

DEO

Development
Effectiveness
Overview
2012



development that works

Are we making
sound investment
decisions?

No More
Traffic Jams



Keeping Heroes in Schools



Going Global?
We'll tell you how

ARE YOU
CREDIT WORTHY?

Big Lessons
from a Small Country

Messia



Message from the President



In 2010, The Bank's Governors gave us the mandate to become more effective in our efforts to reduce poverty and inequality in Latin America and the Caribbean, while helping the Region to achieve sustainable growth. This mandate was articulated in a set of principles and commitments approved during the Ninth General Increase in the Resources of the Bank (GCI-9), to be implemented in a four year period starting in 2012.

This year, our fourth annual Development Effectiveness Overview (DEO 2012) shows that the implementation of the IDB's Development Effectiveness Framework is yielding positive results. In 2012, we continued working to improve the way we measure, monitor, and evaluate the progress made to meet the development objectives of our Region.

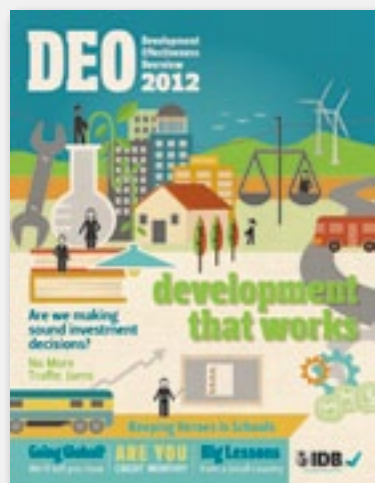
Following the GCI-9's vision, during 2012 our annual programming exercises achieved high alignment with the IDB's strategic focus, while maintaining the necessary flexibility to respond to a dynamic context. In 2012, we also continued to improve the evaluability of all our loans. Last year, we made significant progress in measuring the performance of our portfolio, allowing us to identify implementation challenges that will be at the center of our work in the years to come. Collectively, these measures ensure that the resources entrusted to us are used in ways that have a real impact on the lives of the people in Latin America and the Caribbean.

To illustrate how development effectiveness translates into path-breaking projects, the DEO 2012 features stories on a wide range of ongoing and completed Bank products. Our goal is to show the many ways in which we are determining what works in areas as varied as low-income healthcare in Mexico, a new subway line in Ecuador, violence prevention in El Salvador, or pre-school math education in Paraguay.

We hope you will take time to explore these fascinating projects and that you will join us on the journey of learning how to practice development in a way that changes lives and opens new horizons for people throughout Latin America and the Caribbean.

Luis Alberto Moreno
President
Washington, D.C., March 2013

DEO 2012 WHAT'S INSIDE



Welcome to the Development Effectiveness Overview 2012! This report will walk you through the exciting stories of IDB's achievements, lessons learned and challenges reaching Latin American and the Caribbean development goals.

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Want to join the conversation about Development that Works?

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#devthatworks

We want the lessons
we **LEARNED**
have
about development
that works to be
of use to ALL THOSE
combatting poverty
≧ Latin America
+ **the Caribbean**
and other parts
of the world

Development Effectiveness at the IDB

Making economic and social development happen is often a complex task because of a multitude of factors and their moving parts. It is very easy for any organization working in this field to lose sight of what matters most in the lives of the people it is trying to help.

This fourth annual edition of the Development Effectiveness Overview (DEO 2012) summarizes the IDB's efforts to stay focused on our mission to promote economic and social development in our 26 borrowing member countries in Latin America and the Caribbean. Most importantly, the DEO 2012 provides information about our degree of progress and the results we are achieving on the ground, as well as what needs to be improved or adapted to maximize the development impact of our limited resources.

This new edition brings important innovations. The most significant of which is that this is no longer a static publication: much of the information, data, and documents in this report can be downloaded by following the links or going to our website at www.iadb.org. In addition, the results of several projects discussed in the report can be viewed on a special mapping tool we developed last year called [MapAmericas](#).

In fact, this report represents a gateway to monitor our results and access the knowledge our projects are generating through rigorous impact evaluations about what development interventions work and do not work.

We have gone to great lengths to write this report in an accessible manner, so that the methods we are using and the results we are achieving can be understood by those with or without background in economics. This is important because the IDB wants to be transparent and accountable to everyone who cares about the work we do, particularly the millions of people who live in Latin America and the Caribbean.

In 2012, we prioritized our efforts to improve project implementation and create new Bank products to achieve tangible development goals. In this framework, the DEO 2012

shows a sample of what the IDB, in partnership with member countries, achieved during the year.

Given the sheer size of the IDB's portfolio and the diversity of its projects, we selected a sample of projects whose results were verifiable through impact assessments or other rigorous monitoring methods. To adequately present the breadth and scope of the IDB's work, we selected at least one project per borrowing member country in a wide range of sectors.

This report is divided into two sections that detail our efforts to improve our development effectiveness. The first section is about designing sound projects and the second part explains how we monitor and report on project results. These two sections are accompanied by a series of individual stories about projects that illustrate different aspects of our work. Some of these stories focus on innovative approaches being tested, while others focus on the results achieved and changes made to projects after an impact evaluation showed they had not produced the expected development outcome.

DEO 2012 was produced by the Office of Strategic Planning and Development Effectiveness, under the guidance and supervision of Carola Alvarez, Chief of the Strategy Development Division, and Tracy Betts, Chief of the Strategy Monitoring Division.

We invite readers to explore the DEO 2012 and would like to thank all IDB staff for their contributions to making this report possible. The report reflects a major effort on the part of the IDB to measure and share the results of our projects and make information about them more accessible. We want the lessons we have learned about **development that works** to be of use to all those combatting poverty in Latin America and the Caribbean and other parts of the world.

Koldo Echebarría
General Manager & Chief
Office of Strategic Planning and Development Effectiveness
Washington, D.C., March 2013



Making Projects Effective from the Start

Success rates of new businesses can be quite low—to cite just one example, for every 10 restaurants that open each year, only half will still be open five years later. Unfortunately, success rates of development projects may not be that different. No reliable statistics are available, but experts in the field will tell you that the success rate of these projects can be relatively low.

To boost our chances of success, the IDB has put in place a series of measures to help ensure that our investments produce tangible results in the lives of beneficiaries and address the most important development challenges facing our 26 borrowing members in Latin America and the Caribbean.

Achieving results begins with designing a sound development project, which is at the core of the IDB's work. Projects are a roadmap for the Bank's investments and technical assistance. They provide the context for a specific intervention, detail the actions we will support and imple-

ment in partnership with member countries, and outline the expected results.

To be considered sound, a project must focus on the most pressing development issues facing its beneficiaries and provide the expected results in a way that can be measured. Measurement is important to our work as a multilateral development organization because it gives us a tool to ensure we are achieving the expected impact with our limited resources and that we are transparent and accountable to all our stakeholders, ranging from governments to civil society organizations.

How Does the IDB Ensure that Projects Have the Right Focus?

The IDB rigorously prioritizes the sectors in which it works, taking into consideration the specific needs of each borrowing member country as well as global trends in development practices. One way we do that is by supporting projects whose results will help meet both the development and lending targets set by our member countries. These targets have been set forth in the Results Framework, which reflects the IDB's institutional priorities, allowing us to stay focused on the key development challenges of the region.

To be flexible to our clients' needs, the IDB also seeks to support projects that are in line with specific plans and strategies agreed upon between the Bank and its borrowing member countries. This collaborative process, which we refer to internally as "results-based country programming," ensures that our investments are focused on priority areas within multi-year country strategies, and that they will support specific interventions and yield results that comply with what was agreed upon.

The IDB's internal controls have allowed us to stay focused on what matters. In 2012, 83 percent of all projects reviewed by the IDB were aligned with both the lending targets and the corresponding country strategy, and the remaining 17 percent were aligned with one of the two, as shown in Figure B.

RESULTS-BASED COUNTRY STRATEGIES

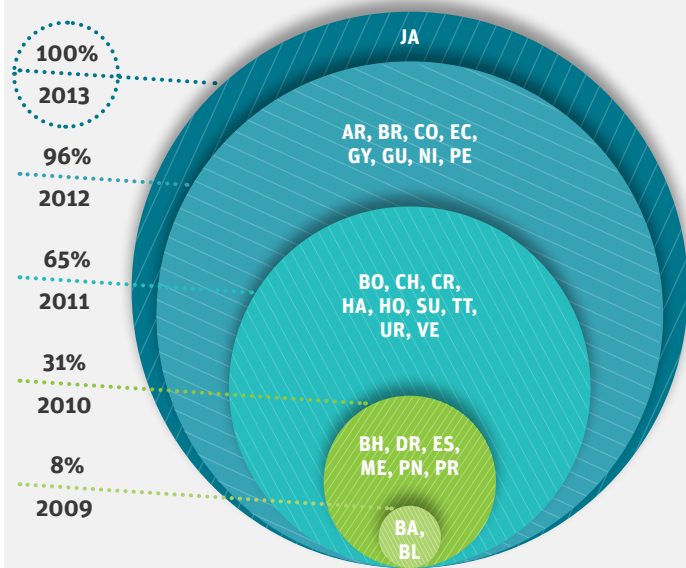


Figure A: Timeline for Full Implementation

Furthermore, 83 percent of the projects identified outputs that will contribute towards the achievement of at least one of the development indicators set in the Bank's Results Framework, as shown in Figure C.

ALIGNMENT BETWEEN COUNTRY STRATEGIES AND LENDING PROGRAM

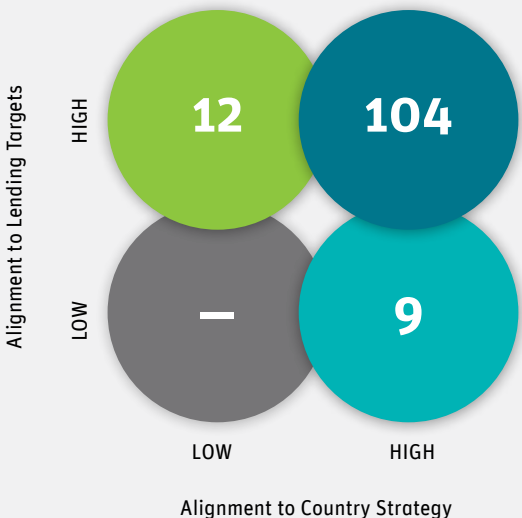


Figure B

ALIGNMENT BETWEEN COUNTRY STRATEGIES AND BANK'S OUTPUT CONTRIBUTIONS

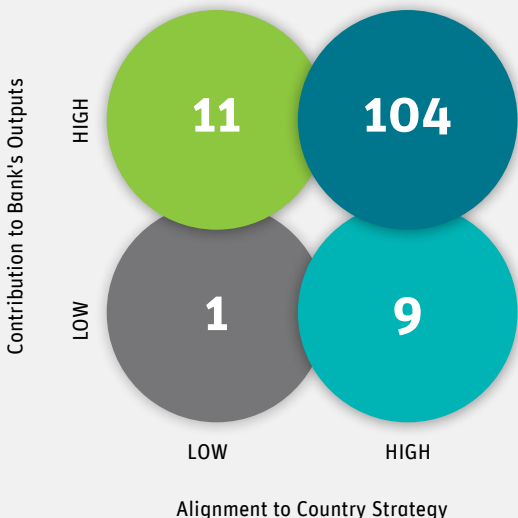


Figure C

A Good Roadmap Boosts the Chances of Success

Once the IDB and its member countries decide where efforts should be focused, we start the process of planning how to put the projects in motion. This starts with good project design, which can dramatically boost effectiveness because it provides detailed information on how to achieve the results based on sound empirical, theoretical, and economic studies. Moreover, it gives us the tools to monitor progress and measure results at completion.

To ensure we get off to a good start, the IDB has created a Development Effectiveness Matrix (DEM), a checklist that systematically scores how we plan to measure the results of every project we design. The DEM evaluates projects based on:

- the quality of the diagnosis of development problems and possible solutions;
- the results of economic feasibility studies to establish whether the project provides reliable methodologies to evaluate its development impact;
- provisions to properly monitor and ensure the project is well executed;
- whether the project identifies the risks and ways to address them.

Figure D shows improvements in IDB project scores for the four dimensions mentioned above since 2008, when the Development Effectiveness Matrix was first used. Scores range from 0 to 10.

Projects that adopt rigorous monitoring and evaluation methods receive higher DEM scores. This system has created a strong incentive for IDB staff to use cutting-edge evaluation methodologies to assess whether proposed interventions will contribute in a significant manner to achieve certain development outcomes.

In 2012, 38 percent of public sector projects at the preparation stage planned to use random assignment or quasi-experimental methodologies to evaluate their interventions, while 52 percent proposed ex-post economic analysis. Only 10 percent used the traditional approach of comparing the performance of selected indicators before and after a project's implementation.

PROJECTS WITH ECONOMIC EVALUATION BY TYPE OF METHODOLOGY

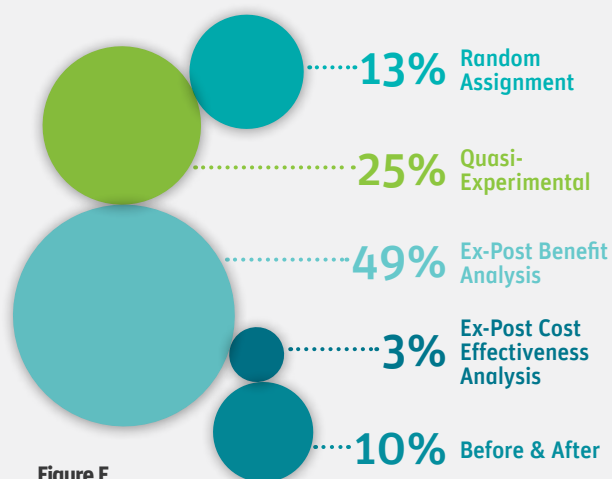


Figure E

By putting in place systems to closely monitor implementation and measure results, the IDB can find out early on if a project is not working and then make the necessary changes. In addition, the process produces important information about the effectiveness of development interventions, which can then be used by us or anyone else in the development field—ranging from governments to civil society organizations—to improve ongoing or future interventions.

