and adoption of a Development Effectiveness Framework (DEF) for all of its projects (see Box 1.2). The DEF includes instruments to measure a project’s upstream evaluability, monitor project outcomes and outputs during implementation, and measure the achievement of the project’s development objectives at completion. As a complement to the DEF, IDB management has also increasingly incorporated impact evaluations into project design and execution.

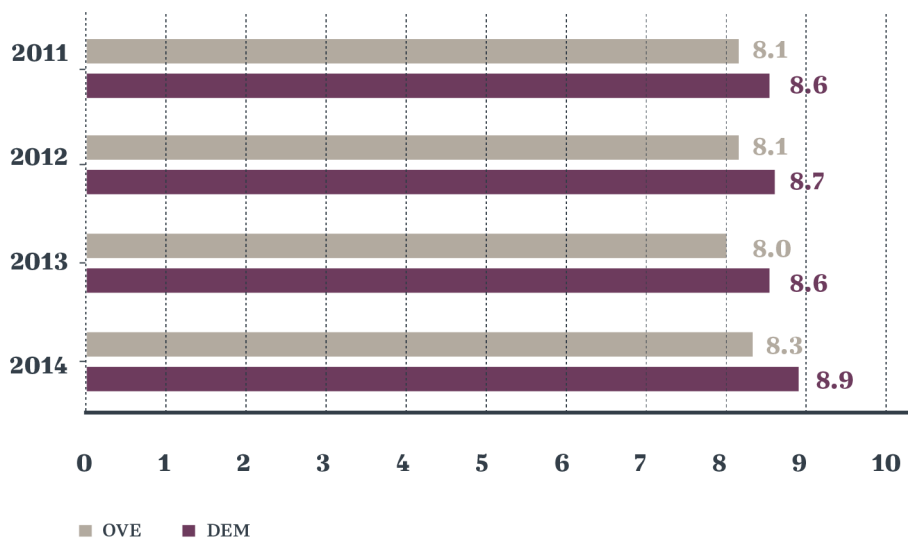
**BOX 1.2
IDB’S DEVELOPMENT EFFECTIVENESS FRAMEWORK**

The DEFs for both public and private sector operations in IDB have evolved over time, with improved ability to report on results. They include three instruments:



IDB is unique among the multilateral development banks (MDBs) in having a formal system to measure the evaluability of projects at entry—that is, to measure the extent to which the results of these projects will be able to be evaluated when they are completed. The IDB Development Effectiveness Matrix (DEM) measures the upstream evaluability of all operations, rating the following aspects of each project on a scale of 1 to 10: the diagnosis of the development problem to be addressed, the logic of the selected intervention, the results matrix for the intervention, the economic analysis of the intervention, and the monitoring and evaluation plan. A project must have an evaluability score of at least 5 to be submitted for Board approval. Every year since 2011, OVE has randomly selected a sample of Board-approved public sector projects to validate the DEM scores. Private sector projects were added to this exercise in 2014, the first year that these projects included a DEM with a design similar to that of public sector loans. Figure 1.2 compares management’s average evaluability score with OVE’s average validated score for public sector projects by year, showing only a relatively minor divergence between OVE’s and Management’s results. In the 2014 evaluability pilot for private sector loans, management assigned an average score of 8.2 and OVE’s validated score was 7.9.

FIGURE 1.2
AVERAGE PROJECT EVALUABILITY SCORES: PUBLIC SECTOR LOANS



While IDB has been at the forefront in its work on upstream project evaluability, it has lagged behind other MDBs in results reporting at project closure. The IDB instrument to measure the results of public sector projects at closure, the Project Completion Report (PCR), has existed for many years, but its quality before 2013 was uneven—and generally quite low. Project teams almost universally reported positive results from their projects, whether or not there was evidence to support these results. OVE's interviews with staff indicated that they perceived PCRs as having limited value, receiving insufficient funding and little attention from management. The fact that the independent evaluation office did not review or validate these reports, as in other MDBs, also detracted from their credibility and significance.¹

In the past two years IDB has made a major effort to revise and improve the PCR instrument. The new system was piloted in early 2014 and was formally approved for reporting on all loans closing after August 2014 that were approved in or after 2009.² OVE has been very active in the design and pilot of the new system and is now carrying out an independent evaluation of the 12 completed reports included in the pilot phase, to be presented to the IDB Board of Directors in 2015. OVE will begin to validate PCRs in 2015 when the first ones are completed under the new system. Future OVE Annual Reports and IDB management's annual *Development Effectiveness Overview* will be important channels for reporting on project results. While in the beginning it may be difficult for some project teams to provide sufficient evidence of project performance, over time projects should increasingly benefit from the up-front efforts to define and monitor results indicators and build evaluation into projects.

Historically, project results reporting has been quite different for public and private sector projects in IDB and other MDBs, though the same issue of weak data and evidence has applied to both. IDB is moving to unify the two approaches to create a common metric for assessing ex post the development effectiveness of IDB Group lending. In 2014 OVE has been deeply engaged in working with the Bank Group's private sector windows to unify the instruments for project results monitoring. The new system for private sector loans, like that for public sector projects, will focus on the achievement of project objectives, asking whether those objectives are relevant to the country's development needs and whether the project achieves those objectives effectively, efficiently, and sustainably. At the same time, efforts are being made to ensure that the particularities of private sector operations continue to be considered. It is expected that the new guidelines for reporting on results for private sector loans will be applied to all private sector windows of the IDB Group (and eventually to any merged private sector entity) beginning in 2015.

1 OVE's *Review of the Project Completion Reporting System for Sovereign Guarantee Operations (RE-417)*, July 2012, pointed out the major problems with ex-post reporting of project results. The review is available at www.iadb.org/evaluation.

2 The new approach draws from the Good Practice Standards of the Evaluation Cooperation Group, focusing on the achievement of project objectives and assigning ratings for relevance, effectiveness, efficiency, and sustainability, as well as an overall project rating. IDB does not plan to rate Bank or borrower performance, which are two additional "below the line" criteria included in the standards. Evaluation Cooperation Group, *Good Practice Standards for Public Sector Project Evaluation*, revised 2010, available at www.ecgnet.org.

Country program evaluations

Country Program Evaluations (CPEs) analyze the relevance, effectiveness, efficiency, and sustainability of the full range of IDB's support to an individual borrowing country over a 4- to 5-year period. Each CPE involves extensive discussions with management and country counterparts and review by the Board's Programming Committee prior to Board discussion of the Bank strategy for the particular country.

In 2013-14 OVE completed CPEs for nine countries: Barbados, Belize, Chile, Costa Rica, Dominican Republic, El Salvador, Honduras, Jamaica, and Paraguay. Though each country is unique, OVE's findings indicate that these countries and their programs with IDB share some characteristics. As most of these countries are small, IDB tends to play an important role (except in Chile) in providing finance and technical support. IDB's programs have on the whole been highly relevant to these countries' development needs, though in many cases there have been significant delays in program implementation, due often to slow legal processes and/or institutional weakness. Belize provides an example of the challenge of working with small states (see Box 1.3).

Infrastructure and the social sectors—particularly education and social protection (often through conditional cash transfer programs)—have been key areas of Bank support in almost all countries. Several of these countries—most notably El Salvador, Honduras, and Jamaica—are struggling with unusually high levels of crime and violence and have sought support from IDB to address these issues. Over half of the countries face significant fiscal and debt burdens and have benefitted from IDB budget support through policy-based lending or fast-disbursing loans for social protection. In Jamaica, for example, IDB has collaborated with the IMF and the World Bank in providing financing and continues to be a key provider of technical support for fiscal reform. Chile, in contrast, has strong macroeconomic fundamentals and ready access to financing through international capital markets; the challenge for IDB is to maintain relevance in this higher-middle-income setting.

BOX 1.3 RESPONDING TO THE CHALLENGE OF SMALL COUNTRIES – LESSONS FROM OVE'S BELIZE CPE

The heterogeneity of the Latin America and Caribbean (LAC) Region poses challenges to the IDB, including in its engagement with small countries, especially in the Caribbean. OVE's *Country Program Evaluation: Belize 2008–2012* sheds light on the special challenges of small states: they tend to be highly vulnerable to both economic and natural shocks; they may have limited economic diversification and trade and financial openness; they lack economies of scale, a problem that is accentuated in countries with demographic dispersion; and they have limited human and financial resources, as well as limited capacity to absorb international cooperation.

In the past the Bank has identified the development and engagement challenges that small states pose separately, but not as part of a broader systemic phenomenon related to scale of operations. In fact, the Bank does not have a strategy for working with small states, even though several of its borrowing members belong to this group.

The CPE found that the implementation of loan operations is costlier—both for the Bank and for the country—in Belize than in countries in other groups. This results partly from the country's limited capacity, which the Bank's Country Office is working to improve. The Government of Belize is small in absolute numbers of staff, especially in terms of senior officials, which implies that executing the projects funded by the various development agencies may add to the stresses on a government that is already stretched with its essential activities. In addition, there is insufficient coordination among development agencies, which implies the risk of duplication and interference as well as the loss of potential synergies.

The Belize CPE makes recommendations to address the needs of small states: prioritizing the country's economic integration with the rest of the world; reducing the country's vulnerability (understood in a broad sense); working within the limits of the country's absorptive capacity in terms of institutions and human resources; ensuring that Bank operations are consistent with debt sustainability; reducing the costs the Bank imposes on the country; and considering an increase in the Bank's in-country presence.

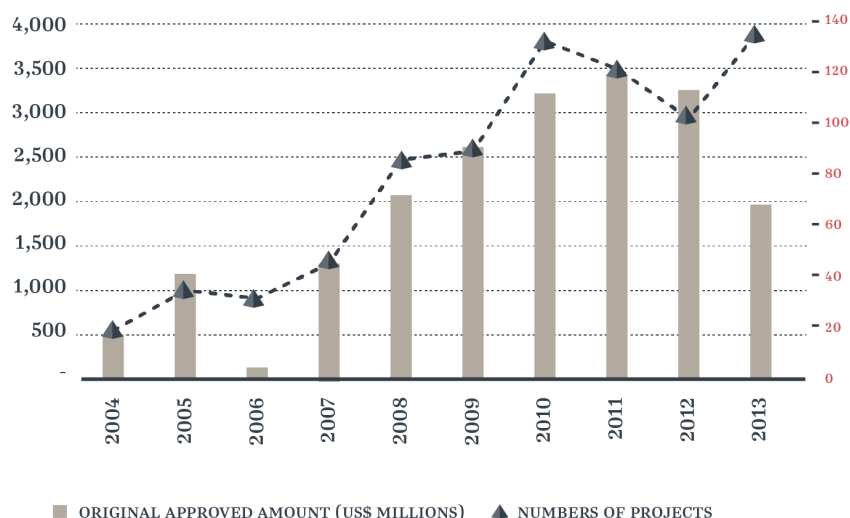
Sector and thematic evaluations

OVE completed three major sector/thematic evaluations in 2013-14 in the areas of citizen security, secondary education, and climate change. Citizen security is a very challenging area for MDB engagement, and IDB is unique among MDBs in its attention to the topic in recent years. OVE's broad evaluation *IDB's Response to Key Challenges in Citizen Security, 1998-2012* documents the evolution of the Bank's approach and the challenges faced, drawing on the detailed findings of the comparative project evaluation noted above. It concluded that the Bank's focus on crime prevention has been innovative and relevant, and that the more recent move toward direct support to police and prison systems is understandable but carries significant risks that need to be monitored. Early projects faced major challenges in design and implementation, but the Bank appears to be learning from this experience and improving the design of projects.