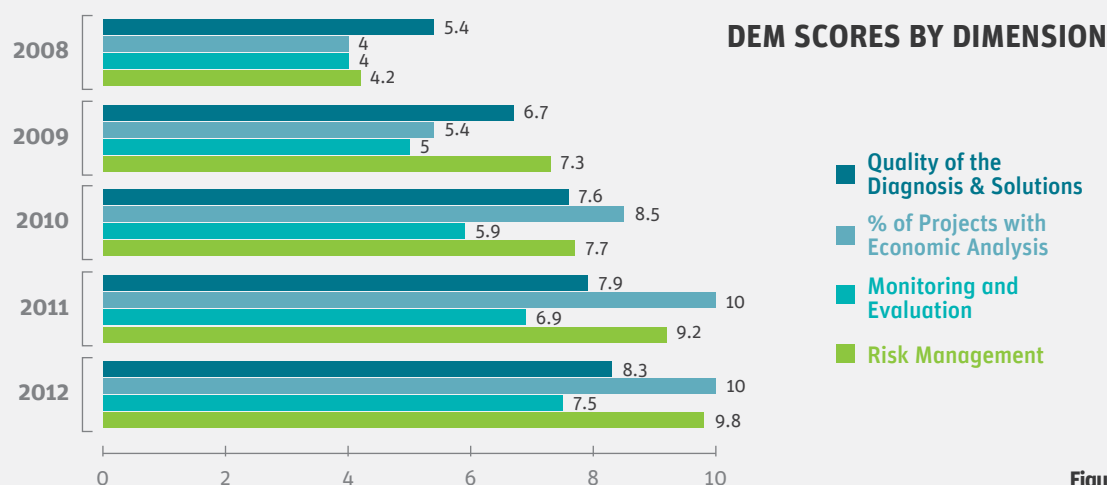
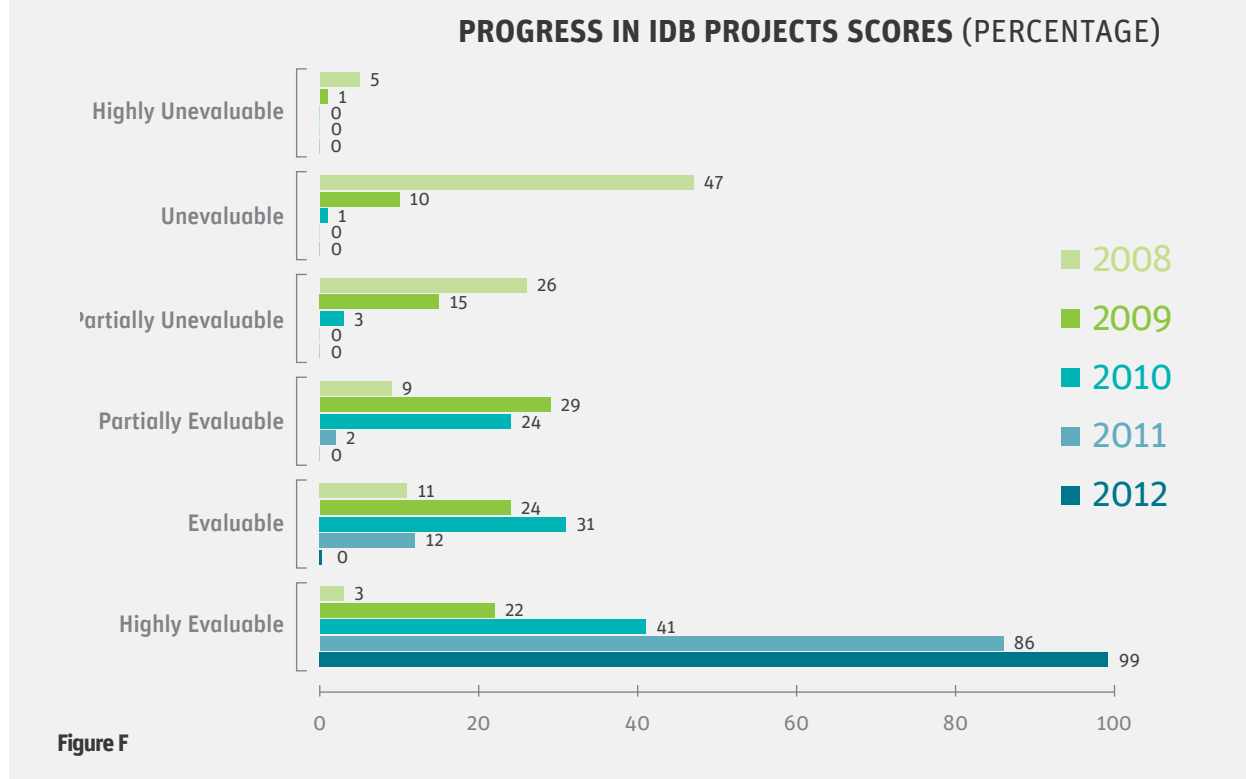


Figure D



To boost our chances of success, the IDB has put in place a series of measures to help ensure that our investments produce tangible results in the lives of beneficiaries.

What the IDB Designed in 2012

All projects must achieve a minimum DEM score before they are submitted to the IDB Board of Directors, which is responsible for approving and overseeing all our projects. A score above the minimum DEM threshold means the project rates highly evaluable or evaluable. In other words, it shows the extent to which they can be evaluated in a credible manner.

This system has prompted the entire institution to embrace the practice of measuring results, a process that begins at the project

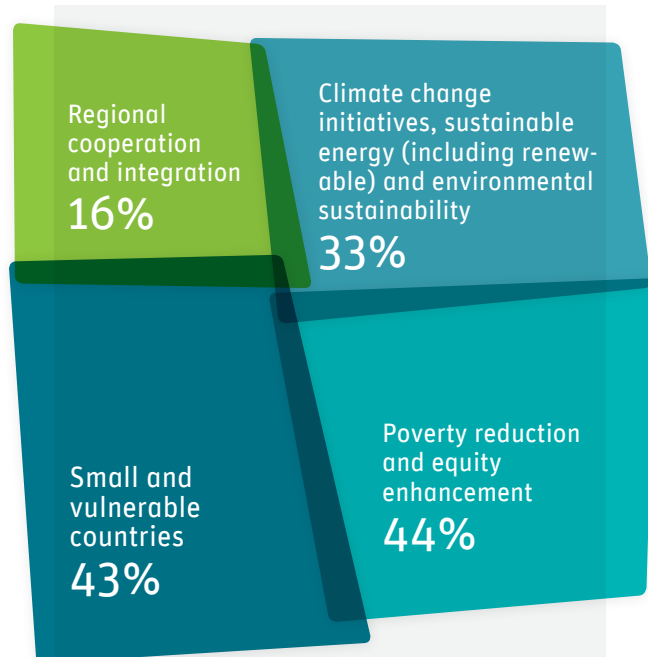
design stage. In 2012, 100 percent of the projects presented to the Board exceeded the required minimum DEM score.

Moreover, 80 percent of the IDB's sovereign guaranteed projects in 2012 met the minimum DEM score threshold before they went through the internal review process, a mandatory step before they can be submitted to the Board. This result underscores the consolidation of efforts that began in 2008, when only 43 percent of projects complied with the prerequisite.

The IDB's Public and Private Sector Operations in 2012

10

DEVELOPMENT THAT WORKS | DEO 2012



Note: Since projects can qualify for more than one lending category the reported percentages do not add to 100 percent.

Figure G: 2012 Lending Program by Institutional Priority

In recent years, the IDB has been adopting an increasingly integrated approach to its interventions given the greater complexity related to the region's development problems. This approach allows the Bank to take advantage of synergies and positive externalities generated by the work of multidisciplinary teams. As a result, lending volumes reported by specific division offer only a partial view on how the IDB is allocating its resources to help solve the region's main development issues. That means that Figures H and I only show the lending volume for the division that managed the project without taking into account its possible contributions to address other development issues under the responsibility of another Bank division.

Figure G contains a breakdown of IDB lending volumes by key development priorities, providing a full picture of the Bank's contributions.

In 2012, 22 operations, or 13% of the total approved, were the result of joint work between different divisions of the Bank, combining sectorial expertise to create better projects. That level of collaboration helps improve the overall quality and efficiency of the Bank's operational work.

Private Sector Operations

Besides directly supporting public sector projects, the IDB also promotes economic and social development by providing financing and technical assistance for a wide range of projects with the private sector, which include companies, financial institutions, and civil society organizations.

The Bank supports private sector projects through its Structure and Corporate Finance Department (SCF), in charge of large-scale projects, and Opportunities for the Majority (OMJ), which invests in business models that can be scaled up and benefit the base of the pyramid in the region. The Inter-American Investment Corporation and the Multilateral Investment Fund, institutions affiliated with the IDB, complement the Bank's products and services to the private sector by focusing their operations on supporting the development of micro, small, and medium-sized enterprises.

In 2012, the IDB approved 45 private sector projects for a total of \$1.5 billion. Figure H provides a breakdown of the projects by respective IDB divisions.

Projects Approved: **45**
Amount in US billions: **\$1.5**

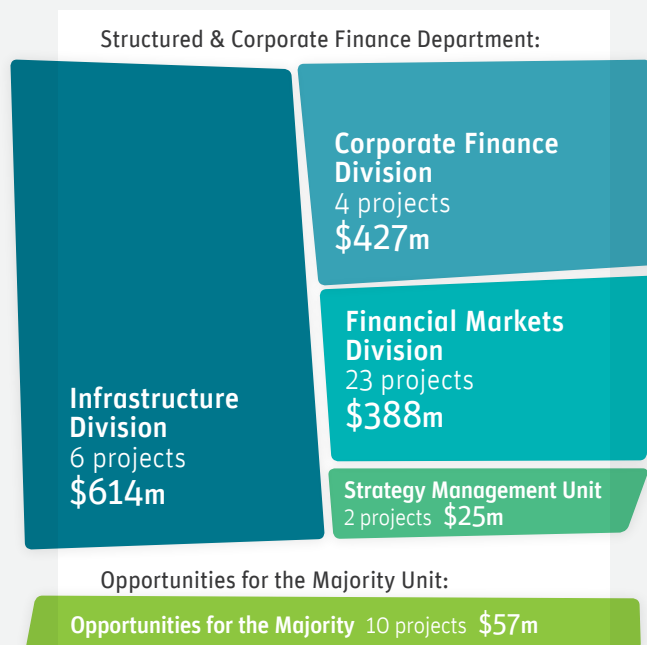


Figure H: Private Sector Projects Approved by the IDB 2012, by IDB Division (in US\$ millions)

Public Sector Operations

In 2012, the IDB approved 124 public sector projects totaling \$9.9 billion. Out of that total, investments projects accounted for \$7.6 billion as shown in Figure I. Fiscal and Municipal Management, Water and Sanitation, Transportation, Social Protection and Health divisions accounted for half of the total investment projects approved. The Bank also approved policy-based projects that support government's budgets under the con-

dition they adopt certain policies or carry out specific reforms. Eighteen policy-based loans were approved in 2012, with the Institutions for Development Sector accounting for \$1.7 billion, the Infrastructure and Environment Sector for \$450 million, and the Social Sector for \$175 million.

Projects Approved: **124**
Amount in US billions: **\$9.9**

Investments Projects: **106**
Amount in US billions: **\$7.7**

Policy-Based Projects: **18**
Amount in US billions: **\$2.3**

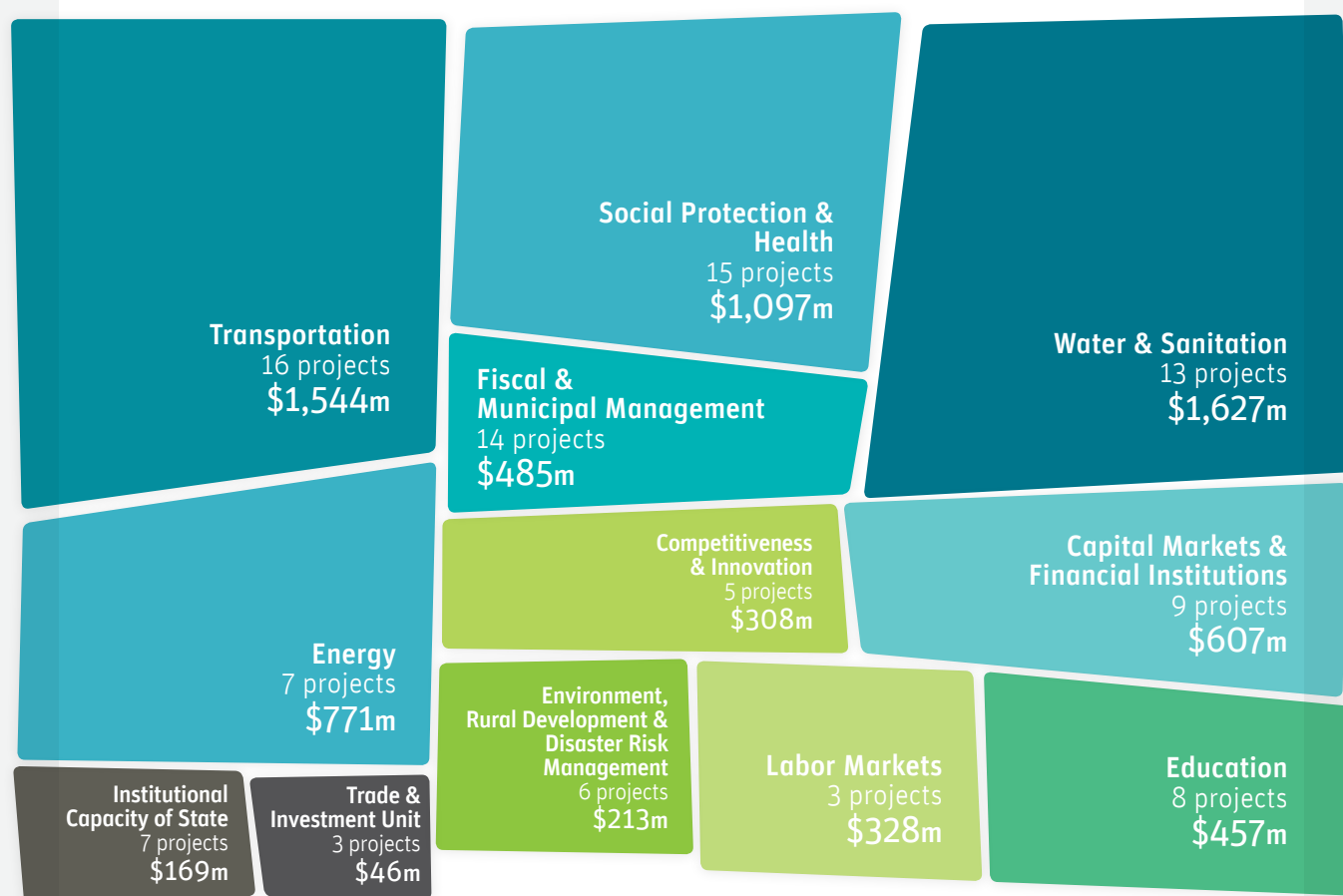


Figure I: Public Sector Investments Projects Approved by the IDB 2012, by Division (in US\$ millions)

Development Effectiveness Matrix for Private Sector Projects

The IDB has developed a Development Effectiveness Matrix to ensure that its operations with the private sector have a high development impact with measurable results. The DEM allows the Bank to evaluate the design quality of private sector projects systematically from eligibility to execution and repayment. The matrix enables us to determine if a given private sector project is addressing the country's and the region's most important development challenges, while at the same time ensuring the project is economically and financially feasible.