The quantity and quality of secondary education is a critical challenge in LAC, and IDB provides extensive support in this area. OVE's *Review of IDB Support to Secondary Education: Improving Access, Quality, and Institutions, 1995-2012* sought to determine the extent to which the Bank supported equitable access to secondary education, improvements in secondary education quality, and reforms of education institutions to improve management capacity. Though the Bank can make significant contributions to improving secondary education outcomes for all students, educational disadvantage is deeper and more complex than the disparity in the numbers of schools with libraries, the conditions of school buildings, or the availability of computers. The evaluation concluded that more attention needs to be given to what works—that is, what strategies have been shown to improve student retention, completion, and achievement. Political dynamics need to be understood and taken into account in loan design. In many LAC countries it is imperative to continue enhancing the management of the educational system at all levels, especially in the areas of results-based management, assessment, and monitoring and evaluation.

OVE's evaluation *Climate Change at the IDB: Building Resilience and Reducing Emissions*, completed in October 2014, looks broadly at the Bank's work in key sectors related to climate change (CC)—energy, agriculture and natural resources, transport, and disaster risk management. It identifies a growing portfolio of 796 climate-relevant projects totaling \$20.7 billion in lending and technical cooperation over the past decade (Figure 1.3) and asks how the Bank is both directly and indirectly addressing CC mitigation and adaptation through its strategies, lending, knowledge work, and organizational structure.

FIGURE 1.3
IDB CLIMATE CHANGE RELATED LENDING



In addition to its own CC evaluation, OVE was also involved in a joint evaluation of the *Climate Investment Funds (CIFs)* completed in mid-2014. This evaluation was funded by the CIF Trust Fund Committee and managed jointly by the evaluation units of the World Bank, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and IDB. CIFs are still at a relatively early stage of operations, and the evaluation seeks to identify ways to set goals, streamline governance, and monitor results going forward.

Corporate evaluations

OVE completed six corporate evaluations in 2013-14, three in each year. The largest corporate evaluation ever completed by OVE—and among the largest undertaken in any MDB—was the *Mid-Term Evaluation of IDB-9 Commitments*. This evaluation analyzed the institutional reforms mandated by IDB Governors in the context of the Bank’s 2010 capital increase. The reforms were broadly intended to strengthen the Bank’s strategic focus, development effectiveness, and efficiency to help it remain competitive and relevant. The evaluation was completed at the end of 2012 and presented to the Bank’s Governors at the Annual Meetings in Panama in March 2013. The main evaluation summary was complemented by 22 background papers, which the Board reviewed and discussed in detail over the first half of 2013. Box 1.4 summarizes the main findings of the evaluation.

During 2013, OVE also completed the *Second Evaluation of the Multilateral Investment Fund (MIF)*. This evaluation was financed by the MIF, an IDB fund that supports the private sector in developing, financing, and executing innovative business models that benefit entrepreneurs and poor and low-income households. The evaluation, timed to provide input to MIF’s replenishment discussions, was also presented at IDB’s 2013 Annual Meetings. It recognized

BOX 1.4 FINDINGS FROM THE MID-TERM EVALUATION OF THE IDB 9TH CAPITAL INCREASE (IDB-9)

IDB management has made intensive efforts to implement the reforms mandated by IDB Governors in the context of the 9th IDB General Capital Increase. The Bank's focus on results has increased, particularly at the project level. Management has implemented the Bank's new DEF and deepened results-based budgeting. The Bank has taken steps to strengthen safeguards, adopt anticorruption initiatives, and enhance the use of country systems for project procurement and fiduciary arrangements, though some implementation challenges remain. A new policy on information disclosure has been adopted but needs further clarification to close potential loopholes and ensure that its objectives are met. With regard to operational instruments, the Bank's lending has been relatively effectively structured, though its nonlending instruments (notably technical cooperation) remain work in progress. Reforms on the financial side, including new rules on income management and capital adequacy, have been implemented as intended, and continued attention and adjustment will help ensure optimal use of Bank capital and maintenance of the Bank's AAA credit rating. Reforms to strengthen the Bank's business processes and human resource management are also moving forward, albeit with significant delays on the business process and IT side.

The evaluation also found limited effectiveness in implementing some of the reforms, particularly those designed to promote the Bank's strategic selectivity in the support it gives to countries: strengthening the corporate results framework, meeting lending targets (including mandated transfers to Haiti), revamping and improving sector strategies, and improving country strategies and programming with borrower countries. These reforms face inherent tensions with the Bank's demand-driven orientation, and a strengthened country dialogue is needed to meaningfully identify where Bank capabilities and borrower demand intersect.

The most challenging areas, where OVE recommended major redesign, are the strategy and coordination of operations in support of private sector development, the Macroeconomic Sustainability Assessments for borrowing countries, and the Independent Consultation and Investigation Mechanism. Management has responded to the evaluation with major reform initiatives in all three areas. The evaluation, IDB management response, and 22 background papers are available at www.iadb.org/evaluation.

MIF's recent efforts to improve its focus and its strong contributions toward innovation, while identifying poverty focus and scaling up as areas for improvement.

Another 2013 corporate evaluation—*How is the IDB Serving Higher-Middle-Income Countries? Borrowers' Perspective*—analyzed IDB's role and activities in 10 higher-middle-income countries in LAC. It found that IDB remains a valued and trusted development partner in the vast majority of these countries. It is still financially competitive, even in countries with investment-grade sovereign risk ratings, and is particularly so during times of international turbulence. IDB's counterparts value numerous aspects of their cooperation with the Bank: the discipline IDB helps impart to project design and execution, along with capacity building related to project management; the opportunity that IDB provides to learn from other experiences in the Region; the seal of approval that IDB's project financing can help provide through its social, environmental, and fiduciary safeguards; and IDB's ability to facilitate medium- to long-term project continuity across political cycles. However, the evaluation also identified issues regarding the usefulness of country strategies, engagement with subnational governments, support for private sector activities, design of some lending instruments, speed of project preparation and implementation, knowledge creation and sharing, and the introduction of fee-based services.

In 2014 OVE completed three corporate evaluations. The *Evaluation of the Results of the Realignment* evaluated IDB's 2007 reorganization and made five recommendations to strengthen the Bank's new matrix organization, incentives, efficiency, and country and sector focus (see Box 1.5). The other two evaluations both looked in detail at IDB's technical cooperation products: *Second Independent Evaluation of the Japanese Trust Funds at the IDB*, requested by the Government of Japan, reviewed the last five years of support provided by the Japanese Trust Fund to IDB's technical cooperation initiatives; and *Evaluation of Special Programs Funded by Ordinary Capital*, requested by the Bank's Board of Executive

BOX 1.5

EVALUATION OF THE RESULTS OF THE 2007 IDB REORGANIZATION

In 2007 the IDB undertook a deep restructuring and renewal process called the “Realignment.” It defined four key goals to respond to a perceived loss of Bank relevance and presence in LAC: sharpening sector focus and expertise, sharpening country focus, strengthening risk- and results-based management, and enhancing institutional efficiency. To achieve these goals, it proposed adjustments to the Bank’s structure, processes, and human resources and incentives: among other things, the introduction of a new matrix organization, the delegation of additional responsibilities to country offices and project team leaders, the updating of operational and corporate processes, and changes in staffing and Human Resources policies.

OVE’s evaluation concluded that the Realignment’s underlying direction toward a matrix structure and greater decentralization was appropriate, but the process has not yet achieved all of its objectives. There are several noteworthy trends on the positive side. The technical skills of Bank staff have improved, the capacity to generate and disseminate knowledge has increased, and more authority has been delegated to country representatives and team leaders, bringing IDB closer to the client. The collaboration between staff in the same sector in country offices and headquarters has increased, as has the continuity of project team membership over the project cycle.

However, the new Bank’s matrix structure is not yet functioning optimally. The Vice-Presidency for Countries, which leads the dialogue and coordinates and supervises the Bank’s lending program with borrowing countries, has limited authority and few mechanisms to coordinate Bank inputs at the country level to ensure delivery of a coherent and efficient program. The Vice-Presidency for Sectors (VPS), which designs and executes the Bank’s public sector financial and nonfinancial products in countries and develops knowledge to support country strategies and development projects and programs, and the Vice-Presidency for the Private Sector (VPP), which coordinates the development and delivery of private sector and non-sovereign-guaranteed operational programs, have limited opportunity or incentive to bring their knowledge and influence to bear on country strategies and programming. Sector silos are tall and the pressures to lend and disburse greater than ever. As a result, the Bank and its borrowing countries are not reaping the full potential gains from cross-matrix coordination and collaboration in country strategy and program formulation, project design and implementation, and knowledge sharing.

The evaluation did not find conclusive evidence of improved efficiency. Some processes (such as quality control at the project level) appear unnecessarily time-consuming and uncertain, and the lack of full cost accounting or binding budget constraints for task teams weakens incentives for the efficient use of resources. The report offered five broad recommendations:

ONE	TWO	THREE	FOUR	FIVE
Strengthen the management function in country offices to enhance country focus.	Strengthen the role of VPS and VPP in country strategy-setting and programming to enhance coordination between Vice Presidencies and country program coherence.	Strengthen mechanisms for the quality control of Bank operational products to enhance effectiveness.	Continue to strengthen budget processes and information systems to ensure full and accurate cost accounting and enhance efficiency.	Fill more management positions through transparent competitive processes to promote effectiveness and efficiency.

The first four of these recommendations were agreed to by management and endorsed by the Board of Executive Directors, while the fifth was not endorsed for specific reasons described in management’s response. For more details on the evaluation and IDB management’s response, see www.iadb.org/evaluation.

Directors, reviewed the 19 sector-targeted programs of technical cooperation funded with the Bank's net income. Over the past decade, the budget for these programs has grown to \$100 million annually. The evaluation recommended steps to streamline and improve the efficiency of the Bank's special programs, and it pointed out the importance of weighing the trade-offs involved in allocating the Bank's scarce capital among competing purposes.

Tracking the implementation of OVE's recommendations

In 2013, the Board of Executive Directors approved the use of a formal Evaluation Recommendation Tracking System (ReTS) to track the implementation of management actions taken in response to recommendations made by OVE and endorsed by the Board.³ The ReTS requires that management prepare an action plan for each Board-endorsed recommendation, indicating how and by when management intends to address the recommendation. Management has 90 days to finalize an action plan after the evaluation is presented to the Board and made public.

This Annual Report provides the first review of actions taken by management during implementation of the ReTS pilot phase from mid-2013 to December 2014. OVE's review seeks to determine the extent to which management action plans are addressing OVE recommendations and are being implemented as planned. Given that the ReTS is in a pilot stage, the review is intended not only as an accountability exercise but also as a way to strengthen learning for the future. OVE's analysis will also serve as input to a full review of the ReTS pilot mandated by the Protocol, which OVE and management are undertaking jointly and is expected to be completed in the first quarter of 2015.⁴

For this review, OVE assessed several dimensions of the ReTS: (i) the relevance of the actions proposed by management, that is, the extent to which those actions addressed the recommendations;⁵ (ii) whether the action plans included clear and measurable milestones and deadlines;⁶ and (iii) the degree of progress reported by management in implementing the actions,⁷ measured against management-defined deadlines. OVE based its review on the information included by management in the ReTS as of November 22, 2014.