The DEM also ensures the IDB supports private sector projects where we can bring value-added, or "additionality." This means that the IDB focuses on projects where commercial financial

institutions and private financiers are unable to provide the types of financial resources and expertise the Bank offers.

All projects reached the required minimum threshold in 2012, with an average score of 8.44 out of a possible 10. Of the total projects approved last year, 22 carried out economic and financial studies, and the rest conducted financial assessments of clients and identified the correspondent development indicators that would benefit from the project.

In response to recommendations made by the Office of Evaluation and Oversight (OVE), which reports directly to the Board of Directors, the IDB has streamlined the DEM for private sector operations to decrease the number of scored areas and sharpen the focus on

fewer but key development results.

Furthermore, following the standards of its public sector operations, the IDB has developed a checklist to provide better assessments.

Also in 2012, the Bank began designing rigorous impact evaluations for two projects being supported by Opportunities for the Majority (OMJ). These evaluations will examine the development impact of business models that seek to expand affordable high-quality primary and secondary education in Peru and provide financing for basic community infrastructure and home improvements in Nicaragua. The studies will be completed in three years, when project results will be available.

Stories of Projects WE Approved in 2012

In the following pages, you will find six articles about projects we approved in 2012—selected randomly and representing five percent of the total public and private projects approved—that provide information about different approaches to solve development challenges in key sectors such as health, transportation and public safety.

Providing Affordable Preventive Care for Millions



Team Leader:

Peter Stevenson / peters@iadb.org

One of the biggest challenges for public health systems in Latin America and the Caribbean is the rise of chronic and non-communicable diseases such as diabetes and cancer. Overwhelmed by growing demand, public primary care units and hospitals are unable to provide timely diagnostic services such as blood tests and mammograms that would allow low-income patients to identify and treat their conditions.

The result is that it has become commonplace for these patients to seek medical care at emergency rooms in public hospitals after their condition has become life-threatening and expensive to treat. With support from the IDB, *Salud Digna Para Todos* (Health with Dignity for All), a Mexican non-profit organization, is showing how to break this vicious cycle by providing preventive care at affordable prices.

Founded in 2003, *Salud Digna* provides diagnostic services that are accessible to low-income Mexicans, enabling patients to seek early treatment, improve their chances of survival, and avoid costly medical interventions that could strain their

The *Salud Digna* clinics treat patients looking for a variety of medical services, from optical exams to laboratory tests and ultrasounds.

personal finances as well as those of the public health system.

The organization offers laboratory tests, diagnostic tests, radiology screening, and optical exams. It charges only about a third of what other Mexican providers charge. According to a Harvard Business School [case study](#), *Salud Digna* can apply such a small margin over the services provided in part because it has established partnerships with suppliers to get discounts on the prices of materials and equipment.

The organization has developed a sophisticated scheduling system that enables it to see patients with shorter waiting times than those at social security or public healthcare facilities. It has also adopted a cross-selling strategy



by offering patients health packages. This allows *Salud Digna* to provide services cheaply while also improving the quality of services for patients. For example, one of the most popular packages designed for women includes bone densitometry, mammograms, breast ultrasounds, and pap smear tests.

Today, *Salud Digna* operates 17 diagnostic clinics in five states in Mexico and receives diagnostic referrals from the social security and public healthcare systems. In 2011, more than 1 million Mexicans directly benefited from more than 2 million diagnostic services provided at *Salud Digna* clinics.

The IDB loan will help finance the opening of 38 new diagnostic clinics over the next five years, tripling the organization's current network. In addition, technical assistance provided to *Salud Digna* through the Korean Fund for Poverty Reduction will enable it to better assess demand, target the location of its new clinics, and adopt measures to improve service delivery and cost-effectiveness as it scales up its operations.

The IDB-financed project is expected to benefit an average of 2.5 million patients a year by helping *Salud Digna* provide affordable and timely health diagnostic studies. Many of those beneficiaries may otherwise have ended up in an emergency room when it was too late to prevent or treat their illness.

THE RISE OF NONCOMMUNICABLE DISEASES IN MEXICO

80%
of total
deaths

Non-communicable diseases

43%
of total
deaths

Heart disease, diabetes, & cancer

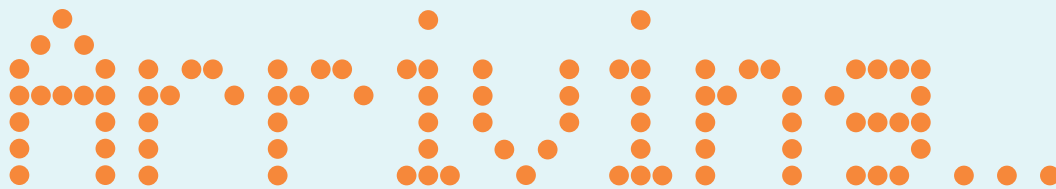
84%
people with
diabetes will remain
undiagnosed

**Mexicans
under 65**

**Breast
cancer**

#1
cause of death
from cancer for
Mexican women

5-10%
of all breast cancer
cases are detected
at early stages



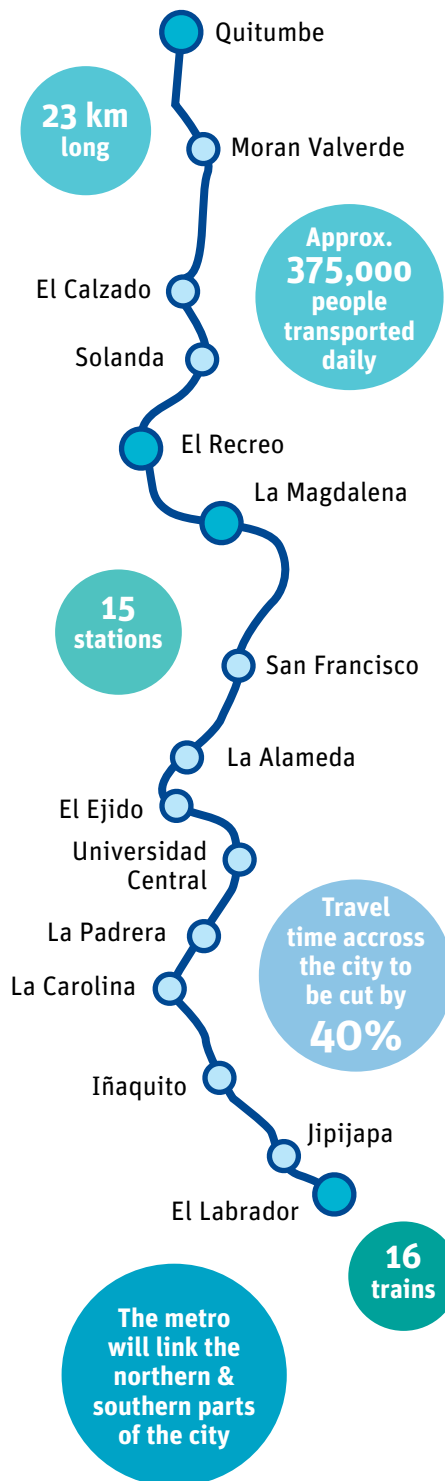
QUITO'S METRO LINE IN THE ANDES

Quito, Ecuador's capital of Quito is nestled in a narrow 40 kilometer-long valley 2,800 meters above sea level that was described by geographer and naturalist Alexander Von Humboldt as "the avenue of the Volcanoes."

The Andean valley includes a historic core, with baroque churches declared world cultural heritage sites by UNESCO. But Quito has grown rapidly in recent years and today has a population of more than 2.4 million, so the valley is also home to urban sprawl in the northern and southern parts of the city that are connected by a road tunnel that cannot be enlarged because of physical and geographical limitations.

To address Quito's transportation problem, the government has undertaken a project to build a subway system, with support from the IDB. The first line of the Quito Metro will be 23 kilometers long, linking the northern and southern parts of the city. The 15 stations will connect the busiest areas and allow passengers to transfer to other modes of transportation, such as buses.

Expected to be completed by 2017, the metro will improve the quality of life of the city's inhabitants by shortening travel times, improving connectivity and access, and reducing emissions of



Team Leader:

Rafael Acevedo / rafaelac@iadb.org

toxic pollutants and greenhouse gases. Quiteños make 4.2 million trips a day, more than 70 percent of which are on public transportation. The metro is expected to cut the average travel time required to cross the city by 40 percent—from the current average of 39 minutes to 23 minutes, giving the average working person an additional 2.5 hours per week for family, work, study or leisure.

In addition, feasibility studies show that the subway will generate \$68 million annually in operating cost savings for the public transport system and reduce greenhouse emissions by 1.4 million metric tons of carbon a year. The overall cost-benefit analysis estimates socioeconomic benefits at \$800 million, as measured in 2012 U.S. dollars.

The project posed significant technical and financial challenges which had to be addressed because the city is located in a region with high seismic activity. But according to an ongoing Harvard study, it also constitutes a unique opportunity for urban renewal. In addition to the transport benefits of the system itself, the metro stations are likely to promote improvements of surrounding areas—a process of revitalizing the "avenue of the volcanoes" that would likely have pleased Von Humboldt and will make life better in Quito for generations to come.

Over the past two decades, several Latin American and Caribbean countries have transferred cash to poor families in exchange for meeting certain conditions, such as sending their children to school and visiting doctors regularly. These conditional cash transfers have improved the lives of millions of poor families. Today they are recognized as an effective tool to combat poverty and are used throughout the developing world.

However, governments are looking for new ways to use the transfers to support poor families. For example, how can these programs help adults find stable and well-paying jobs?

Jamaica is looking to answer this question by testing an on-the-job training initiative specifically targeted to families that participate in its conditional cash transfer program. The pilot project, which is financed by the IDB, will subsidize up to three months of training in private firms for 1,500 beneficiaries and then track their ability to find suitable employment. The project also includes job and literacy training,

entrepreneurship programs, and job search workshops.

The pilot program is part of an ongoing project in Jamaica to improve the overall framework of its labor market policies. In particular, the IDB is working with Jamaica to enhance its electronic labor exchange and create new partnerships with business associations to better match job seekers with potential employers.

As reported by different IDB studies, on-the-job training has been quite effective in Latin America both in terms of creating new employment opportunities and increasing wages. In the longest-running training programs in the region, as many as 70 percent of participants have found jobs. Such results are in line with independent impact evaluations from a range of on-the-job training and classroom-plus-internship training models in several parts of the world that report job placement rates from 50 to 70 percent. In Latin America and the Caribbean, job training programs have been most successful when they target high-growth sectors, are concentrated on urban areas, and use a national marketing



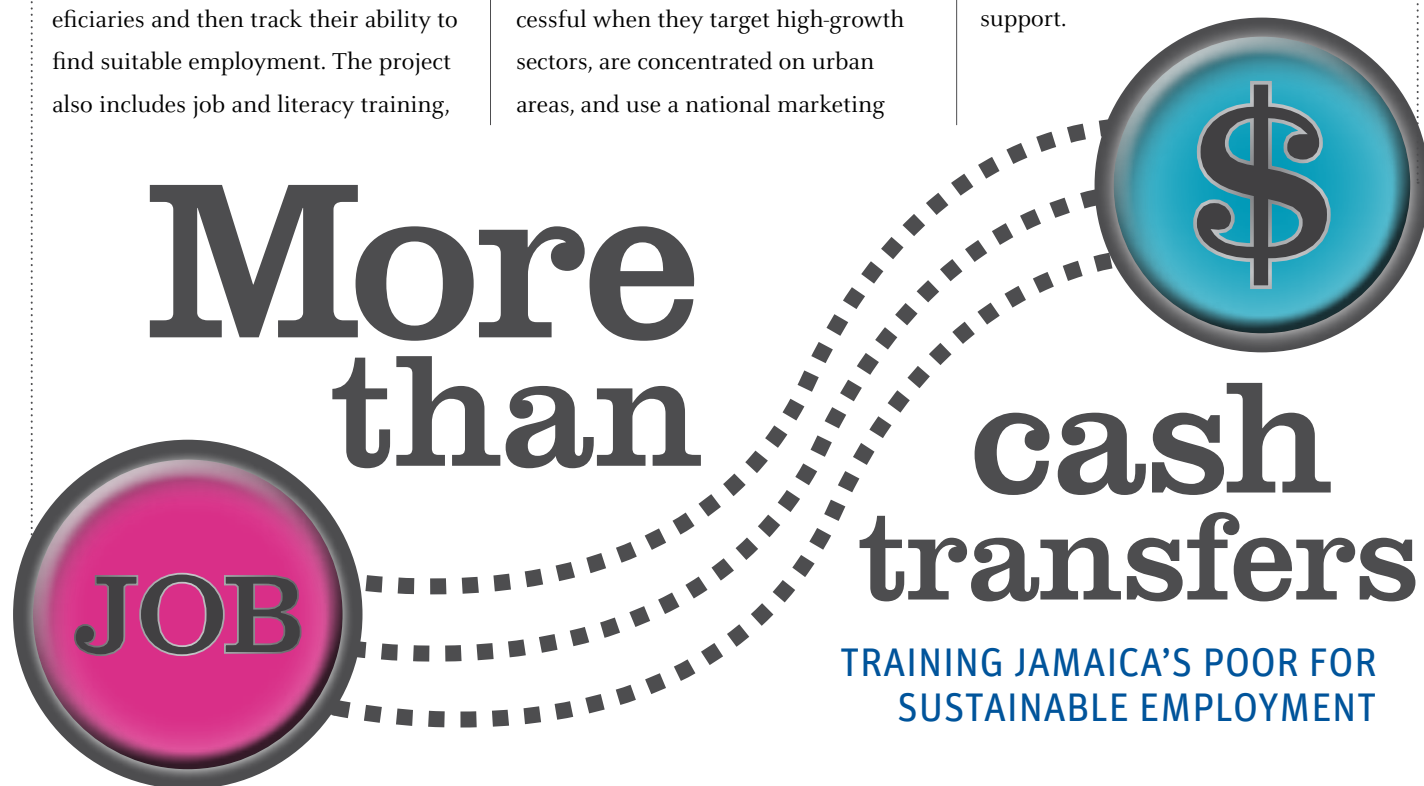
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program to make firms aware of the training received by beneficiaries.

The proposed pilot will draw on these successful experiences and include an impact evaluation to measure employment and employability outcomes relative to those who do not benefit from the program. Results from the pilot could well provide a path into the job market for millions of people in the future who currently have few options except to rely on government support.





There are approximately 34 million businesses in Latin America and the Caribbean, most of them small, informal, and with limited access to credit. Since they are unable to provide collateral, a reliable financial history, or accounting information, these businesses cannot meet the financial information requirements of commercial banks to obtain loans to improve and expand their operations. The result is that they are stuck in a vicious cycle of underdevelopment, which in turn undermines economic growth and job creation.

To try to reverse this situation, the IDB in 2012 approved a pioneering facility to support adoption of an alternative credit scoring methodology that could be a game-changer for these businesses, often referred to as the region's "missing middle." The methodology, which is called psychometric testing, is a tool that has been successfully used by human resources departments for pre-employment screening

for several years. More recently it has been adapted to help financial intermediaries assess the creditworthiness of potential borrowers.

Developed by Harvard's Entrepreneurial Finance Lab Research Initiative, psychometric testing for credit assessment is automated, costs little, and has already been implemented by financial institutions in 11 countries in Africa and two in Latin America. Potential borrowers have to answer a list of 150 questions measuring their intelligence, business skills, personality, ethics, character, and beliefs. This information generates a score that allows financial institutions to assess the potential borrowers' willingness to pay back a loan.

Results from pilot projects of psychometric testing compared the scores of tested entrepreneurs and their actual business performance and repayment history. It found that the test is good predictor of creditworthiness and a cost-effective way for financial inter-

mediaries to reduce the costs of their credit assessment operations.

Simulated implementation of the testing by banks suggests a 20 to 45 percent reduction in defaults and a 15 to 30 percent increase in profits, with operational costs of the lending process at less than 40 percent of the cost of traditional evaluation and due diligence. Overall, the test exceeded the predictive power of traditional credit-scoring models in developing countries.

The IDB facility will allow as many as eight financial institutions to pilot psychometric testing in the region. Results from the initiative will help the region close its estimated financing gap of between \$330 billion to \$410 billion for small and medium-sized companies—a game-changer for businesses that could be a major resource for growth in Latin America and the Caribbean.

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**NOW**

For hundreds of years Rio Guaire has been the city's natural drainage system

Only 20% of the sewage is intercepted

2015

The river is a major sanitary & environmental challenge

Collected wastewater will be discharged outside of the city

Water treatment plants will be built

90% of the sewage will be intercepted

Cleaning up

CARACAS' RIO GUAIRE

Since its founding in 1567 as Santiago de Leon de Caracas, the capital city of Venezuela has been expanding in an east-west direction across a valley divided by the Rio Guaire, making the river its natural drainage system. Unfortunately, as the population of the metropolitan area increased over the centuries to its current 4.2 million inhabitants, the Guaire has been the main repository for disposing untreated wastewater and toxic substances.

Today the river represents a major sanitary and environmental challenge for Caracas because only 12 percent of the city's wastewater is currently treated. However, with support from the IDB, Caracas is working to clean up the Guaire by investing in sanitation infrastructure.

The clean-up is being implemented in stages. The sub-basins at the head of the catchment area in the western part of the city, home to the most vulnerable population, will be the first to benefit from the project because they have the least water and sanitation infrastructure and contribute the largest amount of untreated sewage.

The IDB is supporting works in 12 sub-basins of the Guaire River that will collect, channel, separate, and dispose of sewage. It is also supporting socio-environmental initiatives to prevent and reduce the vulnerability of surrounding communities to flooding and landslides, as well as improvements in water quality management in communities.

Caracas plans to build water treatment plants starting in 2015 once the sewerage systems and related infrastructure are in place. Meanwhile, wastewater collected by the sanitation infrastructure upgraded by the project will be discharged outside the Caracas metropolitan area. The project-financed works will increase the interception of sewage to 90 percent from its current 20 percent in the 12 beneficiary sub-basins. It's an important step forward toward cleaning up Caracas's historic Guaire River for generations to come.

Team Leaders:

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CRIME AND VIOLENCE IS A TOP concern for El Salvador, where a third of the population reports having been victim of a crime in the past year. Studies show that more than \$1 of every \$10 generated by the Salvadoran economy is absorbed by the cost of fighting crime.

El Salvador is taking innovative steps to address its crime problem. Through a joint effort by the central government, the municipalities of the San Salvador metropolitan area, and the IDB, the country is implementing a new social youth violence prevention project that includes work training, institutional strengthening, and prisoner rehabilitation programs.

The project combines multidisciplinary actions to prevent youth violence that will be coordinated across the various levels of government. Three of the 14 municipalities in the San Salvador metropolitan area will participate in the project by putting together and implementing crime prevention plans.

The project seeks to generate more opportunities for the nearly one in four Salvadoran youths between the ages of 15 and 24 who do not work or study. Some 10,000 young people will benefit from community programs that include sports, art, and training to prevent domestic violence and other types of conflict. For the prison population, the program focus is on helping those

between the ages of 18 and 35 prepare and find opportunities to reenter society.

The program will also finance a new crime information system and upgrade public plazas and parks.

Taken together, the integrated actions that comprise the program offer alternatives to crime, improve community environments as way to help prevent crime, and open up opportunities for rehabilitation. The projected reductions in crime and violence rates—even under very conservative assumptions—could generate a benefit of \$2.5 dollars for every \$1 invested.

Team Leader:

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ACTION PLAN TO PREVENT YOUTH VIOLENCE IN EL SALVADOR

a key step To ensure results

Economic Analysis:

As part of the IDB's ongoing efforts to ensure that its investments achieve their intended development results, over the past four years the Bank has included an economic analysis of every project it finances.

All projects approved by the IDB since 2008 have included feasibility studies and an analysis of the potential impact on development and social welfare—a pioneering initiative among multilateral development organizations. These studies are available to the public at the projects section on the Bank's [website](#).

Of the 124 projects approved by the Bank in 2012, 83 percent included a cost-benefit analysis, a methodology that allows us to compare the economic costs and benefits of a project in a wide range of sectors, including infrastructure, productive sectors, and modernization of public institutions. This methodology also enables us to determine whether we are making sound investment decisions, since it can estimate if the expected development benefits will outweigh the costs.

The remaining 17 percent of the projects approved last year used a cost-effectiveness analysis, a technique that compares the costs of different types of interventions that can produce the same development outcome. In this case, the best alternative is the one that has the lowest cost per outcome. Most of the IDB projects that applied this methodology were in the social sector. Cost-effectiveness analysis is often used for projects in which monetizing potential benefits may not be appropriate, such as in the case of health interventions where benefits are usually measured in terms of lives saved or diseases prevented.

Given the significantly greater use of cost-benefit analysis to determine project economic viability, a snapshot of the use of this technique is presented for 2012.

2012 SNAPSHOT

Cost-Benefit Analysis:

When applying the cost-benefit methodology, we use rigorous methods so we can more accurately measure both direct and indirect costs and benefits. For example, the analysis seeks to quantify the effects for project participants and nonparticipants as well as the externalities derived from the project.

The cost calculation takes into account investment costs as well as resources for operations and maintenance during the life of the project. On the benefit side, the calculations vary across sectors and areas. The following sections provide a brief summary of the main types of interventions approved in 2012 using cost-benefit analysis and the expected benefits that were taken into account in our feasibility calculations.

A. Infrastructure

Transportation: Most of the IDB's interventions in this sector involved road construction, rehabilitation, and maintenance, and the revamping of urban transit systems. The economic benefits quantified for these investments included savings in travel time and reductions in vehicle operation and maintenance costs.

Water: IDB projects were aimed at providing potable water to new users, improving water quality and the delivery of potable water, and implementing measures to boost the efficiency of utility companies. The economic benefits quantified for these investments included beneficiary time and cost savings stemming from having clean water delivered near or directly to households; increases in potable water consumption; and financial savings resulting from efficiencies in water production.

Sanitation: These interventions focused on the construction of wastewater

systems in rural and urban areas; construction, expansion, and improvements of sewage treatment plants; installation of household sewer connections; and cleanup and restoration of rivers, lakes, and other bodies of water. The economic benefits quantified for these investments were the beneficiaries' willingness to pay for sanitation services and improvements in environmental quality.

Solid Waste: These investments covered collection, transport, recycling, and disposal of solid waste. The benefits were calculated based on the communities' willingness to pay for enhanced collection services and improvements in environmental quality.

Energy: The Bank's projects focused on providing electricity to rural areas, increasing the capacity and efficiency of energy generation and transmission, and promoting energy conservation practices. For the provision of electric-

ity to rural households, the economic benefits quantified included monetary savings from not having to purchase batteries, candles, and other sources of energy to light homes, as well as increases in electricity consumption. For transmission and generation projects, the economic benefits quantified included increases in energy consumption; financial savings due to fewer interruptions in electricity supply; enhanced energy conservation measures; reduction in operation and maintenance costs due to system improvements and modernization; and a decrease in greenhouse gas emissions.



B. Modernization of the State



Management of Public Expenditures: These interventions involved measures at the institutional and policy level to boost the efficiency and effectiveness of public spending, increase public revenue, and control debt at the municipal, state, and national levels.

The benefits quantified in these projects included financial savings stemming from gains in efficiency as well as increases in tax revenue. Cost-benefit analysis in this area is closer to a financial analysis than an economic one.

Citizen Security: These projects aimed to prevent and reduce the incidence of violence. Benefits were measured in terms of resource savings, namely cost reductions in the penal and judicial systems; savings in health costs resulting from reductions in violent incidents; decreases in security service costs; reductions in property losses; and decreases in the costs associated with violence-induced disabilities.

Strengthening State Institutions: The Bank's projects supported the reorganization of processes and information systems of ministries of the economy and finance, as well as state institutions in charge of legal and public pension systems. The economic benefits quantified included expected public financial savings resulting from greater efficiency and streamlined processes.

C. Productivity

Agricultural Development: IDB projects sought to increase agricultural productivity in an environmentally sustainable way. The economic benefits quantified for these interventions included higher crop yields, lower production costs, and reduced post-harvest losses.

Financial Services: Most of the Bank's projects sought to expand access to financial services, especially to savings accounts and credit for micro-entrepreneurs, homebuyers, and low-carbon forest farmers. The economic benefits quantified included

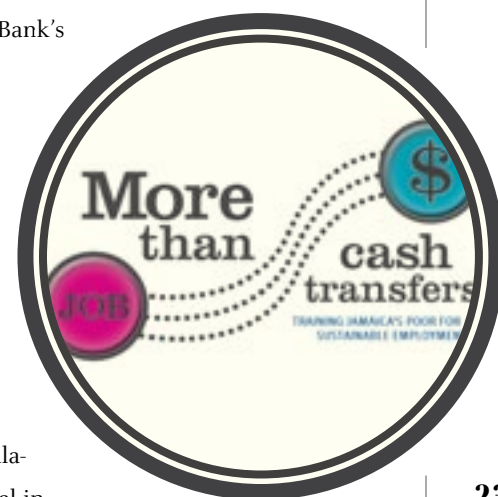
increases in sales due to greater access to credit, and increases in savings due to greater access to financial services.

D. Social Services

The information presented here only corresponds to the projects that applied a cost-benefit analysis approach.

Education: The IDB's investments focused on improving access to and the quality and management of education from the pre-school to the post-secondary level. The economic benefits of these interventions were quantified estimating the income differential in lifelong earnings with and without the project resulting from more years of schooling; better quality of education, or education that is more relevant to the demands of the labor market; and financial savings stemming from increased efficiency.

Social Protection: The Bank's social protection interventions centered on improving and expanding cash transfer programs and health care services, particularly for very young children. The economic benefits used in the cost-benefit calculation were the differential in lifelong earnings of children and youth in scenarios with and without the project. The main assumption adopted for these studies was that future labor market performance and earnings of participants would be positively influenced by increased schooling and better cognitive skills resulting from the proposed intervention.



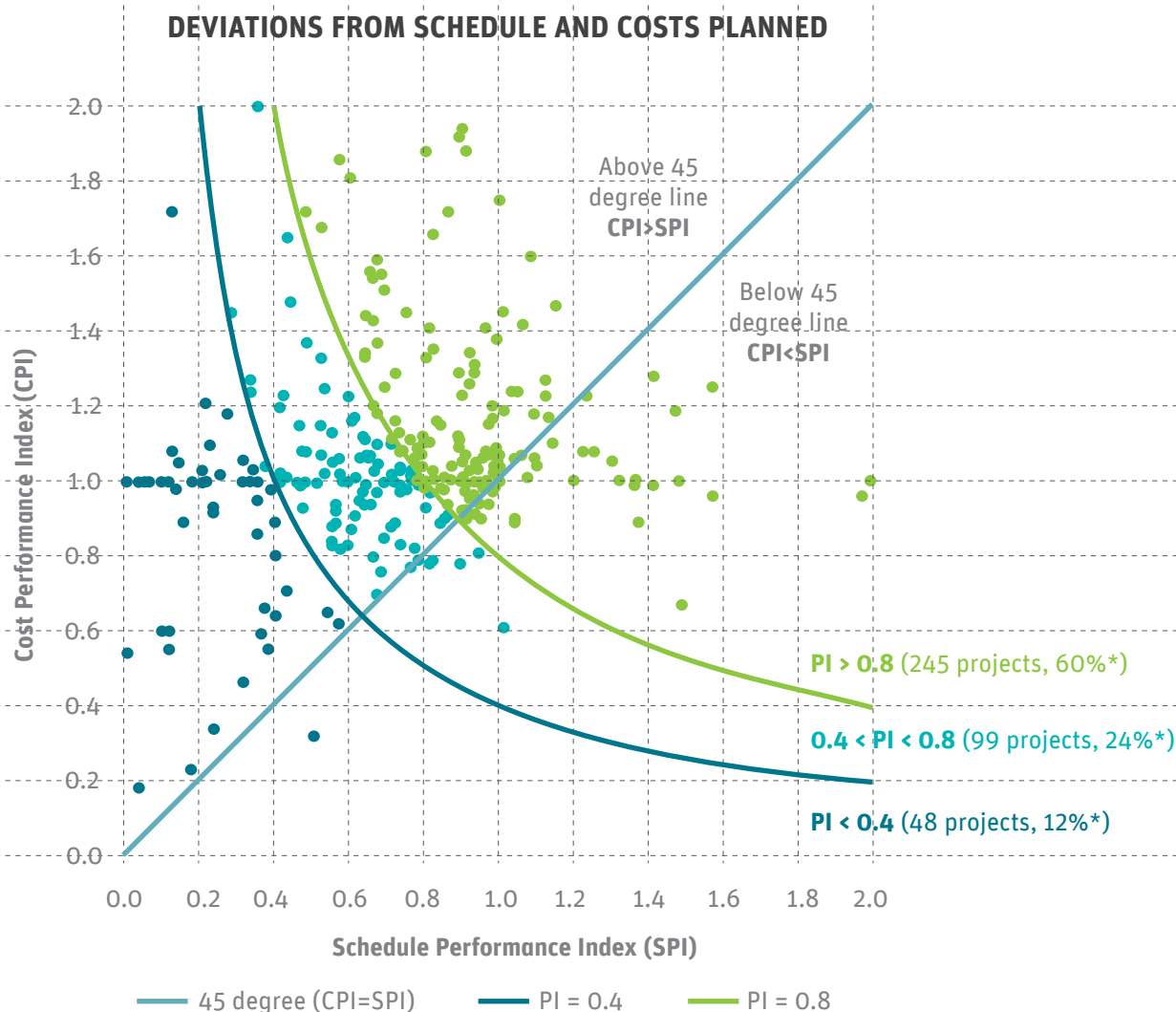
Monitoring & Measuring Our Results

Over the past years, the IDB has made significant improvements in the way we monitor the implementation of projects, and we are currently working on enhancing reporting about results generated on the ground. These initiatives are part of our evolving agenda to boost the Bank's development effectiveness in Latin America and the Caribbean.