³ IDB's *Evaluation Recommendation Tracking System - Protocol for Implementation*, GN-2707-2, July 2013. The Protocol was prepared jointly by OVE and SPD in response to a request by the Board of Directors.

⁴ The joint review of the pilot phase is intended to address issues related to the tracking process and/or the system's functionality identified during this period (GN-2702-2, par. 4.1).

⁵ Action plans were classified as "fully relevant" when OVE deemed most of the proposed actions to be specific and meaningful to address the recommendation; "partially relevant" when at least one action was deemed specific and meaningful to address the recommendation; or "not relevant" when actions were deemed too general or not targeted to address the recommendation.

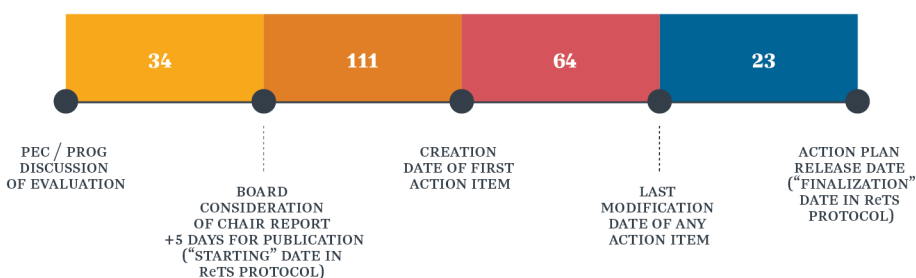
⁶ For the assessment of whether action plans had clear and measurable milestones and deadlines, action plans were classified on the basis of whether they included each dimension in the majority of proposed actions ("fully"), in at least one of the proposed actions ("partially"), or in none of the proposed actions ("no milestones" or "no deadlines").

⁷ Action plans were classified as "completed" when the actions had been finalized; "progress made" when any degree of progress was verified; "no progress" when no progress could be verified; and "undetermined" when the action plan had not been updated to report on progress made.

OVE's review covers the 69 recommendations in the 15 OVE evaluations considered by the Board during the pilot phase, as well as recommendations in the *Mid-Term Evaluation of IDB-9 Commitments* and *How is the IDB Serving Higher-Middle-Income Countries? Borrowers' Perspective* completed earlier in 2013 (see Annex 1).⁸ Of the 69 endorsed recommendations that form the main inventory of the ReTS, 48 were discussed before September 30, 2014, and are therefore subject to the full requirements of the system's pilot phase.⁹ Of these 48, action plans were prepared for all but 4.¹⁰

Average times between key ReTS stages for recommendations endorsed by the Board between mid-2013 and mid-2014 are shown in Figure 1.4 below. During this period the system's IT platform underwent a series of adjustments as management worked to implement the different phases of the ReTS process. Average preparation times for action plans exceeded the 90 days specified in the ReTS protocol, partly because of these start-up challenges.

FIGURE 1.4
ELAPSED TIME BETWEEN STAGES IN ReTS PILOT*
(in days)



SOURCE: ReTS

Note: *Excluding recommendations from the IDB-9 and HMIC evaluations that preceded the formal adoption of the ReTS.

8 On June 18, 2013, the IDB Board of Directors concluded that some Board-endorsed recommendations stemming from evaluations presented before approval of the ReTS would still be tracked, including those from *Mid-Term Evaluation of IDB-9 Commitments* and *How is the IDB Serving Higher-Middle-Income Countries?: Borrowers' Perspective* (PEC Minutes, June 18, 2013). The three comparative project evaluations completed by OVE during the pilot period—*A Comparative Analysis of IDB Approaches Supporting SMEs: Assessing Results in the Brazilian Manufacturing Sector*; *Land Regularization and Administration Projects: A Comparative Evaluation*; and *The Implementation Challenge: Lessons from Five Citizen Security Projects*—contained suggestions for management but no formal recommendations.

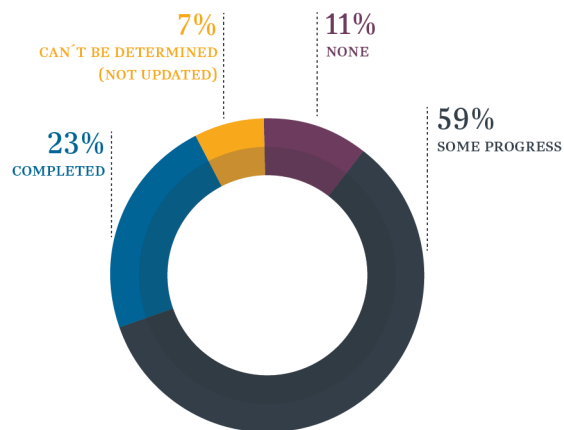
9 Recommendations stemming from OVE evaluations presented to the IDB Board of Directors in the last three months of 2014 have been excluded from this review, since management is still within the timeframe of 90 days to finalize action plans for recommendations endorsed by the Board.

10 One was the recommendation from the *Mid-Term Evaluation of IDB-9 Commitments* to reform the IDB's Independent Consultation and Investigation Mechanism, for which action was outside management purview because the Mechanism reports to the Board of Executive Directors. The other three were from the *Fifth Independent Evaluation of the Expanded Project Supervision Report (XPSR)*. OVE is aware that some actions have been undertaken in all these cases, even if they have not been reported in the ReTS.

OVE considers the action plans to be fully relevant for 57% of the 44 recommendations tracked and partially relevant for 23% of them (see Table 1.2 for specific examples). A slightly lower share—55%—of the action plans fully include clear and measurable milestones to track progress, while at least a quarter do not. Seven percent of action plans are overdue, that is, still in progress beyond management’s deadline, and 14% of action plans do not specify deadlines.

Management reported progress in implementing all action plans that had been updated in the system as of November 2014. Upon review, OVE found that considerable progress had been made in many cases, with 10 action plans fully completed. OVE found no significant progress in the implementation of 5 recommendations: 3 of the 4 endorsed by the Board from the *Evaluation of the Results of the Realignment*, and 2 from the Paraguay CPE.

FIGURE 1.5
PROGRESS IN IMPLEMENTING ACTION PLANS
(as of November 22, 2014)



SOURCE: OVE

**TABLE 1.2
EXAMPLES OF OVE ASSESSMENTS OF THE RELEVANCE
OF ACTION PLANS**

OVE ASSESSMENT	OVE RECOMMENDATION	ACTION PLAN	EXPLANATION
Fully relevant	Ensure that the information from the approved Results Matrix is entered in the system prior to implementation and any changes during implementation are tracked (<i>Evaluability Review of Bank Projects 2012</i>).	Action 1 – PMR and PCR will include features allowing the tracking of changes in the results matrix. Action 2 - Provide training to project teams and staff on the new functionalities of the PMR and PCR regarding the results matrix.	Actions are specific and meaningful and address the recommendation.
Partially relevant	Continue to explore options for engaging operationally with subnational entities in HMICs, whether through SG or NSG lending or through non-lending instruments (<i>How is IDB Serving Higher-Middle Income Countries? Borrowers' Perspectives</i>).	Action 1 - Continue implementation of projects with subnational emphasis. Action 2 – Complete “Profisco” and “Procidades” evaluations. Action 3 – Update sector framework to provide guidelines on new operational approaches for subnational governments (...). Action 4 – Advance research on public-private partnerships at subnational levels (...). Action 5 - same as action #3 Action 6 – Advance research on value capture tools to finance urban development. Action 7 – Advance research on subnational fiscal sustainability (...).	Actions appear to be business as usual. It is unclear how they will lead to new ways of engaging operationally, particularly through lending.
Not relevant	Ensure beneficiary execution of technical cooperation operations (<i>Country Program Evaluation: Chile 2011-2013</i>).	Management will agree with the government to reduce the number of TCs executed by the Bank with the exception of operational inputs TCs or TCs for research and dissemination.	Actions are too general, without specific goals or targets.



PART 02

PART 01

OVE'S EVALUATION ACTIVITIES
AND RECOMMENDATIONS,
2013-2014

PART 02

IDB SUPPORT FOR POVERTY
REDUCTION AND SUSTAINABLE
GROWTH: FINDINGS FROM RECENT
OVE EVALUATIONS

**IDB SUPPORT FOR POVERTY REDUCTION
AND SUSTAINABLE GROWTH: FINDINGS
FROM RECENT OVE EVALUATIONS**

PART 02

THE FIRST HALF OF THIS ANNUAL REPORT PRESENTED A BRIEF SUMMARY OF OVE'S 2013-2014 PROJECT, COUNTRY, SECTOR, THEMATIC, AND CORPORATE EVALUATIONS AND OVE'S CONTRIBUTION TO IMPROVING IDB'S CAPACITY TO SELF-EVALUATE AND LEARN FROM EXPERIENCE. THIS SECOND HALF SUMMARIZES SELECTED EVALUATIONS THAT PROVIDE USEFUL LESSONS ON WAYS TO IMPROVE IDB'S SUPPORT FOR POVERTY REDUCTION AND SUSTAINABLE GROWTH IN ITS CLIENT COUNTRIES.

In 2010 IDB member countries agreed to increase the Bank's capital to US\$170.9 billion (an increase of US\$70 billion) to respond to increased demand for development lending in the Region. In the context of this increase, IDB Governors reiterated that the goals of reducing poverty and inequality and promoting sustainable growth should "be at the core of the Bank's efforts to mobilize resources aimed at fulfilling its corporate mission over the next decade."¹¹ The Governors noted that these two overarching objectives are complemented with two other strategic goals for the institution—"address the special needs of the less developed and smaller countries and foster development through the private sector"¹² — and made clear that the objectives and strategic goals should translate into priorities, goals, policies, and performance measures for the Bank.

Economic theory and practice has identified a number of building blocks for sustainable economic growth. These building blocks include investment in human and physical capital, efficient allocation of resources across sectors and regions, stable macroeconomic and fiscal environments, inclusive and capable local and national governments, openness to trade, a business climate that fosters innovation, and an ability to mitigate and adapt to emerging global risks, including climate change, pandemics, and violence.¹³ Rapid and inclusive growth also requires that all citizens have access to economic opportunities and to effective social protection networks that address individual and economy-wide risks.¹⁴

11 Report on the Ninth General Increase in the Resources of the Inter-American Development Bank (AB-2764), para. 3.6.

12 Ibid., para. 3.9.

13 Commission on Growth and Development (2008), *The Growth Report*, and World Bank (2014), *Global Monitoring Report 2014/2015: Ending Poverty and Sharing Prosperity*.