A Project Monitoring System that allows the Bank to ensure that project outputs are on schedule and that costs stay within budget has now been in full implementation for two years. The system enables the Bank to collect key information about projects systematically twice a year in a way that is easy to visualize, so “red flags” can be detected and management can act upon them more quickly.

Under the system, projects can be rated as “satisfactory,” “alert,” or “problem” based on indices showing their deviations from the planned schedule and costs. In 2012, 60 percent of the IDB's public sector projects were rated satisfactory in their implementation, with projects usually showing smaller deviations for costs than for schedule. In order to improve performance—and in particular to increase the number of

Figure J



* There are 19 projects (4%) that were classified as PI not valid because PI, SPI, or CPI is larger than 2 or has missing data.

project outputs delivered on schedule—the Bank is working closely with executing agencies from borrowing member countries to improve planning and implementation capacity.

Another important measure of performance during project implementation is the flow of disbursements, since IDB resources are disbursed after certain activities and procurement processes are completed. In this case, implementation is monitored by comparing a project's disbursement flow with historical disbursement flows for the country benefiting from the project. This methodology allows the IDB to track key project milestones

while taking into consideration how countries have implemented other Bank projects in the past. In 2012, 77 percent of projects being implemented had disbursement levels either in line or above historical country levels, while the remaining 23 percent were below those levels.

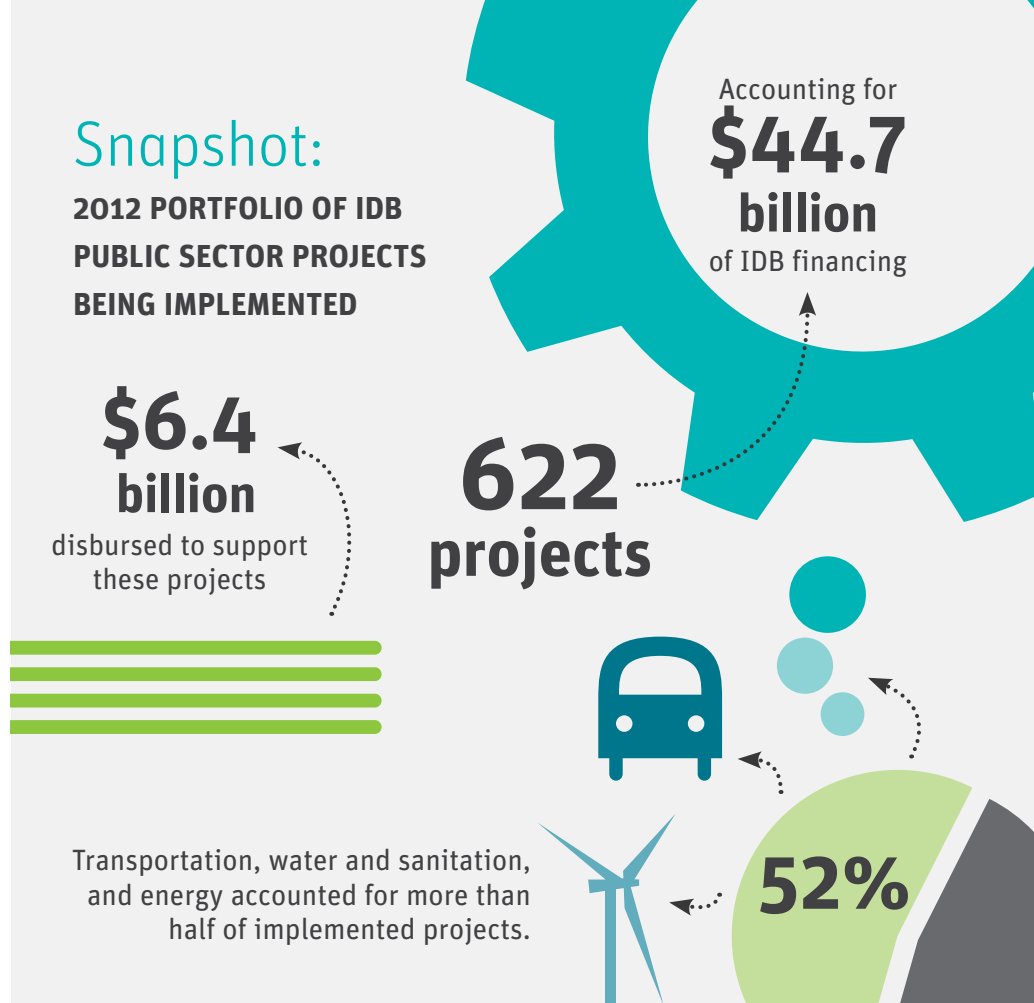
To report whether a project has met expected results, the IDB conducts self-evaluations for every project that is completed, known as Project Completion Reports. In these reports, project teams assess the likelihood a project reached its development objectives, whether expected outputs were delivered, and whether the interven-

tions supported by the project can be sustained without further IDB support. The report also draws lessons that can be applied to the execution of other ongoing operations and the design of future operations. By the end of 2012, more than half of the Bank's divisions had produced all of their required reports.

In 2012 the IDB began a process of revamping the way it reports on the results of projects, following recommendations by the Office of Evaluation and Oversight (OVE), which reports directly to the Board of Directors. The plan is to develop a series of indicators and improve the report's format so

information can be tracked more easily by management and combined with evaluations conducted during implementation and design. The revamped system is expected to be rolled out during the first half of 2013. In addition, the Bank has been allocating resources for the preparation and improvement of these reports.

Once this new reporting system is in place, individual project assessments will be reviewed and compared with independent evaluations made by OVE so project results can be validated.



Private Sector Project Implementation and Results

Given the special nature of private sector projects, where borrowers have to ensure that the project is both profitable and positively affects development, the IDB has created different tools to monitor implementation and measure results.

The Bank reviews implementation of each private sector project every year based on information provided by clients and its own internal evaluations. The IDB assesses the operational performance of the project, creditworthiness of borrowers and sponsors, and project compliance with the Bank's contractual covenants and environmental and social safeguards.

The Bank tracks project results on the ground through a number of key indicators that show how it contributes to a company's business performance and a country's economic and social development, and how it benefits the development of the private sector as a whole. These indicators are updated annually and form part of the Development Effectiveness Matrix of every private sector project financed by the IDB. Some of those development indicators are: numbers of small and medium enterprises, megawatts of electricity generated, kilometers of roads, number of jobs, amount of exports, return on equity, loan loss ratio, capital adequacy

ratio and financial return for real sector projects; among others.

At the end of 2012, there were 90 projects in the IDB's private sector portfolio, totaling \$3.7 billion of undisbursed balance. As much as \$975 million were disbursed for these projects last year. The sector composition of the portfolio shows that most of these projects are in the energy sector. Progress in achieving results was tracked for those projects approved after 2003 when the private sector operations began using specific tools to identify and monitor these development indicators. During 2012, results have been specifically tracked for 57 projects in the portfolio

and 91 percent of those were classified satisfactory or above this level.

Once private sector projects reach their operating maturity, the Bank's conducts self-evaluations, known as the Expanded Project Supervision Report (XPSR), that are validated by OVE. Operating maturity in projects in productive and social service sectors such as energy and health, for example, occurs when implementation is almost completed, the project is generating at least 18 months of operating revenues,

and the IDB has received at least one set of audited annual financial statements from the client. For financial market projects, operating maturity occurs after at least 30 months following the final IDB loan disbursement.

The IDB's self-assessments are in accordance with the common evaluation framework developed by multilateral development organizations for private sector operations. The IDB evaluates projects based on development outcomes, profitability to the

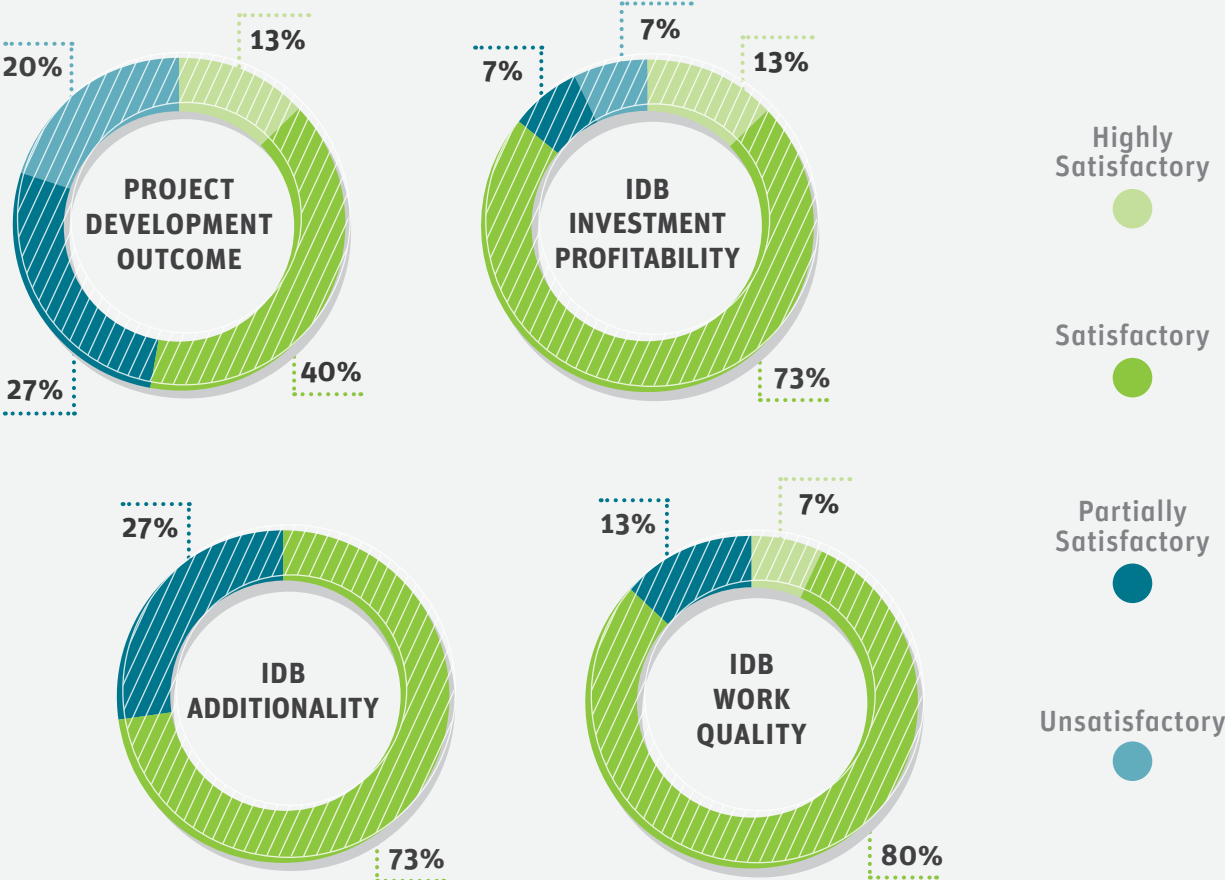
Bank, our value added to the project, and the quality of the Bank's work. The performance of each of the four dimensions is rated based on whether it has achieved the expected targets or results, including financial and economic returns.

In 2012, OVE reviewed results for all 15 private sector projects completed in 2010. Fifty-three percent generated highly satisfactory or satisfactory development outcomes and 86 percent were profitable to the Bank (Figure K).

Validated Development

RESULTS FOR PRIVATE SECTOR PROJECTS, BY PERFORMANCE AREA

Figure K





Speaking the Same Language as Impact Investors

One of the biggest benefits for those clients that work with the IDB is the Bank's ability to catalyze investments from third-party financial institutions, particularly entities seeking to invest in projects that will not only provide a financial return but also bring positive economic and social impact to the region. The Bank's support for private sector projects creates opportunities for these investors to enter underserved markets and countries in the region, helping companies raise capital more easily.

The IDB's Opportunity for the Majority (OMJ) is one of the IDB units that focus on the private sector. It finances business models that can

be scaled up and benefit the base of the pyramid in Latin America and the Caribbean. To support the Bank's work with the impact investor community, OMJ adopted the Impact Reporting and Investment Standards (IRIS) indicators in 2011. This standardized set of indicators is widely used by impact investors to monitor projects because it allows different organizations to compare standardized performance metrics.

The reporting system has helped OMJ make its project results comparable against one another and with other third-parties' projects, supporting the unit's efforts to mobilize impact-investing resources for the region.

Stories of Achievements and Challenges

On the following pages, you will find 33 articles randomly selected and representing 5 percent of the projects in our portfolio, about the Bank's achievements and ongoing challenges, as well as what we have learned from projects that did not produce the expected outcomes. Information about how public and private sector projects are being implemented and their respective results are available on the IDB's [website](#).

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With such **BLEAK** math scores IN PARAGUAY, Do Methods Matter?

The answer to the question posed in the title is a most definite yes. In Paraguay's Cordillera province, you can see why. The best part of the day for preschoolers at *Escuela Básica 201* is when the teacher plays *Tikichuela*. Students stand up and form a circle and then the music starts. They jump, they sing, they play with objects of different sizes and forms. And they count, in both Spanish and Guaraní.

Changing teaching methods is one way that Paraguay, where more than half of its third graders are unable to solve simple addition problems, is improving math scores of its students in impoverished areas. Lessons from the first year of implementation of the *Tikichuela* methodology offer a glimpse of how Latin America—among the worst performers in international math assessments tests—can turn around test scores in a relatively short period of time.

And time is indeed short: if Latin America doesn't do anything new to improve education, it will take the region 21 years to catch up with math scores and 42 years with science scores of students in countries of the Organization for Economic Cooperation and Development.

Prior to the *Tikichuela* project, a team of experts, led by the IDB education Division, videotaped what was

going on in Paraguayan elementary school classrooms and compared the teaching with that of schools from around the world known for high educational standards, such as Japan, Canada, and the United States.

Few countries in the region have dared to open this “black box” to investigate if their children are really learning, in part out of fear that they would discover precisely what was uncovered in Paraguay. The analysis showed that Paraguayan students spent most of the time copying the blackboard instead of solving problems and that classroom content was insufficient. All scenes pointed to procedural—as opposed to conceptual—understanding that bears little connection to the real-life challenges awaiting students.