14 World Bank, *World Development Report 2000/2001: Attacking Poverty*.

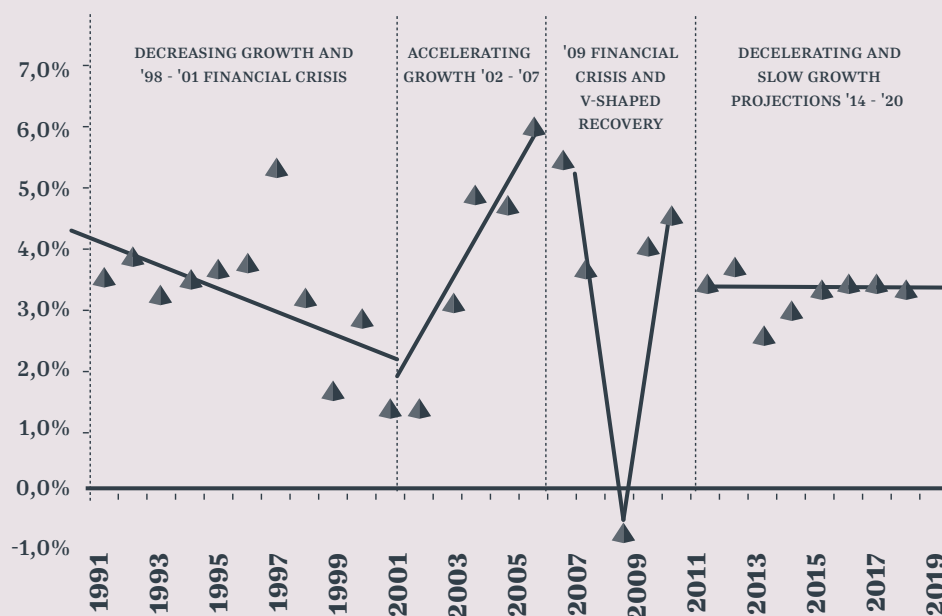
Equitable access to economic opportunities in turn requires sustained efforts to invest in the human capital and skills of the poorest, to increase access to good-quality social and infrastructure services in rural and marginalized urban areas, and to enable a business climate that fosters the creation of good jobs and productivity growth for all workers, firms, and entrepreneurs.

A number of OVE's evaluations in 2013 and 2014 provide findings and recommendations to help improve IDB's work in strengthening these building blocks for sustainable growth and poverty reduction in LAC. The evaluations discussed in this section analyze IDB programs to promote structural reforms and fiscal sustainability; to support private sector development and increased productivity of small business; to increase small firms' access to credit; to ensure land property rights; to tackle climate change and citizen security; and to promote human capital accumulation at the secondary level. (Box 2.1 sets the stage for this discussion by summarizing growth and poverty trends in LAC.)

BOX 2.1 GROWTH AND POVERTY TRENDS IN LAC

Most LAC countries have achieved sustained economic growth since the 1990s. Growth accelerated in the Region during the first decade of the century, before a hiatus during the 2009 global financial crisis. Though growth is expected to continue in the rest of this decade, it is likely to be slower because of external factors and lack of domestic accelerators. Average per capita GDP in LAC has risen from around US\$5,000 in the early 1980s to around US\$14,900 in 2013 (all figures in purchasing power parity). But regional averages conceal wide diversity. While GDP per capita in the richest countries reaches above US\$20,000, in the poorest it is below US\$2,000.

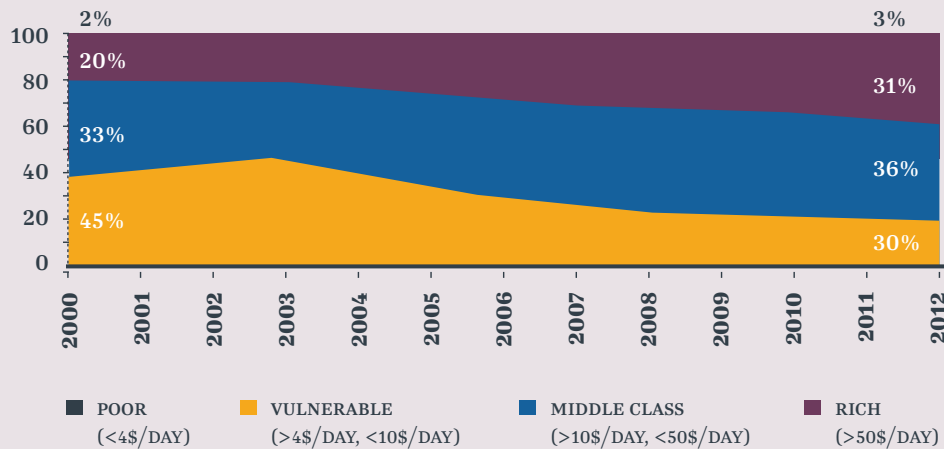
LAC Growth Trends, 1990-2020
(26-country simple average and linear trends)



SOURCE: IMF

The increase in per capita GDP, combined with a modest reduction in inequality during the 2000s, has led to a significant reduction in poverty. About half of Latin Americans were living in poverty in the early 1990s, but through growth and compensatory policies nearly 20% overcame poverty in the last two decades. Extreme poverty has fallen by almost half. But despite these gains, 3 of every 10 Latin Americans still live in poverty. The aggregate figures hide much heterogeneity between and within countries. In five countries (Guatemala, Haiti, Honduras, Nicaragua, and Suriname), more than half of the population lives in poverty. And while some Brazilian states—such as Santa Catarina, Rio de Janeiro, and São Paulo—have poverty rates comparable to those of Argentina, Chile, and Uruguay, others, including Alagoas, Piauí, and Maranhão, have rates comparable to those of the poorest countries in the Region. After decades of urbanization, most poor people in the Region live in urban areas, but in the poorest LAC countries poverty is still a rural phenomenon.

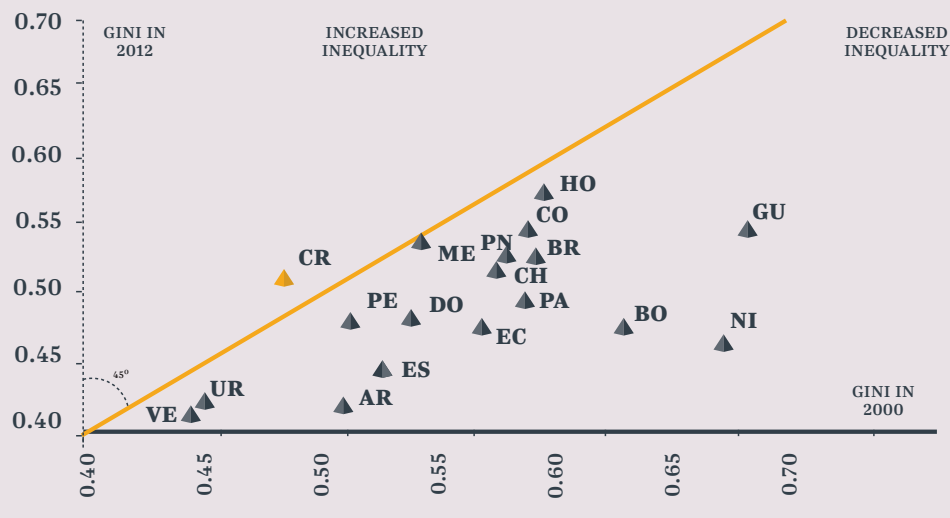
LAC Population Distribution by Income Category, 2000-2012



SOURCE: OVE, BASED ON IDB/SCL DATA

Inequality of income and opportunity remain central concerns despite recent gains. The decline in inequality in the region stagnated after the global financial crisis¹ and half of the world's 20 most unequal countries are in Latin America. High levels of inequality are accompanied by low social mobility and inequality of access to opportunities. Recent studies show that access to educational opportunities—as measured by the on-time completion of the sixth grade in school—is more equitable in Argentina, Chile, Ecuador, Jamaica, Mexico, and Uruguay than in Brazil, El Salvador, Honduras, Nicaragua, and Guatemala.²

LAC Inequality (GINI), 2000 vs. 2012



1 Cord, Luise, et al. 2014. *Inequality Stagnation in Latin America in the Aftermath of the Global Financial Crisis*. World Bank Policy Research Working Paper 7146.

2 Paes de Barros, Ricardo, et al. 2009. *Measuring Inequality of Opportunities in Latin America and the Caribbean*. The World Bank, Palgrave MacMillan.

Support for fiscal sustainability and policy reform: Evaluations of policy-based loans

Policy reform remains at the core of the development agenda in most LAC countries. Reforms in recent decades have focused on trade and financial markets but have lagged in other areas that are key to increased productivity and faster economic growth (see Box 2.2). For example, continued reforms are needed to modernize legal and regulatory institutions, strengthen labor markets and reduce informality, improve the quality of education and health services, and expand basic infrastructure through public-private partnerships and other means.

One of the IDB's main tools to support fiscal sustainability and promote structural reform is policy-based loans (PBLs), which provide fast-disbursing funding in support of institutional and policy reforms. These loans are usually accompanied by technical assistance to help countries implement the reform agenda. Between 2010 and 2013 PBLs constituted about one-quarter of IDB's sovereign-guaranteed lending, with a focus on the most indebted countries in the Caribbean and Central America, such as Panama and Jamaica.

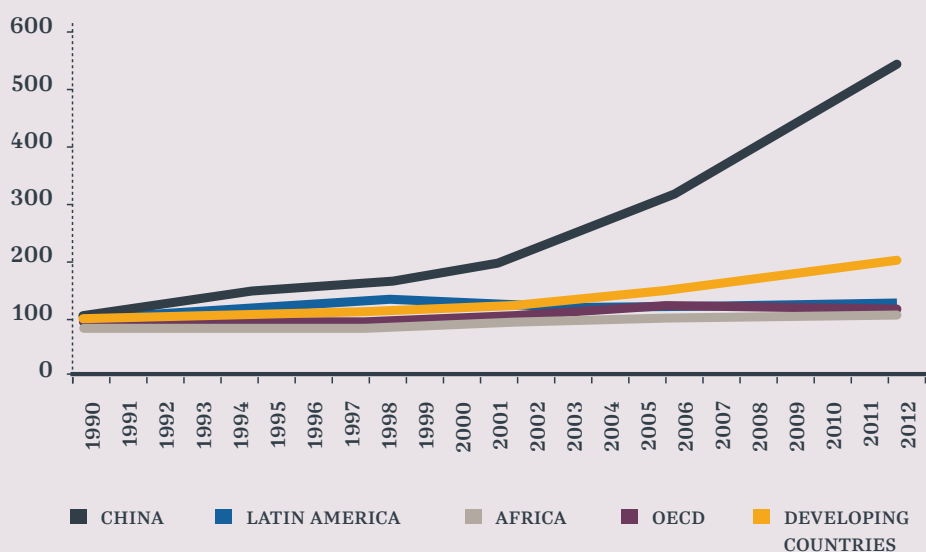
Recent OVE CPEs for Jamaica, Honduras, and El Salvador stressed the need for IDB to balance a country's short-term fiscal needs with longer-term support for meaningful fiscal, institutional, and regulatory changes. Many of the reforms supported by IDB PBLs in these countries had an intermediate or low degree of structural depth¹⁵ (see Figure 2.1 on Jamaica), particularly those supported by the early loans of a programmatic series. Furthermore, cancellations of later PBLs in a series were common, and some needed reforms that the loan programs aimed to support at inception were not accomplished. OVE's recommendations from these recent evaluations stress the importance of supporting reforms with meaningful depth and of completing programmatic PBL series wherever possible.

15 The structural depth of PBL conditions was measured using the methodology of the Independent Evaluation Office of the IMF ("Structural Conditionality in IMF Supported Programs, Background Papers," IEO, 2007). Following this methodology, OVE assigned each condition a rating according to the degree of structural change that the implementation of the condition would bring to the country's institutional environment: low—commitments that would not by themselves bring about any meaningful changes, although perhaps serving as stepping stones for more significant reforms in the future; medium—commitments that could be expected to have immediate and significant though not long-lasting effects; and high—commitments that by themselves would bring about long-lasting changes in the institutional environment.

BOX 2.2 IMPROVING PRODUCTIVITY IN LAC

Improving productivity is essential for sustainable long-term growth. Productivity growth in LAC has been slow in comparison to that of developed countries like the United States, and particularly to that of emerging economies in Asia (Figure 2.5). While labor productivity in LAC has grown over the last decade, contributing about 1.2% of the average annual growth of gross national income per capita, this contribution has been just enough to offset the negative contribution the previous two decades.

Productivity in LAC and in Selected World Regions and Countries

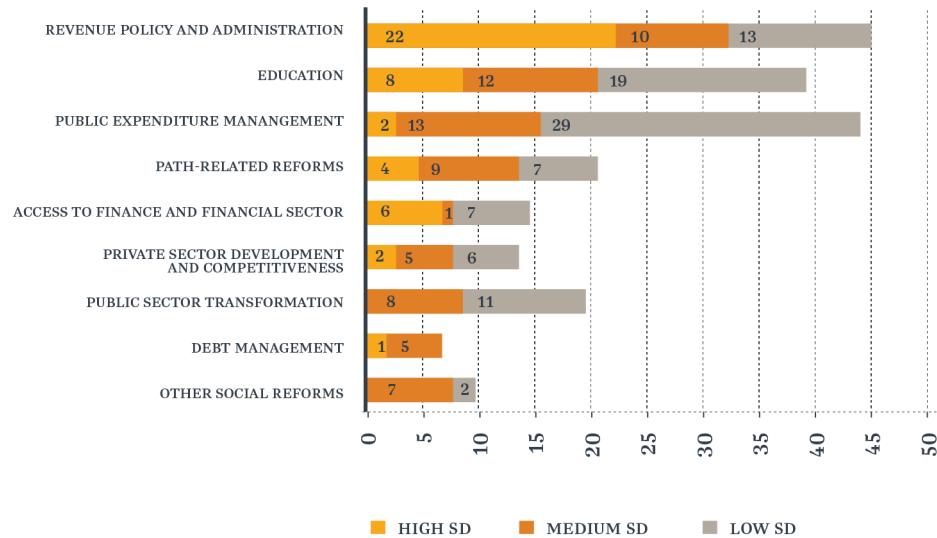


SOURCE: CONFERENCE BOARD, TOTAL ECONOMY DATABASE.

LAC countries have strong potential to increase productivity and reduce poverty by improving workers' skills and the business climate and by reallocating labor and capital from small inefficient firms to corporations and more productive sectors.¹ Among the most striking causes of low productivity in the Region are informality and poorly functioning labor markets. The latest indicators from the International Labour Organization show that LAC countries not only have higher rates of informality than other middle-income countries (by nearly 20 percentage points), but they also appear to have higher rates on average than low-income countries in other regions.

1 Pages, Carmen, Editor. 2010. *The Age of Productivity: Transforming Economies from the Bottom Up*. Inter-American Development Bank Development in the Americas Series.

FIGURE 2.1
JAMAICA, STRUCTURAL DEPTH OF POLICY-BASED LENDING



Note: Includes six PBP series: Competitiveness Enhancement Program, Public Financial and Performance Management Program, Fiscal Consolidation Program, Fiscal Structural Program for Economic Growth, Support for the Education Sector Reform, and Human Capital Protection Program.

OVE's climate change evaluation analyzed 17 PBLs in nine countries with CC components, for a total of US\$3 billion, or around 20% of all Bank PBL commitments and operations between 2007 and 2013. The evaluation found that one-third of the conditions (40) were changed to less ambitious actions as the programs proceeded, decreasing the programs' structural depth. Other programmatic commitments were dropped or added during the course of a programmatic series. Some second and third operations of a series were not approved, leaving the planned reform process incomplete. Of the 16 PBL programs approved between 2008 and 2013, 7 were fully implemented.

These 2013-2014 evaluations had specific coverage, and their findings cannot be generalized to the Bank's PBLs as a whole. Given the importance of supporting policy reform in the Region, OVE will undertake a more comprehensive analysis of IDB's policy-based lending for next year's Annual Report.

Private sector development: Review of IDB's private sector framework

The private sector is the engine of growth, and the IDB has supported private sector development since its founding. Initially it did so through operations to enhance competitiveness and access to credit, with intermediation through public entities. In 1994, under the 8th General Capital Increase, the Bank launched a program of direct lending to the private sector. The 9th General Capital Increase in 2010 made development through the private sector a main objective of the Bank.

OVE's review of IDB's private sector framework, undertaken as part of the IDB-9 Mid-term Evaluation, stressed the importance of helping governments design appropriate policies and regulations to support the private sector. By creating a level playing field for competition and promoting new entrants and innovators of all sizes, the Bank Group could help spur entrepreneurial activity, leading to increased employment, income, and benefits for consumers. The evaluation recognized IDB's important comparative advantage in its ability to support both the public and private sectors. Through coordinated support the Bank can help to strengthen the business environment, on the one hand, while promoting a supply response by firms, on the other.

However, this approach hinges on a far closer collaboration among windows—on both the public and private sides in the Bank, and among the various private sector windows in the Bank Group (Box 2.3)—than currently exists. OVE's review found that operations with coordinated public and private actions and integrated objectives are rare. Limited coordination has resulted in significant lost opportunities—not only in infrastructure, where improved collaboration could bring clear gains through public-private partnerships and concessions, but also in the financial sector, where improvements to financial market regulations could complement direct support to the private sector through financial institutions.

As the Bank explores a substantial consolidation and reform of its private sector windows, strengthening coordination between the Bank Group's public and private sector arms will be a key challenge. A meaningful institution-wide strategy for private sector growth needs to recognize and build on the drivers of productivity and economic growth. On the private sector side, this includes the entry of new firms and support for competition and innovation. On the public sector side, this requires improvements in the investment climate, which suggests that the Bank should engage with borrowing countries in a more structured and frequent dialogue on the policy and regulatory environment.

Improving economic opportunities for small producers and firms: Evaluation of the Multilateral Investment Fund

In 2007 MIF refocused its mandate to support micro and small enterprises and poor households by working to increase their access to finance, markets, and basic services. MIF directed its work in access to finance toward missing and incomplete markets, such as rural markets, and toward new financial services such as savings and insurance. It also redirected the emphasis from developing urban microcredit in more mature markets toward developing microfinance in countries with less developed markets. In access to markets, MIF focused on micro and small

BOX 2.3

IDB GROUP SUPPORT FOR PRIVATE SECTOR DEVELOPMENT

The IDB carries out its private sector development work through its Institutions for Development (IFD), Structured and Corporate Finance (SCF), and Opportunities for the Majority (OMJ) Departments. This effort is complemented by the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF), which are part of the IDB Group but separate and independent institutions.

IFD

IFD offers loans with sovereign guarantees and technical cooperation; its work focuses on developing capital markets and financial institutions and on promoting increased productivity and competitiveness at the national, regional, and local levels, with an overall emphasis on improving the business environment and with special emphasis on technology and innovation.

SCF

SCF, the largest private sector arm of the IDB, is responsible for financing second-tier financial institutions and private sector firms using non-sovereign-guaranteed operations.

OMJ

OMJ, also a private sector arm of the IDB, focuses on private sector initiatives that promote the inclusion of the population at the “bottom of the pyramid” through market-oriented initiatives.

IIC

IIC complements the activities of the IDB with a focus on non-sovereign-guaranteed lending to small and medium enterprises (SMEs).

MIF

MIF supports the private sector in developing, financing, and executing innovative business models that benefit entrepreneurs and poor and low-income households; it is a laboratory for testing pioneering, market-based approaches to development.

There is significant sector overlap in the support provided by these private sector windows, particularly in the areas of financial markets and SME support. OVE’s portfolio analysis indicates that operations in the financial sector account for about a third of IFD’s operations and 56% of its resources, about a quarter of IDB’s non-sovereign-guaranteed operations, and 37% of IIC’s operations and 66% of its portfolio value. MIF concentrates 78% of its operations and 69% of its lending on SMEs, and IIC, IFD, and OMJ also have a significant number of operations and resources devoted to SMEs.

producers to link them to broader markets through “lead firms” and a value chain approach, as well as on youth training programs. In access to basic services, MIF focused on public-private partnerships, private provision of basic services for poor households, and clean energy.

OVE’s 2013 *Second Independent Evaluation of the Multilateral Investment Fund* found that most MIF projects attempt to address constraints that micro, small, and medium enterprises face and are thus related to the overarching goal of promoting competitiveness. The evaluation found that MIF has been successful at targeting micro and small enterprises: it predominantly works with firms with revenues under \$50,000, and this targeting has increased over time. MIF intervention models are generally aligned with the objective of affecting firm-level productivity, or affecting a firm’s cost structure or technology, which are fundamental determinants of competitiveness.

As a relatively small organization with ambitious goals, MIF has a strategy for achieving impact that relies on leveraging partners’ funds and on using projects as instruments for experimentation and demonstration, with a view to scaling up successful experiences. The evaluation found that MIF has been successful at strengthening partnerships, leveraging resources, and generating broader impacts through demonstration effects. MIF has had some success at affecting local markets and policy environments—for example, through its work with youth and local economic development. However, the achievement of more significant market changes has proven to be a more elusive goal. Although MIF had impressive early success in helping to generate a microfinance industry, it has not replicated success on this scale in other areas. The area of work that has had the largest systemic impact in recent years has been venture capital.

OVE’s evaluation found that MIF has struggled to find a model by which it can address poverty. MIF has not used firm income, household income, or poverty as an explicit criterion for prioritizing projects at the approval stage, although in 2011 it did introduce some mechanisms that reward pro-poor projects. OVE analyzed the degree to which MIF was reaching poor populations and found that projects in general reach low-income households, but they do not always benefit those living in poverty. Only 16% of projects had poor populations as direct beneficiaries, and most of them reflect efforts in recent years. Confirming these findings, more robust estimates based on establishment and household surveys show that only 14% of MIF beneficiaries were living in poverty. Among projects that directly support households and microenterprises, the proportion increases to 21%.

Going forward, MIF faces challenges in consolidating its innovations, scaling up successes, and identifying an acceptable level of failure. MIF projects often do not achieve expected results, and many MIF interventions are not sustained over time. The evaluation recommended that MIF implement a corporate results framework that ensures that it preserves its flexibility to innovate; better define its strategy for targeting low-income beneficiaries and promoting poverty reduction; further specify and clarify the role of the public sector in scaling up innovation; strengthen the tracking of implementation and results; and better define and strengthen its role as a knowledge institution.