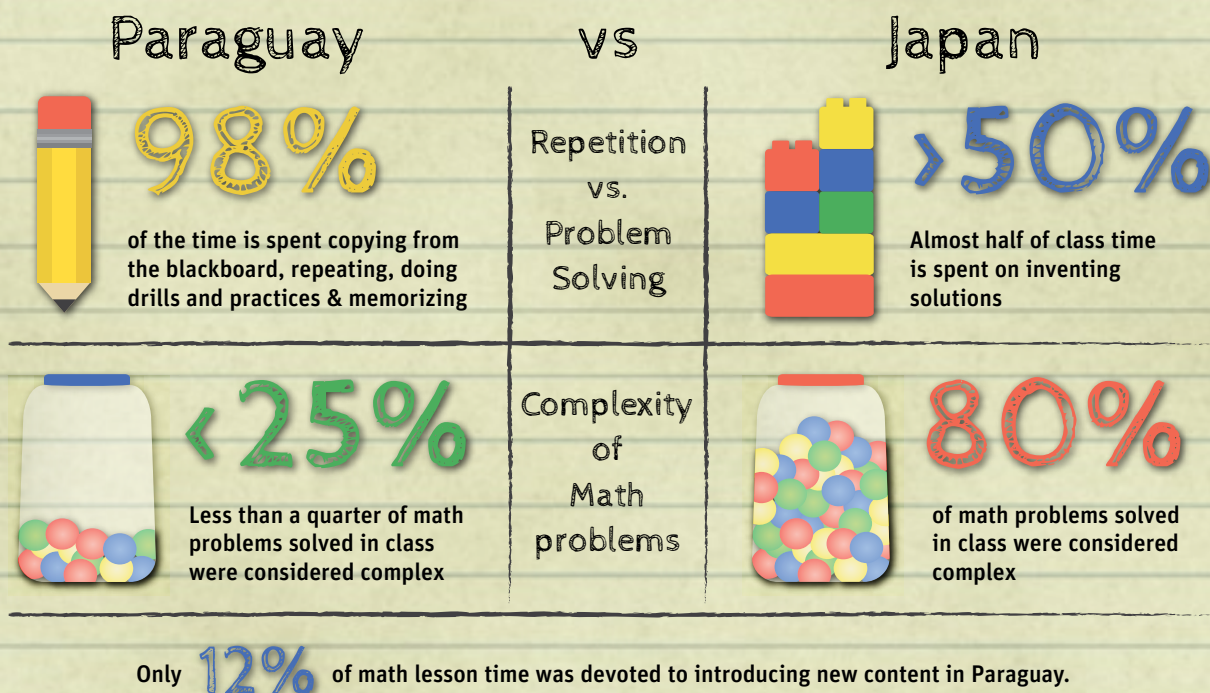
With results such as those in hand, and drawing on experiences from other countries, Paraguay embarked on a pilot project to improve math skills

among low-income preschool children in both urban and rural areas. The goal is to jointly develop the ability to count and to recognize shapes and patterns, so numbers and counting becomes second nature. This makes it easier for children to then learn addition and subtraction when they start primary school.

The country adopted *Big Math for Little Kids*, a daily math teaching program successfully implemented in low-income schools in New York. Under the program, teachers follow a lesson script that uses interactive play to engage children in learning and apply basic math concepts in everyday situations, such as counting the number of objects in a jar or putting objects in a bag and asking children to grab them with their eyes closed so they can analyze the shape.

Paraguay then adapted the program to its country-specific circumstances and preschool curricular content. As a

What analysis of math classes showed:



IMPACT = BETTER SCORES, BIGGEST BENEFITS FOR THE MOST VULNERABLE

The pilot was implemented across 265 school districts in the province of Cordillera, covering 4,500 students and 400 teachers. A rigorous evaluation of the first year of implementation compared the 131 schools using Tikichuela techniques with other schools using traditional teaching methods. The findings showed that Tikichuela made a difference:

More learning in a short period of time. In just

5 MONTHS

the program increased math learning by

9.2%



Tikichuela compares favorably to other successful initiatives to improve math learning in Argentina, India and the US.

7.5%

decrease in achievement gap between low and high performers.

MATH SCORES IMPROVEMENT

BOTH GENDERS BENEFITTED*

BOYS 12%

GIRLS 6.3%

Score **GAINS** in peripheral schools were

7 TIMES higher than peripheral schools

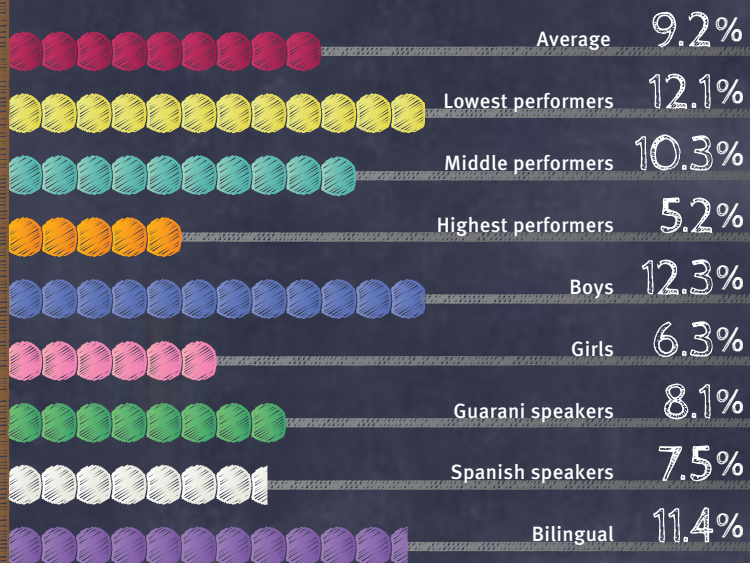
not in the program.

11.4%

jump in bilingual children's scores

* To close this gender gap the program is being modified to encourage increased participation and interest in mathematics among girls.

How much math scores increased with TIKICHUELA



result, *Tikichuela: Mathematics in My School* was born. Tikichuela introduced elements of Paraguayan culture and made the program bilingual, since most of the country's population speaks both Spanish and Guarani. In order to address deficiencies in content and teacher techniques, Paraguay brought the program to classrooms through short audio programs, a decision inspired by successful results from audio math lessons in Nicaragua.

The audio lessons—divided into 108 CDs of about a half-hour each—helped reduce the burden on teachers. However, teachers received training to teach the program and ensure that it was implemented evenly.

Based on the encouraging results (see blackboard to the left), Paraguay decided to continue the implementation of the pilot project for another two years and expand the program to the first grade at the beginning of the 2014 school year.

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READ MORE >>





UNLOCKING HOUSING

MAKING MORTGAGES AFFORDABLE IN BRAZIL

For many years, mortgage financing in Brazil was so limited and expensive that the only way most Brazilians could buy a house was to save money and pay cash. However, a series of reforms in real estate financing regulations over the past decade, coupled with low inflation rates, have made mortgages more accessible and affordable.

As a result of the reforms, banks flocked into the market and real estate companies began financing their own property sales more aggressively to meet the housing needs of the country's rising middle class. To raise money to fund their operations, these banks and real estate firms needed to access the local capital market, creating an opportunity for Brazilian Securities Companhia de Securitização, a leading Brazilian mortgage securitization company, to expand its business.

With IDB financing approved in 2005, Brazilian Securities substantially increased the volume of mortgage portfolios it was acquiring from banks and real estate companies in order to sell them in the form of mortgage-backed securities in the local capital

market. Proceeds from such sales were then used by the company to buy more mortgages from various institutions and continue a virtuous cycle.

By acting as intermediaries, securitization firms like Brazilian Securities allow banks and real estate companies, which are the mortgage originators, to raise money more cheaply to fund their mortgage operations while providing investors in the local capital markets with an additional type of long-term investment instrument.

Cheaper funding sources help reduce interest rates charged on mortgages, making them more affordable to more people. And by accessing resources from local capital markets, mortgage lenders can diversify their funding sources, making them less

vulnerable to potential mismatches arising from funding long-term operations such as mortgages with short term deposit funding.

The operation has helped Brazilian Securities significantly expand mortgage origination and deepen the securitization market. The annual number of housing units financed through the company's securitization operations jumped nine-fold to more than 2,700 in 2011. The number of mortgage-backed securities sold by Brazilian Securities jumped six-fold, boosting the company's market share from 6 percent in 2004 to 28 percent in 2011.

The success of Brazilian Securities has also contributed to the overall development of mortgage markets as the primary source of funding for real estate development in Brazil. Part of the operation included the standardization of underwriting criteria for individual mortgages, a key element for the development of a mortgage-backed security market as it allows investors to compare securities and price them according to their risk profile.

In 2009, incorporating the lessons from the 2007–08 global financial crises, the IDB increased its financing to Brazilian Securities so that the company could expand sales of mortgage-backed financial instruments to meet rising demand for mortgage financing from low-income households in numerous cities throughout the country. It was just the latest chapter in the development of Brazil's securitization market, which is enabling more and more Brazilians to buy a home.

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Tackling “Big Foot”



Fig. 1 *Culex quinquefasciatus*

mosquitos proliferate in areas with frequent flooding and poor drainage and sewer systems

elephantiasis is a debilitating disease transmitted by mosquitos

volunteers will distribute more than 1 million pills to fight these parasites



Fig. 4 treatment

Fig. 2 microfilaria of *Wuchereria bancrofti*



9% of Guyana's population could be infected

Fig. 3 sewer system upgrade



EIGHTEEN YEARS AGO IN HER

hometown of Georgetown, Guyana, Bernadette Seenarine came down with what at first seemed like a cold with fever. The symptoms quickly went away. Little did she know at the time that she had been infected with microfilaria, a tiny parasite that causes lymphatic filariasis, a disease commonly known as elephantiasis. In Guyana it is simply known as “big foot.”

Today, Seenarine has limited mobility due to the damage the parasites have caused in her leg. Elephantiasis causes a thickening of the skin and underlying tissues than can cause certain parts of the body to swell. She spends most of her time at her two-story home, where she operates a small grocery shop at the ground level.

An estimated 68,000 people or 9 percent of Guyana's population could be infected with this debilitating disease transmitted by the *culex* mosquito. The insect has found the city of Georgetown and its surround-

ings an ideal breeding ground due to the combination of frequent flooding, low level areas, and poor drainage and sewer systems. Together, those factors create areas for stagnant water with enough organic material for the insect larva to feed on.

To tackle this problem and other water-related parasitic diseases, Guyana initiated a program in 2010, with support from the IDB, to upgrade Georgetown's sewer system, support treatment of these diseases, promote public health activities, and control the proliferation of mosquitos.

The project includes replacement of the 5.5-kilometer sewerage ring main in Georgetown along with all the delivery mains, and purchase of additional pumps and maintenance equipment. These works will stop frequent blockages and ruptures in the 80-year old

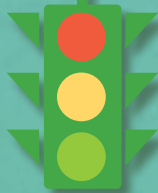
sewer system that can expose residents to untreated wastewater. The project has also undertaken a public awareness campaign about prevention and treatment of elephantiasis, and has trained 350 volunteers who will be distributing about 1 million pills of specialized drugs every year for the next 5 years to fight this disease as well as others caused by intestinal parasites.

As a joint sanitation and health intervention, the project represents an innovative multi-sector model to fight parasitic diseases in the country. It is expected to benefit more than 310,000 people—almost half of Guyana's population—with the aim of making stories like that of Seenarine a thing of the past.

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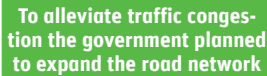
The Bahamas: Big Lessons from a Small Country



Shortly after the start of the project, the contractor went into receivership.



New civil works were added, increasing the total cost of the project.



To alleviate traffic congestion the government planned to expand the road network

Team Leader:
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In 2008 construction works resumed

The Bahamas is a chain of 700 islands spanning 100,000 square miles in the north-eastern Caribbean. However, 70 percent of its total population is concentrated on a mere 83-square mile island called New Providence, which is home to the capital of Nassau. Given its population density, the island suffers from severe traffic congestion because 80 percent of its workforce uses cars for the daily commute, a problem aggravated by the daily arrival of four to six cruise ships bringing thousands of tourists who then travel on the already-congested roads.

The IDB supported a government plan in 2001 to expand the country's road network and strengthen the institutions governing the transport sector. Project plans called for construction of 15 kilometers of new roads and repair of another 7 kilometers in a heavily urbanized area. But the project did not proceed as expected, so even though today most of the civil works are com-

pleted, the setbacks involved represent an opportunity to learn why such projects don't always go smoothly.

Shortly after the start of the civil works, the contractor went into receivership and all construction work stopped. After two failed tenders to hire a new contractor, the government changed the bidding terms to take on some of the construction risks and the project finally resumed in 2007 after a new contractor was hired to complete the unfinished work. By then, costs had increased and additional civil works were added to the original plan, such as drainage and water pipes along the roads to prevent flooding. So, in 2008, the IDB approved a supplemental loan and construction works resumed.

By the beginning of 2012, 90 percent of the civil works had been completed, but more financing was needed to complete the remainder due to an increase in the cost of imported materials and unforeseen changes needed to adapt the road construction to site

conditions in urban areas. As a result, the IDB approved a second supplemental loan for the project, bringing the Bank's total financing for the project since 2001 to \$270 million, more than triple the original cost estimate.

The magnitude of the cost overrun prompted the Bank to take a hard look at the reasons behind the price increases. The analysis shows that construction costs were underestimated because risks were not properly identified and quantified. Delays in project implementation caused by the bankruptcy of the original contractor contributed to magnify the cost overruns.

Rising construction costs are one of the biggest challenges to building infrastructure in urbanized and densely populated areas: the need to accu-

The Bank carefully analyzes projects & situations like this one to prevent future delays & cost overruns

By 2012
90% civil works
had been
completed.

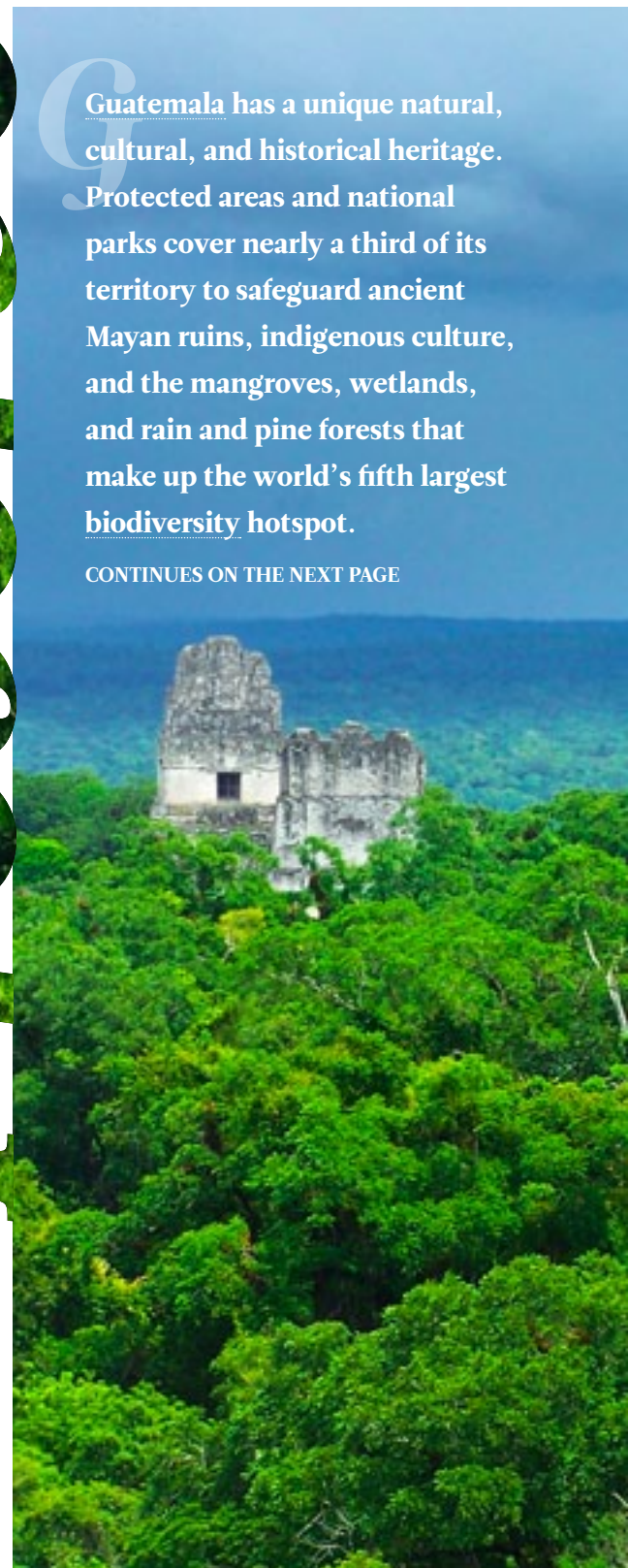
rately estimate these costs in a complex environment where works will have to be adapted to changes in site conditions. To mitigate such problems in the future, the Bank may expand technical assistance for agencies in countries implementing such projects in order to ensure risks are properly identified and measured, and adequately entrusted to the party best suited to manage them.

Despite the setbacks, the road project in New Providence is close to being completed, with many expected benefits, including reduced traffic congestion, improved road safety, less pollution, and a better quality of life on the island. Traffic accidents and road fatalities are expected to drop by 15 percent upon completion of the project. So the benefits outweigh the problems—but addressing those problems is critical to ensure that such projects proceed more smoothly and rapidly in the future.

Biodiversity Preserved

Guatemala has a unique natural, cultural, and historical heritage. Protected areas and national parks cover nearly a third of its territory to safeguard ancient Mayan ruins, indigenous culture, and the mangroves, wetlands, and rain and pine forests that make up the world's fifth largest biodiversity hotspot.

CONTINUES ON THE NEXT PAGE



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However, such efforts have been stymied by land use disputes and environmental degradation triggered in part by the lack of reliable geographic descriptions of protected territories and legal uncertainty about land ownership. The problem is particularly serious in the poverty-stricken department of Petén, where forestry activity and pressure on natural resources is most intense.

As a result, in 2010 Guatemala decided to extend an ongoing land regularization program to these protected areas, with support from the IDB and the GEF ([Global Environment Facility](#)). The project is supporting the creation of a new cadastral database of protected areas, along with activities to strengthen their legal certainty. These include technical support, interagency coordination, and use of state-of-the-art cadastral and registry information.

The new cadaster will contain physical demarcation of the limits of the protected areas with proper classification for their use, since some areas in protected zones can be for multi-use while others are strictly set for preservation. The project also includes making those geographical demarcations clearer to communities through public information campaigns and signage.

Two years on, as much as 50 percent of the design and construction of the geo-referenced database

for the cadaster and for registration regarding the possession and use of land in protected areas has been completed. Moreover, cadasters have been updated and territory demarcated for six protected areas in the north, accounting for approximately 150,000 hectares.

In order to assess the effectiveness of the project, in 2011 the government asked the IDB to carry out an [evaluation](#) to measure the environmental and social impact. The evaluation, which is currently being prepared, will seek to measure whether social conflicts and invasions of protected areas have been reduced, and whether clear classification and demarcation of different land use zones has allowed users of protected areas to optimize their activities with the least impact on the environment. Moreover, the evaluation will determine the minimum level of legal certainty for land ownership and use needed to ensure proper conservation.

Empirical evidence from programs in Costa Rica, Brazil, Bolivia, and Thailand suggests that establishing protected areas has significantly reduced deforestation and improved social conditions. Evaluation of Guatemala's land registration program will be an important step towards measuring and boosting the already positive results generated by the creation of protected areas.

A peaceful beach is probably what first comes to mind when you think about Caribbean islands. But over the past decade, that serene image has been increasingly marred by a growing problem: crime.

Besides its tremendous human and social toll, crime is costly in other ways. It is estimated that combating youth violence and treating young victims costs Trinidad and Tobago 2.9 percent of its annual gross domestic product.

In order to address this growing challenge, Trinidad and Tobago decided to adapt a successful community-based violence prevention model developed in Chicago in 1995 and replicated in Baltimore, New York City, New Orleans, Oakland, and Philadelphia, known as Cure Violence. The pilot program will be implemented under the umbrella of an ongoing Citizen Security Program that has been supported by the IDB.

CureViolence takes a scientifically proven, cost-effective, public health approach that anticipates and interrupts the transmission of risk events and changes the social norms and behaviors that perpetuate violence. The aim of the program is to promote greater community engagement and cohesion to defuse conflicting situa-

tions before they escalate into violence and spread among communities.

The pilot will be implemented in 2013 in the eastern part of Port of Spain, making Trinidad the first country in Latin America and the Caribbean to replicate this approach. As with the U.S. program, the pilot project in Trinidad aims to identify members of at-risk groups in the community and work with them to serve as “violence interrupters.” These individuals are best placed to help defuse violence because they are usually well-respected among their peers and aware of the cultural norms.

To complement the project, the IDB will support an impact evaluation of the pilot program to determine wheth-

er this community-based approach is an effective tool to reduce crime and violence. Results from this evaluation will provide important lessons for the country and help decide whether to scale up the program.

The international evidence on community-based preventive programs shows that they can be very effective. In some U.S. cities, such programs have contributed to a drop of as much as 50 percent in shootings and killings.

By controlling the transmission of violence—mirroring from a successful public health approach that has helped conquer deadly infectious diseases—Trinidad and Tobago is on its way to improving public safety.

A CURE FOR VIOLENCE

TRINIDAD AND TOBAGO ENGAGES
ITS COMMUNITIES TO REDUCE CRIME

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**"FOR
US
rice
is everything"**



BETTER IRRIGATION AND TRAINING TO IMPROVE CROP YIELDS IN ARTIBONITE

Since she was a child, Marie Bertha Alexis, a 55-year-old rice farmer, dreamed of improving the lives of her friends and neighbors. She knew the only solution would come from the land in her native Artibonite river valley, Haiti's principal agricultural region. But her efforts were stymied by decaying irrigation systems and lack of knowledge on how to best grow crops such as rice.

However, the situation is now changing not only for Alexis, but for some 40,000 farmers in the valley. In 2011, Haiti inaugurated a repaired irrigation system made up of nearly 30 kilometers of masonry-reinforced canals that provide water reliably so that farmers can grow rice and high-value vegetables. Financed by the IDB, the project aims to protect, repair and expand the Artibonite's irrigation network, the largest in the country.

As a result of the project, the irrigated area in the Artibonite over the past three years has increased by 5,000 hectares (12,500 acres) during the dry season and by 7,000 hectares (17,500 acres) during the rainy season. This has enabled 10,000 more farmers to plant two crops a year. The project also repaired riverbanks, ensuring the protection of about 28,000 hectares (69,200 acres), or about one-third of the Artibonite's irrigated area. And the program financed the construction of an 86-meter bridge over the Salée floodway, which typically overflows every

rainy season, cutting off some 40,000 people from the rest of the valley.

The project is expected to boost the incomes of farmers, and that increased domestic production will pave the way for an estimated reduction of 40,000 metric tons of rice imports annually.

Besides construction works, the program also provided training for as many as 2,000 farmers, including Alexis, on how to prepare the land, properly irrigate and fertilize the soil for rice and onion crops, and better select and process seed rice. In order to encourage the adoption of better farming techniques, the program created pilot plots where local farmers could compare how both traditional and new techniques affected productivity. Results from these experiments were disseminated through workshops.

For Alexis, who has been a farmer since she was 18 and today is the head of an association of rural women in the region, the program is making her dreams come true.

"For us, rice is everything," she said. "With this program, we are producing more. We have more to eat and we hope to produce even more."

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Maximum Return for Every Buck



MANAGING PUBLIC INVESTMENT IS ONE OF THE MOST challenging jobs for governments, particularly in the developing world. For public investment to effectively generate development, countries must have the technical and institutional capacity to ensure that the projects selected have the highest economic and social rate of return.

In 2010, Suriname laid out an ambitious development program with a number of public sector investments, particularly in infrastructure, to diversify the economy and boost economic growth. To help the country obtain the maximum return on its investments, the IDB is working with the govern-

ment to implement comprehensive reforms to improve the efficiency of public expenditure management.

The reforms represent a concerted effort to plan, manage, execute, and monitor the use of public investments in the entire budget cycle. They are setting clear selection and prioritiza-

tion criteria for public investment and modernizing financial management, procurement, and audit and control systems to ensure greater transparency and accountability in the decision-making and execution processes.

For example, starting in 2012, public investment projects had to be

Fighting Poverty Effectively

REFORMING CASH TRANSFERS TO
COMBAT POVERTY IN HONDURAS

One of the most important tools to combat poverty in Honduras is providing poor households with cash payments in exchange for meeting certain conditions, such as having regular health checkups and sending their children to school.

The Impact of CCTs
in HONDURAS

8%

increase
in school
enrollment

3%

decline in
child labor

40%

of the poor
population
benefitted

Honduras has worked for several years with the IDB to implement these programs, which are known as conditional cash transfers (CCTs). And the programs have achieved results: a recent review of CCT interventions in Honduras showed an 8 percent increase in school enrollment and 3 percent decline in child labor among participating households when compared with groups that did not receive cash payments.

After combining different types of cash transfer schemes into a single national program known as “Bono 10,000,” Honduras expanded its poverty alleviation efforts in 2010 by increasing the amount of payments and expanding the number of eligible households. Overall, the CCT initiative has benefited more than 210,000 households, or 40 per-

outlined in the government's investment program and subject to a formal review by the Ministry of Finance, which verifies a project's technical, financial, and socioeconomic feasibility as well as its alignment with national development priorities.

Over the past two years, the government has established a mechanism for the identification, selection, budget allocation, monitoring, and evaluation of public investment projects. It has created a roadmap to enhance public financial management, put in place regulations for public procurement, and launched a public procurement portal to increase the transparency of government purchases.

In 2012 Suriname approved a conceptual framework for a new budget law outlining the roles, responsibilities, and coordination required among ministries to streamline the budgetary process and ensure resources are properly allocated to fund public investments.

The steady pace at which reforms are being implemented shows that the authorities are committed to changing the status quo. As a result, Suriname is on track to ensure it gets the maximum development return for every cent of public investment.

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How Will Suriname Improve Public Expenditure Management?

- Proper prioritization and selection of projects ensures that the most important projects are fed into the budget process
- Revamped public financial management system provides the tools to properly allocate resources and monitor the implementation of investments
- A modern procurement system generates greater value for money, the quality of spending, and competition.
- An overhauled audit and control processes ensures transparency and accountability.

cent of the country's population living in poverty.

However, the rapid expansion of these programs has posed operational challenges that Honduras is now working to address. With support from the IDB, Honduras is setting up a more cost-effective organizational structure that can generate and manage household information and payments and deliver cash transfers in a timely fashion. In order to ensure that households are complying with the program's conditions, the country is upgrading its information systems and improving collaboration between the health and education departments so they can routinely share information on program beneficiaries and systematically verify whether the conditions are being met

In addition, the program is working to stabilize the payment cycle so that households receive their transfers every two months. Clear and predictable regular payments will allow households to better plan expenditures and use the cash payments to cover their most basic daily needs, potentially improving the effectiveness of the program.

The country will also test innovative ways to deliver payments to beneficiaries by using state bank branches, mobile phones, and local cooperatives. Results from these pilot projects will be assessed through a rigorous impact evaluation so as to glean important lessons for Honduras and other countries seeking to scale up their CCT programs.

The next step in the CCT program is to set up an **effective system** to generate & manage household information, **deliver payments every two months** and collaborate with the **education & health sectors** to verify that beneficiaries meet their conditions.

By working to overcome the operating challenges faced by its CCT programs, Honduras is setting the foundation for a sound large-scale social protection program that will help break the poverty cycle that today afflicts millions of its people.

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The impact of birth registration on education is:

$$E_i = \beta_0 + \text{NoBirthCert}_i \beta_1 + X_i \beta_2 + \gamma_j + \epsilon_i$$

Team Leader:

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What to Do about Lower Schooling Levels among Children without a Birth Certificate

Birth registration is the very first step to social inclusion, since it officially records a child's entry into the world and establishes his or her existence under the law. Someone without a birth certificate is at risk of lifelong exclusion from benefits and rights, including access to health services, conditional cash transfers, and pensions.

The economics literature has not been highly focused on the links between birth registration and development, but a recent study by the IDB sheds light on how it contributes to perpetuating poverty and proposes solutions to the problem.

Based on a rigorous econometric study of household data for the Dominican Republic, the study shows that not having a birth certificate translates into lower educational attainment. While lacking birth registration does not impact the chances of entering

school—thanks to laws that ensure universal access to education—it does causally reduce primary school completion rates and grades attained.

The probability of advancing to the second cycle of primary school falls by at least 22 percentage points for 11–18 year-olds without a birth certificate when compared to those with a certificate. Also, the overall educational attainment falls by at least half a grade for 7–18 year-olds. The report says that one of the main reasons children failed to continue their studies was because they lacked a birth certificate needed for their school to issue a diploma, a required document to enroll in subsequent stages of education.

What can the study in the Dominican Republic teach the rest of Latin America?

Even though on average only one in 10 children under the age of five in the region is undocumented—a level well below other developing regions of the world—the study outlines that not having a birth certificate has broad detri-

mental effects on development because, by leading to lower schooling, it also leads to fewer employment opportunities and a greater risk of poverty.