Supporting SME growth: Impact evaluation of manufacturing SME programs in Brazil

SMEs are a fundamental part of the economic fabric in developing countries. In LAC, SMEs account for nearly 99% of firms and 67% of employment. Institutional and market failures impede SMEs with growth potential from reaching their optimal size. SMEs suffer more than larger firms from inflexible regulations and standards, high registration costs, and high tax rates. At the same time, weak institutions and poor coordination may hinder the public sector from providing the services that SMEs with growth potential need. SMEs often turn toward informality and operate at scales below minimum efficiency levels, underperforming in terms of average productivity, growth, and innovation compared to larger firms. Large enterprises in LAC are six times more productive than SMEs, while those in developed economies are only 1.3 to 2.4 times more productive.

Several LAC countries have adopted public policies to promote SMEs through development agencies. The IDB has also responded with various types of interventions (representing 9% of the IDB loan portfolio from 2006-2013) to address market failures that hamper the development of SMEs across LAC. Some economic development literature suggests that well-targeted policies aimed at promoting SMEs can lead to positive development outcomes for the firms with growth potential. But SME support programs are not immune to criticism. Small firms on average do not use resources more productively than medium and large firms. And even if SME programs may indeed boost the productivity of beneficiary firms, some argue that in the aggregate the effects would be greater if support were open to all firms regardless of their size, particularly companies in the formal sector.

In 2014 OVE conducted an impact evaluation—*A Comparative Analysis of IDB Approaches Supporting SMEs: Assessing Results in the Brazilian Manufacturing Sector*—to assess the effectiveness of programs that support manufacturing SMEs in Brazil (Figure 2.2). The evaluation found that credit is the only type of support that significantly affects all outcome variables, and it also has the most positive impact on employment and wages. The success of credit lines for SME support is related to the incentives created by program design. SMEs should use the funds not only for working capital but also to invest in goods, such as transportation equipment and computers that ultimately boost their performance. The evaluation also found that export support has a significantly positive impact on the value of exports and produces employment benefits. Business consulting interventions show a positive impact on employment, an impact that increases when combined with credit support. Overall, the results of the evaluation are positive and synergies have been found, highlighting the importance of coordination among institutions that support SME programs.

**FIGURE 2.2
APPROACHES TO SME SUPPORT IN BRAZIL**



Securing property rights: Comparative evaluation of land regularization and administration projects

Land is usually of high value, and enhancing tenure security can yield many economic benefits such as increased investment, credit access, and productivity. An efficient and comprehensive land administration system also provides benefits that go beyond tenure security, including the reduction of frictions in land markets and improvements in tax collection and land-use planning.

Since the early 1990s the Bank has approved land regularization and administration projects almost uninterruptedly—nearly 20 projects in 14 LAC countries. These projects have responded to the high levels of informal land tenure that predominate in the Region. Objectives have mainly emphasized the revitalization of land markets, increased agricultural investment and productivity, and improvement of government land administration capacities. OVE's comparative evaluation of nine of these projects found that Bank support to the countries to improve their land administration systems has been based on an integrated model consisting of a multipurpose cadastre and a comprehensive title-based registry for the entire country.

The projects have also supported the mass regularization of land tenure, using modern demarcation techniques and participatory adjudication methodologies. But the depth of the improvements has been uneven across cases. The evaluation also found that the sustainability of regularization activities is at greatest risk where the conditions that gave rise to informality have not changed. Support for temporary programs in some of the cases studies, rather than for permanent institutions, has had an adverse impact on the sustainability of project outcomes.

The evaluation found a number of project design and evaluation elements that can help to strengthen future operations. More resources should be invested in the diagnostic assessment, monitoring, and evaluation of project activities. This is particularly necessary in the area of regularization, where a lack of rigorous assessments has led to contractual difficulties with a number of companies responsible for these activities. In addition, the sequencing of activities can be improved, possibly through a structure of integrated subprojects, each with a different timeframe and specific objectives (and possibly using different financing instruments).

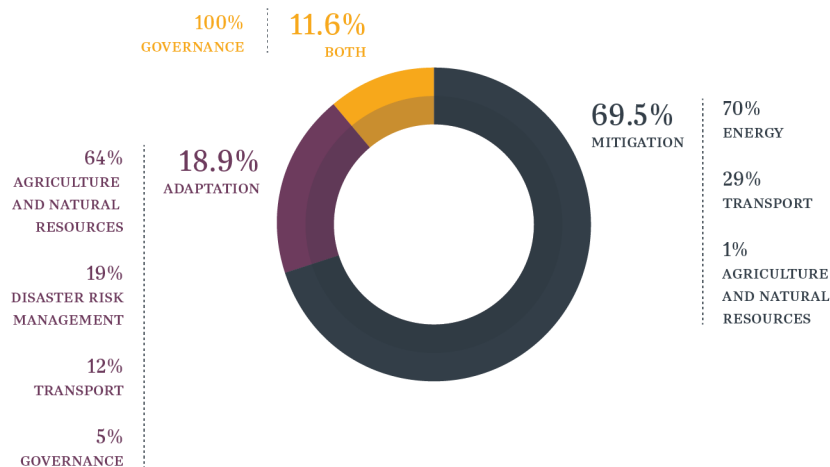
Ensuring sustainability of growth: Climate change (CC) evaluation

As the incidence of storms, droughts, and floods increases, the impacts of CC will vary across the LAC Region. Mexico, Central America, and the Caribbean are particularly threatened by the increase in extreme weather events that can lead to natural disasters, and other areas will also be affected by severe droughts or by flooding due to rainfall. The exposure and vulnerability of the agriculture and natural resources sector—and of the population dependent on it—to CC is of particular economic and social significance in LAC. In addition, key basic infrastructure may be affected, especially in areas prone to flooding. Responding to CC is thus a high priority for the Region, in terms both of mitigation to address the challenge of global warming and of adaptation to secure the Region against its negative effects.

The IDB has stepped up its efforts to support LAC in its development activities linked to CC. The IDB CC-related portfolio—that is, projects with explicit or implicit CC mitigation and adaptation co-benefits—has increased over time, with more focus to date on mitigation than on adaptation (Figure 2.3). The Bank's organization has evolved and adjusted to advance CC mainstreaming and support staff's technical skills and knowledge generation. OVE's CC evaluation found, however, that further organizational focus is needed and that the Bank needs to improve mainstreaming instruments, with wider application of climate-risk screening tools, vulnerability assessments, and measurement of greenhouse gas (GHG) emissions in relevant ongoing activities.

OVE's calculations indicate that some IDB projects, most notably in energy and to a lesser degree transport, have contributed to GHG emission reduction. The largest and most quantifiable reduction in GHG emissions has come from investments in renewable energy: hydropower, wind power, and carbon offsets. Urban transport projects supporting bus rapid transport systems also stand out, though they have not reached their full potential because of weaknesses in complementary policy measures such as scrapping polluting buses and creating fuel quality standards. Although improvements in energy efficiency have perhaps the greatest potential impact in reducing GHG emissions at the lowest cost, IDB participation in energy efficiency projects has been limited. Energy subsidies in the region—which keep prices low and encourage overconsumption—remain a key barrier.

FIGURE 2.3
IDB CLIMATE CHANGE MITIGATION AND ADAPTATION LOANS AND GRANTS BY SECTOR AND AREA
 (Percentage of Approved Amounts)



SOURCE: OVE CALCULATIONS, BASED ON IDB CORPORATE DATABASE

The Bank’s strategic focus on agriculture and natural resources—promoting agricultural public goods, strengthening weather and water monitoring, and increasing the income and adaptability of the rural poor—is highly relevant to climate adaptation. The IDB has a long history of supporting disaster risk management in the Region, and its portfolio is well aligned with country vulnerability levels, but attention to climate adaptation in transport and energy is just beginning.

The evaluation recommends strengthening the mainstreaming of CC concerns in IDB by maintaining a highly qualified CC group whose mandate and incentives are to provide cutting-edge technical knowledge and support to divisions across IDB public, private, and country Vice-Presidencies; deepening IDB’s engagement in policy dialogue and operational support to address climate adaptation challenges in all relevant sectors; strengthening the coordination between the Bank’s public sector and private sector windows and scaling up efforts to mobilize external resources to leverage the Bank’s work; and deepening the Bank’s ability and incentive to track its activities and results related to CC mitigation and adaptation.

Building a safe environment for development: Citizen security evaluations

LAC countries face important challenges to ensure a safe environment for development. For the past three decades, countries in LAC have suffered from pandemic levels of violence and crime. Central America, the Caribbean, and South America have homicide rates of 28.5, 16.9,

BOX 2.4

THE IMPLEMENTATION CHALLENGE: LESSONS FROM FIVE CITIZEN SECURITY PROJECTS

Successful implementation is necessary for projects and programs to be effective. In this comparative project evaluation, OVE analyzes the effectiveness of the implementation strategy of five IDB-supported citizen security projects in Central America and the Caribbean. The evaluation findings reveal that projects showing the most successful implementation also included most of the elements identified in the specialized literature: participatory preparation leading to communities' buy-in, sensitive situational diagnostics, trained practitioners and protocols, presence of community officers to maintain motivation and ensure close follow-up of beneficiaries, and a relatively simpler project design involving a limited number of ministries and a more direct route for service delivery. However, the evaluation shows that in many of the projects, coordination arrangements and specific incentives and accountability mechanisms among participating entities were either ineffective or missing; thus projects that involved several line ministries and municipalities appeared too complex to be implemented as designed, in particular given the institutional constraints and the resources and timeframes available. Finally, IDB supervision facilitated implementation in some cases, but hindered it in others, suggesting that incentives, resources, and training were generally not adequate for Bank staff to supervise projects beyond the procurement and fiduciary aspects.

and 20.0 per 100,000 inhabitants, respectively—the highest in the world.¹⁶ These high levels of violence and crime negatively affect social and human capital, and have substantial economic impacts. Crime and violence can interfere with economic interactions, the delivery of services like education, or even the government's ability to install or maintain physical infrastructure in the country. Depending on the measurement methodology used,¹⁷ the costs of crime and violence can account for over 10% of GDP in LAC. In a recent World Bank report,¹⁸ the total cost of crime and violence in Central America ranged from 3.6% of GDP in Costa Rica to 10.8% of GDP in El Salvador.¹⁹ Sound policymaking to address the citizen security challenge in the Region has proven particularly complex for at least two reasons. First, violence and crime are multidimensional and multicausal, so that governments often address them through multisector approaches that have no obvious lead agency. Second, there is an incomplete or fragile consensus on policy approaches to respond to violence and crime.

The IDB has been involved in citizen security projects for almost two decades. Up to 2012 the Bank had approved 17 citizen security loans for \$481 million. In addition, the Bank had

16 United Nations Office on Drugs and Crime (UNODC) 2011, *Global Study on Homicide: Trends, Context and Data*. Vienna, Austria: UNODC. Accessed February 22, 2011, at http://www.unodc.org/documents/data-and-analysis/statistics/Homicide/Global_study_on_homicide_2011_web.pdf.

17 Buvinic and Morrison (1999, *Violence as an Obstacle to Development*, Technical Note, Washington, DC: Inter-American Development Bank) outline accounting, housing, and land models using hedonic regression, and contingent valuation methodologies to measuring violence. The Bank uses all three in its violence assessments of the Region.

18 World Bank (2010), *Crime and Violence in Central America Volume II*. Washington, DC: World Bank.

19 Costs considered are medical attention, lost production, emotional damage, public security, administration of justice, private security costs for households, private security costs for businesses, and transfers.

financed US\$24.6 million in technical cooperation in the sector, and has recently approved two special initiatives geared toward strengthening information systems, building evidence, and sharing information. The Bank has adopted an integrated, multisector approach to citizen security. Its scope of intervention spans the violence and crime prevention continuum: social and situational prevention, police, justice, and penitentiary systems. The lending portfolio includes multisector stand-alone operations in a variety of countries, most in Central America.

OVE undertook a two-part evaluation of IDB support for citizen security. The first part of the evaluation, completed in 2013, was an in-depth comparative evaluation of five citizen security projects (see Box 2.4). The second part of the evaluation looked more broadly at the Bank's engagement in the citizen security sector. It found that the Bank has played a pioneering role in addressing citizen security as part of the development agenda—most notably from a preventive perspective—but faces significant challenges in building a knowledge base, developing the necessary in-house expertise, and managing the risks of this increasingly complex and risky portfolio.

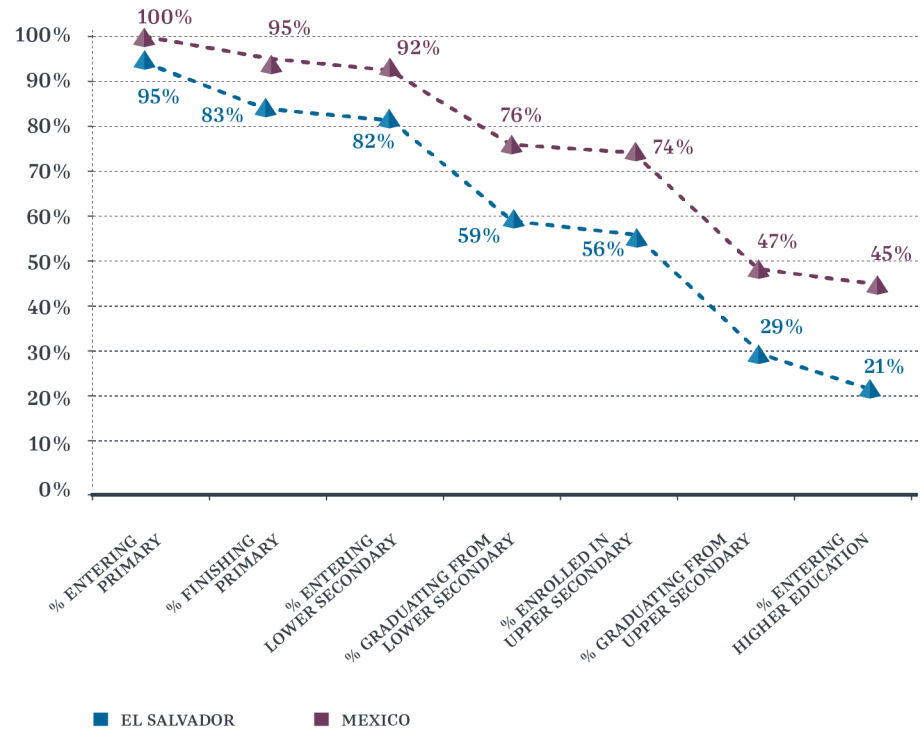
At the operational level, the Bank's lending portfolio has faced significant and persistent challenges in implementation. Multisector projects have been complex and difficult to implement, and some of them seem to fit poorly with the national- and local-level institutional capacity. A continuing challenge for the Bank is to match interventions to the specific institutional context of each country. Citizen security projects also involve reputational risks for the Bank, particularly when it supports sensitive areas in criminal justice with human rights implications. The Bank has acknowledged the specific challenges of working with police and penitentiary systems since its early involvement, but the corresponding measures it takes are not adequate to identify and mitigate those risks.

Going forward, the Bank needs to focus its efforts in areas where it can ensure excellence. This entails building in-house expertise, enhancing project design to fit local contexts and ensure implementation, strengthening risk analysis and mitigation, and carrying forward a focused knowledge agenda.

Investing in people's skills: Evaluation of secondary education

OVE's *Review of IDB Support to Secondary Education: Improving Access, Quality and Institutions, 1995-2012* confirmed that the Bank is a major player in education financing in LAC. Spending on education in the Region now ranges from US\$289 (2009 purchasing power parity) per student in Guatemala to US\$5,235 in Barbados. Compounding the heterogeneity of spending among countries, public spending in upper secondary has become regressive in some countries and slightly regressive for the Region as a whole. Among secondary students in LAC, 21% are enrolled in private institutions, the highest share of any region worldwide. Sustained investments have expanded education coverage at the primary level, and the highest school dropout rates in the Region now occur at the transition from lower to upper secondary education. On average half of the Region's youth exit the education system during the secondary years and seek to enter economic activity (see Figure 2.4 on El Salvador and Mexico).

FIGURE 2.4
PROGRESSION ACROSS EDUCATION TRANSITION POINTS,
MEXICO AND EL SALVADOR, 2010



SOURCE: OVE BACKGROUND WORK, REVIEW OF IDB SUPPORT TO SECONDARY EDUCATION: IMPROVING ACCESS, QUALITY AND INSTITUTIONS, 1995-2012.

To respond to the challenge of increasing access to quality education, the IDB has substantially increased its education lending portfolio, especially since 2006. Between 1995 and 2012, the Bank approved 80 loan operations amounting to US\$6.6 billion (growing at an average annual rate of 7%) in financing for education. Of these, 58 operations supported lower and/or upper secondary education (with 11 focused exclusively on the secondary level), with a total loan amount of US\$5.7 billion. Most of the loans supported institutional strengthening and infrastructure construction (see Figure 2.5).

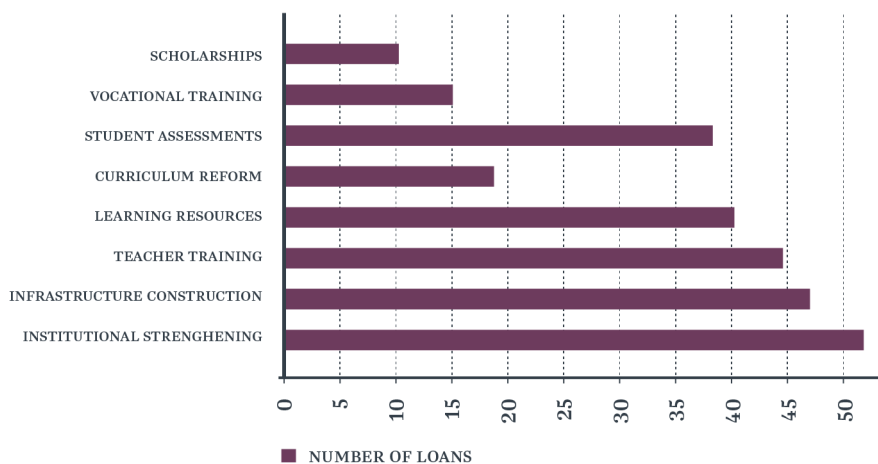
The evaluation found that the high investment in secondary school infrastructure has produced less than the anticipated increases in student enrollment. On the demand side, interventions to support secondary schooling have included monetary incentives to attend school, such as scholarships and payment of school fees, or nonmonetary incentives such as school feeding. Yet fewer than half of the Bank projects that aimed to increase access (enrollment) in secondary education significantly achieved their outcome targets. While access to lower secondary school is no longer the main challenge in most settings, provision of upper secondary schooling, especially in rural and remote areas, remains a challenge. As more countries move toward compulsory upper secondary education, additional financial resources will be needed to expand enrollment in both general and technical upper secondary programs targeting underserved populations and areas.

The quality of education is also a serious issue in LAC. Approaches to improving quality have focused on teacher in-service training, the availability of learning resources, curriculum reform, and an extended school day. OVE's evaluation found that there is scant evidence that Bank investments in quality have resulted in higher student achievement, higher completion rates, or more effective teaching. Regarding the efficiency of the education system, despite high repetition at the secondary level, few resources were directed toward remedial programs or other innovations to reduce repetition and dropout or bridge equity gaps.

Weak institutional capacity is among the most frequently cited challenges to the development effectiveness of Bank-supported projects in secondary schooling. Though almost all Bank loans supported some form of institutional strengthening, it is unclear what impact this support has had, as many projects continue to suffer from poor project execution, and the monitoring and evaluation systems implemented as part of the projects have tended to be weak.

OVE made four recommendations: (i) to focus Bank support much more centrally on improving the quality of secondary education, including investing more resources in understanding the root causes of poor-quality secondary education and the determinants of student and teacher performance; (ii) to focus more centrally on upper secondary, especially among vulnerable and disadvantaged populations; (iii) to put more emphasis on innovation and strengthen the IDB's knowledge repository to learn from and disseminate lessons of experience in secondary education, including on flexible delivery models for disenfranchised populations, alternative delivery models for harder-to-reach populations, cost-effective use of technology, and relevance and effectiveness of vocational education and training approaches; and (iv) to produce project completion reports with a full evidence base, showing what results were produced and why. The Board has endorsed, and management is implementing, recommendations i, iii, and iv.

FIGURE 2.5
DISTRIBUTION OF IDB SECONDARY EDUCATION LOANS BY COMPONENT TOPIC
 (Non-exclusive)



SOURCE: OVE BACKGROUND WORK, REVIEW OF IDB SUPPORT TO SECONDARY EDUCATION: IMPROVING ACCESS, QUALITY AND INSTITUTIONS, 1995-2012.

CONCLUDING REMARKS

Strong and robust results in IDB rely on in-depth diagnostic work to understand country-specific contexts and challenges, strategic country-level programming around those challenges, and adequate internal incentives and organizational arrangements to address them effectively, track results, and share knowledge on what works. The evaluations undertaken by OVE in 2013-14 and summarized in this Annual Report point both to progress in many of these areas and to dimensions where IDB focus and effectiveness can be enhanced.

Many OVE evaluations discussed above—for example, those on citizen security and land regularization—emphasize the need for strong diagnostic work to understand country contexts and tailor interventions to them. It is important that economic and institutional constraints—whether to growth and poverty reduction more generally or to project design and implementation more specifically—be systematically analyzed and understood. They should then be taken into account in the design of Bank country strategies, public and private sector lending programs, and individual operations.

Many evaluations also focus on the need for effective programming as well as careful tracking of results and sharing of knowledge and experience. The secondary evaluation, for example, highlighted the need for greater focus and stronger learning from experience through enhanced project completion reporting. Several evaluations—including those of the MIF, secondary education, and several country programs—noted that the Bank could usefully strengthen its pro-poor focus, including through knowledge generation, consistent attention to poverty across sectors, and support for human capital investments and basic infrastructure in poorer areas. The Climate Change evaluation also highlighted the importance of effective mainstreaming and an institutional mechanism through which to do it.

Finally, beneath all the challenges lie the incentive structures that motivate Bank staff and managers. These are also analyzed in depth in several recent OVE evaluations, which highlight, among other challenges, high organizational silos that impede collaboration across sectors and among the various public and private sector windows of the Bank.

In sum, OVE's evaluation work emphasizes the importance of strategic focus and learning in all of the Bank's work, combined with closer collaboration across the Bank (including between the public and private sector windows), to help the Bank be as effective as possible in helping client countries. The Bank's activities must continue to be guided by client demand, focusing particularly where the Bank has the most to offer and the development payoff is the greatest. The IDB has a tremendous amount to offer to the LAC Region, and OVE's mission is to support IDB in achieving its goals.

ANNEX 1
SUMMARY OF OVE
RECOMMENDATIONS

No.	Evaluation	Recommendation description	Board endorsed
1	OVERVIEW: MID-TERM EVALUATION OF IDB-9 COMMITMENTS	Begin a process to update IDB's institutional and sector strategies and revisit the Corporate Results Framework with an eye to simplification, improved data accuracy, and full knowledge and ownership by Bank staff and other stakeholders.	Yes
2		Undertake further analysis and scenario testing of the Income Management Model and the Capital Adequacy rules.	Yes
3		Revisit the formal role and content of Country Strategies and Country Programming Documents to balance the need for strategic selectivity with the essentially demand-driven character of the Bank.	Yes
4		Restructure the private sector windows of the Bank to integrate them much better with each other and with the public sector side of the Bank.	Yes
5		Undertake further reforms to streamline resource allocation processes and results monitoring for technical cooperation and capacity-building work.	Yes
6		Complete the implementation of the Development Effectiveness Framework as envisioned in the Cancun Declaration and IDB-9.	Yes
7		Focus the Haiti program intensively on sustainable poverty reduction and economic growth, moderating short-term pressures for loan approvals and disbursements to take into account the country's absorptive capacity, and providing adequate space for critical yet smaller or slower-disbursing activities.	No
8		Redesign the MSA process.	Yes
9		Reform the MICI mechanism.	Yes
10		Revise the policy on information disclosure.	Yes
11	HOW IS IDB SERVING HIGHER-MIDDLE-INCOME COUNTRIES? BORROWERS' PERSPECTIVES	Revisit the formal role and content of Country Strategies and Country Programming Documents to balance the need for strategic selectivity with the essentially demand-driven character of the Bank.	Yes
12		With regard to lending instruments, review the experience with performance-driven lending in the IDB and peer institutions and consider introducing lending modalities in local currency as well as currency and interest rate swaps.	Yes
13		With regard to nonlending work, undertake further reforms to streamline resource allocation processes, allocate funds strategically, and strengthen results monitoring for technical cooperation and capacity-building work.	Yes
14		Restructure the private sector windows of the Bank to integrate them much better with each other and with the public sector side of the Bank.	Yes
15		Continue to explore options for engaging operationally with subnational entities in HMICs, whether through SG or NSG lending or through nonlending instruments.	Yes

No.	Evaluation	Recommendation description	Board endorsed
16	FIFTH INDEPENDENT EVALUATION OF SCF'S EXPANDED PROJECT SUPERVISION REPORT EXERCISE	Work with OVE to review and revise the system for project evaluation (in the context of broader ECG discussions also under way).	Yes
17		Enhance the screening and monitoring of development effectiveness.	Yes
18		Improve the quality of XPSRs' preparation.	Yes
19	EVALUABILITY REVIEW OF BANK PROJECTS 2012	Focus greater attention on ensuring proper problem diagnosis at the project design stage.	Yes
20		Revise the classification system for projects' evaluability.	Yes
21		Strengthen SPD's evaluability notes to better explain the DEM scores.	Yes
22		Increase integration between the documents produced during project design (POD, AOP, PEP, and Results Matrix) and the PMR, and provide adequate guidance and training to ensure their proper preparation by project teams.	Yes
23		Ensure that the information from the approved Results Matrix is entered in the system prior to implementation and any changes during implementation are tracked.	Yes
24	REVIEW OF IDB SUPPORT TO SECONDARY EDUCATION: IMPROVING ACCESS, QUALITY AND INSTITUTIONS 1995-2012	Focus Bank support much more centrally on improving the quality of secondary education, including investing more resources in understanding the root causes of poor-quality secondary education, determinants of student and teacher performance, and "what works" at the secondary level.	Yes
25		With regard to access, focus Bank support more centrally on upper secondary, especially among vulnerable and disadvantaged populations.	No
26		Put more emphasis on innovation and strengthen the knowledge repository to learn from and disseminate lessons of experience in secondary education, including on flexible delivery models for disenfranchised populations, alternative delivery models for harder-to-reach populations, cost-effective use of technology, and relevance and effectiveness of vocational education and training approaches.	Yes
27		Produce PCRs with a full evidence base, showing what results were produced and why. Strengthen the measurement of results at the project level by setting a manageable number of realistic targets and markedly enhancing the tracking of outcomes and impacts attributable to each project.	Yes

No.	Evaluation	Recommendation description	Board endorsed
28	COUNTRY PROGRAM EVALUATION: DOMINICAN REPUBLIC 2009-2013	Redefine the programmatic approach for sector support, so as to maintain a medium-term perspective but approving new loans only once all components of loans under execution have been substantially disbursed. The aim should be to ensure that there are no more than two active loans under a program at any one time.	No
29		Continue with the strengthening of public finances.	Yes
30		Promote a reactivation of the policy dialogue in the electricity sector, with the aim of promoting the reform agenda required as a complement to investment programs.	Yes
31		Approve nonsovereign guaranteed infrastructure loans in the country once the fiscal risks and implications have been analyzed jointly by the relevant units in VPC, VPS, and VPP, and discussed with the Ministry of Finance.	No
32	COUNTRY PROGRAM EVALUATION: PARAGUAY 2009-2013	Support the country to enable it to leverage its investments in infrastructure with the private sector and bilateral and multilateral actors.	Yes
33		Strategically use concessional instruments (technical cooperation, FSO) as a way to deepen the dialogue in those agendas that tend to be relegated because of the dynamics of programming in Paraguay.	Yes
34		Support the country in the effective use of FONACIDE, tapping into cofinancing opportunities.	Yes
35		Strengthen natural resource management capacity.	Yes
36		Use the experience of other countries with legislative ratification to mitigate the impact that such ratification has on the Bank's portfolio in Paraguay.	Yes
37	EVALUATION OF THE RESULTS OF THE REALIGNMENT	To enhance country focus, further strengthen the country program management function in country offices.	Yes
38		To enhance inter-VP coordination and country program coherence, strengthen the role of VPS and VPP in country strategy-setting and programming.	Yes
39		To enhance development effectiveness, strengthen mechanisms for quality control of Bank operational products.	Yes
40		To enhance efficiency, continue to strengthen budget processes and information systems to ensure full and accurate cost accounting.	Yes
41		To promote effectiveness and efficiency, fill a significantly higher share of management positions through transparent competitive processes. To this end, the Bank should consider requiring thorough 360° evaluations for candidates for management positions.	No

No.	Evaluation	Recommendation description	Board endorsed
42	IDB'S RESPONSE TO KEY CHALLENGES IN CITIZEN SECURITY, 1998-2012	Select and focus on a narrower range of interventions to facilitate the development of in-house expertise and enhance the Bank's capacity to show results.	Yes
43		Simplify project design, pace interventions, and enhance supervision to strengthen operational performance and implementation.	Yes
44		Develop a risk analysis tool and adopt new guidelines for risk mitigation to help reduce and mitigate risks.	Yes
45		Define a focused knowledge agenda to help build a stronger evidence base for project design and policymaking.	Yes
46		COUNTRY PROGRAM EVALUATION: BARBADOS 2010-2013	Continue to work with the Government of Barbados to find ways to improve project execution.
47	Strengthen the relevance and development effectiveness of the Bank's program in Barbados through a greater engagement with the private sector—in particular, making better use of MIF operations.		Yes
48	Recommendation for VPC in general: Revise the CS and CPD guidelines to reflect active areas of intervention in the portfolio, including recognition of the inherited and regional portfolios.		Yes
49	COUNTRY PROGRAM EVALUATION: CHILE 2011-2013	Frame the country strategy around realistic objectives that are within the Bank's capacity to achieve.	Yes
50		Explore instruments for engagement that are cost-effective over the long term for Chile as well as for other higher-middle-income countries that may not ask for a traditional program of financing for the public sector.	Yes
51		Ensure beneficiary execution of technical cooperation operations.	Yes
52		Continue to identify niche areas for private sector support where the Bank can add value and has the potential to play a catalytic role.	Yes
53		Develop an institutional approach to systematically capture and share knowledge generated through Bank engagement in Chile for the benefit of the Region.	Yes
54	CLIMATE CHANGE AND THE IDB: BUILDING RESILIENCE AND REDUCING EMISSIONS	Strengthen the mainstreaming of CC concerns in IDB by maintaining a highly qualified CC group whose mandate and incentives are to provide cutting-edge technical knowledge and support to divisions in all three operational Vice-Presidencies—VPS, VPC, and VPP.	Yes
55		Deepen IDB's engagement in policy dialogue and operational support to address climate adaptation challenges in relevant sectors.	Yes
56		Markedly strengthen the coordination between the Bank's public sector and private sector windows and scale up efforts to mobilize external resources to leverage the Bank's work.	Yes
57		Deepen the Bank's ability and incentive to track its activities and results related to CC mitigation and adaptation.	Yes

No.	Evaluation	Recommendation description	Board endorsed
58	COUNTRY PROGRAM EVALUATION: HONDURAS 2011-2014	Give priority to fiscal consolidation.	Yes
59		Design the country strategy based on the most critical development challenges, clearly defining the criteria for participation by the Bank's various sectors (including the Vice Presidency for Private Sector and Non-Sovereign Guaranteed Operations), and for the prioritization of projects, while ensuring consistency between the diagnostic assessment and the country strategy.	Yes
60		Strengthen the design of operations by (i) conducting more rigorous institutional assessments; (ii) performing more realistic analyses of governance and financial sustainability; and (iii) engaging fiduciary staff more intensively in the design of execution, disbursement, and procurement mechanisms and plans for investment projects.	Yes
61		Devote greater efforts to building management capacity (e.g., human resources, financial and budgetary management, procurement, etc.) in the institutions responsible for projects in execution (e.g. DEI, the Police, SEFIN, SESAL, SOPTRAVI, etc.), and consider making disbursements for future policy-based loan operations contingent on effective changes in the management capacity of key institutions and in the institutional framework of their respective sectors in order to improve their governance.	Yes
62		Include in future country strategies the sectors corresponding to each country's existing portfolio to facilitate their execution and the continuity of the relevant dialogue, as OVE has recommended in prior CPEs.	Yes
63	COUNTRY PROGRAM EVALUATION: JAMAICA 2009-2014	Ensure the continuity of CSs and better justify lending envelopes.	Yes
64		Focus policy-based lending on deepening public finance reforms.	Yes
65		Ensure appropriate sizing of new investment loans.	Yes
66		Strengthen monitoring and evaluation.	Yes
67	EVALUATION OF SPECIAL PROGRAMS FINANCED BY ORDINARY CAPITAL	In the context of the new capital adequacy policy and related financial planning, decide (beginning for FY2015) how much Ordinary Capital should be allocated for grant funding for Special Programs, clearly weighing the trade-offs.	No
68		Limit such funding to three purposes: (i) seed funding to support the introduction of new business areas; (ii) transnational work; and (iii) client activities needed for project preparation, implementation, and capacity-building.	No
69		Adjust the administrative budget as needed to fund Bank upstream work and other activities that are the Bank's responsibility and currently funded by OC Special Programs.	No

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