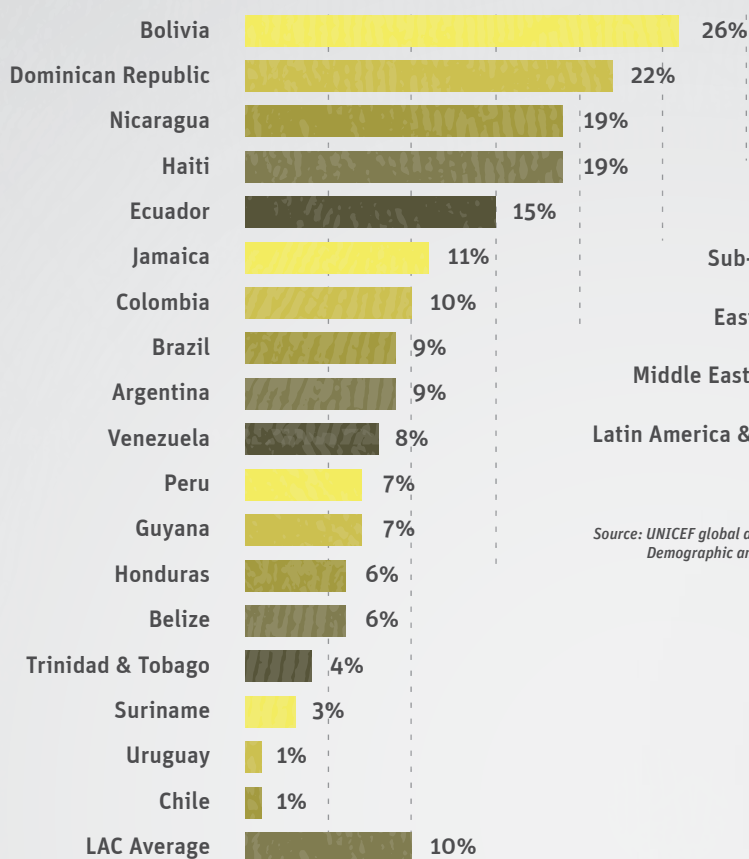
Evidence presented by the study shows that distance to the nearest civil registry office can be an important impediment to birth registration. So the region needs to devise innovative ways to reach out to the undocumented. Civil registries and schools need to work closely together to ensure that undocumented students who enroll can also obtain a birth certificate. It is a small price to pay now to help these children gain the basic opportunities later to learn and earn a livelihood.

READ MORE >>



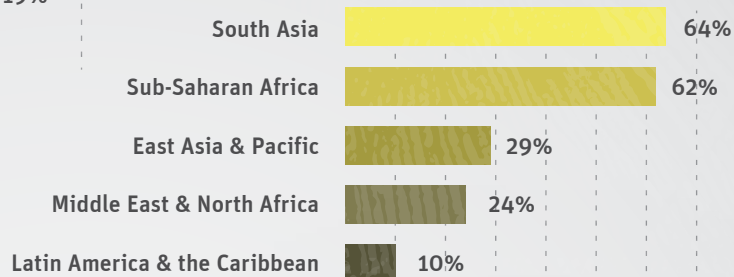
Children ages 0-4 without a birth certificate 2000-2009

Selected Latin America & Caribbean Countries



Children ages 0-4 without a birth certificate 2000-2009

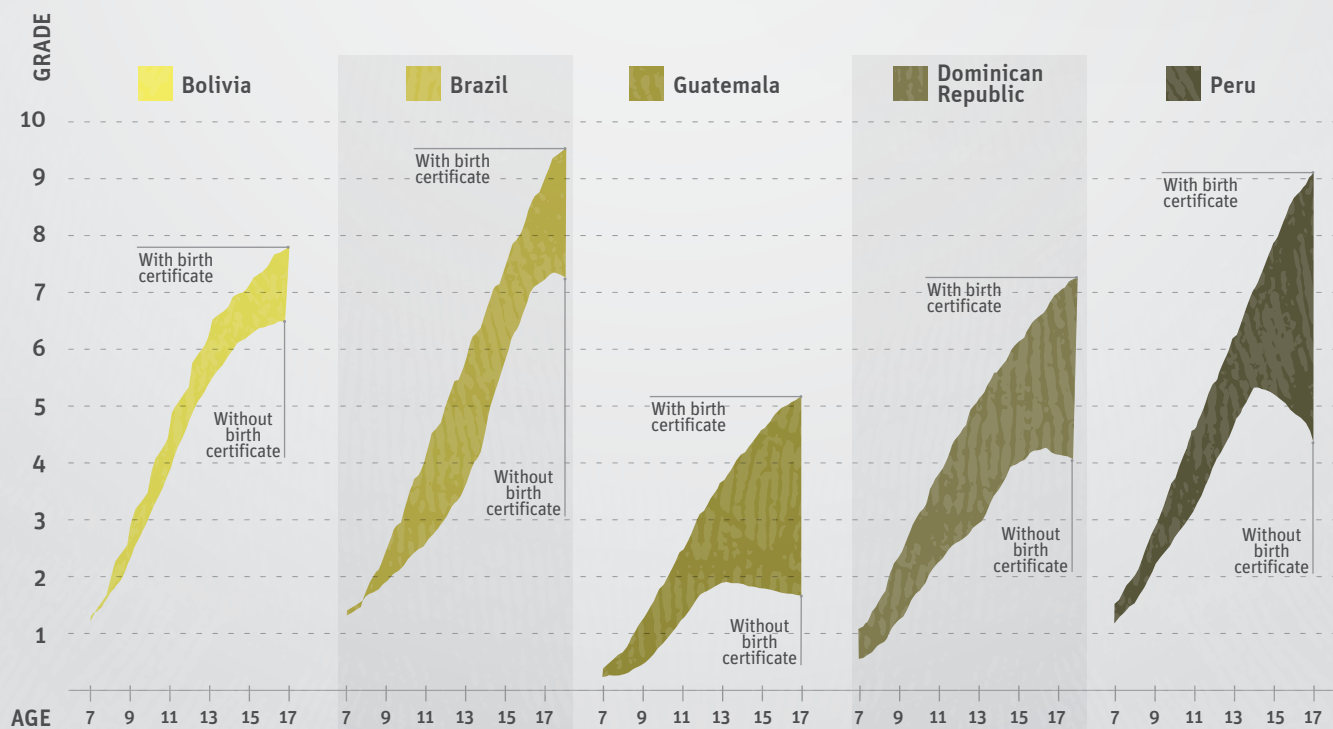
Latin America & the Rest of the Developing World



Source: UNICEF global databases 2010; Multiple Indicator Cluster Surveys (MICS); Demographic and Health Surveys (DHS); and other national surveys.

Birth Registration

How the Lack of a Birth Certificate Hurts Schooling





**Development
Beyond**



**an Industrial
Park**



Caracol Industrial Park is a catalyst for **sustainable development** in an area where farming & fishing are unsustainable. It is expected to create **40,000 jobs** in the next decade.

Soon after the 2010 earthquake hit Haiti with the epicenter near Port-au-Prince, it became very clear to the Haitian government that the country needed to reduce its economic reliance on the capital metropolitan area, which accounts for 60 percent of the economy.

So the Haitian government devised a plan to create a new development pole in the north to take advantage of the availability of land, proximity to export markets, and a growing number of Haitians looking for jobs. The catalyst at the center of this effort—the Caracol Industrial Park Project—has become one of the most important initiatives to boost investment and employment in Haiti.

The industrial park was inaugurated in October 2012, just 13 months after the IDB approved its first grant to help finance its construction. The modern 240-hectare manufacturing facility built on state-owned land is expected to employ 40,000 people over the next

decade. It has already attracted four tenants, created the first 1,000 local jobs, and exported its first shipment of Haitian-made garments.

Caracol is expected to spur development in the northern region, as its reach extends beyond the construction of the facilities themselves. The IDB together with the Haitian and U.S. governments and other international donors are investing in housing, infrastructure, and environmental conservation. Those investments are promoting sustainable urban development that will help the country provide decent housing with proper access to roads, water and sanitation services, and utility connections for thousands of Haitians expected to work at the park.

The IDB grant helped finance the first phase of the construction of the industrial park, consisting of several buildings and accompanying infrastructure, including a sewing facility, additional manufacturing buildings, a water treatment system, and roads. IDB resources were also used to compensate 366 families that had to be resettled because of the park's construction.

Moreover, the IDB has helped develop a comprehensive system of policies,

procedures, and industry standards to manage potential environmental, social, health, and safety risks related to the industrial parks' civil works and operations.

For example, Caracol has set specific procedures for the Park's tenants on how to handle, transport, store, and dispose of hazardous wastes to prevent them from contaminating the environment. To protect mangrove systems near the park, the IDB is helping finance wastewater treatment plants for the industrial park and surrounding area. The Bank is also working with the United Nations to establish a protected area and a marine natural park in the Caracol Bay.

The Bank, in 2012, approved a second grant to help finance the expansion of the project and development of the surrounding area. The new industrial park is going beyond providing better alternatives for a population that until recently relied on subsistence agriculture and fishing. It is showing how Haiti is capable of transforming itself.

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Over the past 16 years, Panama has implemented a series of reforms to make its justice system more flexible, modern, and accessible to citizens. Working with the IDB to carry out these reforms, the country has modernized judicial processes and improved judicial management, reducing red tape and time spent processing legal cases.

For example, Panama has created regional judicial units in places easily accessible by public transport. Besides offering traditional legal services, these regional units also provide support services such as victim assistance and alternative conflict resolution.

The first phase of the reforms, which were implemented between 1999 and 2005, also improved the efficiency and effectiveness of the judicial system. Courthouses that participated in the program today spend 30 percent less time processing legal cases and have increased resolution rates of legal proceedings by 39 percent.

Panama is currently implementing a second phase of reforms that are also supported by the IDB. These reforms take into account recommendations made by the government's justice commission as well as a diagnostic study and evaluation of implementation of the first reform phase. The reforms

continue to expand access to judicial services, creating new regional judicial centers and developing alternative conflict resolution approaches targeted to indigenous groups and communities with high levels of conflict. The project is also supporting an initiative to educate citizens about justice services, emphasizing civil rights and mechanisms to exercise those rights and resolve conflicts.

So far, results from this project have exceeded expectations. Public information campaigns about alternative forms of conflict resolution offered by the judicial system have reached an estimated 400,000 people. As many as 20 community mediation centers have been built and staffed nationwide, doubling the initial target of 10 centers.

Results from these new mediation centers show that they are an effective alternative to reduce backlogs in the country's courts. Mediation agreements solve 7 of every 10 disputes

that arrive at these centers and have a compliance rate of 80 percent.

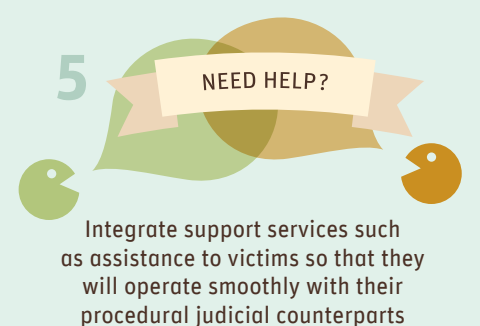
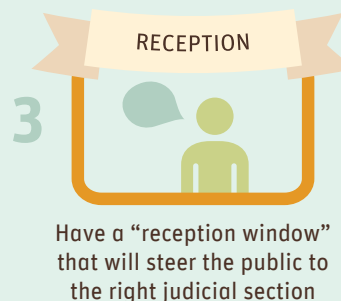
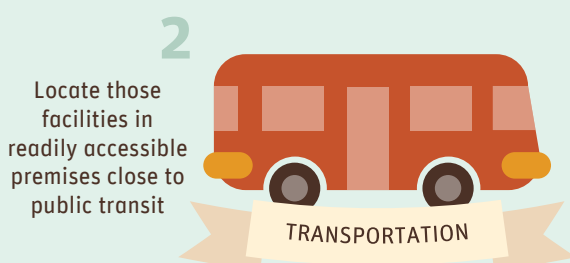
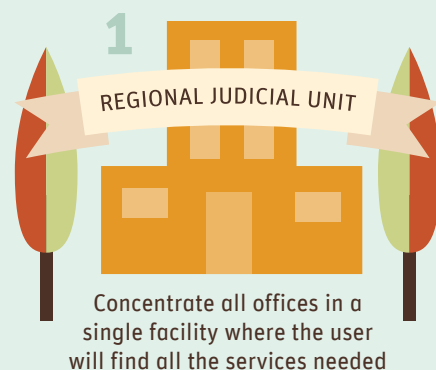
With all these actions in place or in progress, Panama is moving forward toward making justice more accessible and improving the rule of law.

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Just & Efficient

MAKING JUSTICE MORE ACCESSIBLE IN PANAMA

How to Make a Justice System more Accesible to Citizens



Discovering Belize

Project goals for 2013 include the upgrading of visitor facilities in Placencia, known for its sandy beaches and cayes.

Photo: Janelle Chanona

Nestled along Central America's pristine Caribbean

Coast, Belize is poised to become an international location for niche market tourism. The majesty of its lush tropical rainforest, ancient Mayan ruins, white sand islands, and a spectacular 175-mile long barrier reef provide endless options for adventure.

Yet Belize is still a relatively new international tourism destination. About 75 percent of the approximately 978,000 tourists who visited the country in 2011—most from the United States and Canada—arrived on cruise ships that spend only a few hours there with limited time to explore its treasures.



The construction of the new visitor Welcome Center in San Ignacio / Cayo was completed in 2012.

The National Sustainable Tourism Plan aims to increase and develop Belize's natural treasures to encourage visitors to explore its archeological sites, beaches, national parks, arts and culture.

Seeking to change that situation, the IDB—which has long worked with Belize to develop its tourism sector—is supporting a national sustainable tourism program to increase the sector's contribution to the economy. The program promotes investments in key overnight tourism destinations and is building national capacity for policymaking, destination planning, and management.

The program, which started in 2008, includes the design of the National Sustainable Tourism Plan 2030, recently endorsed by the Belizean cabinet. The plan sets guidelines for tourism sector development, incorporating government reforms as well as public and private investments to

ensure tourism is developed in a sustainable way.

Some of the infrastructure works and technical studies laid out in the plan are already under way, with IDB financing. An assessment has been carried out of the country's tourism brand and technical studies have analyzed tourism taxation and standards for operation and classification of hotels and tour operators. In 2012, upgrades and expansion of a new visitor facility were completed in San Ignacio, Cayo, which is Belize's largest district and home to its most important Mayan archeological sites and national parks. The new facility will also host a museum about the district's history and cultural heritage, as well as a marketplace for local

artisans and tourism companies to sell goods and services.

Additional infrastructure financed under the project includes the upgrading of visitor facilities in Placencia, known for its sandy beaches and islands, and in key Mayan archeological sites, such as the Cahal Pech Heritage and Nature Park. These works are expected to be completed in 2013.

The planning and infrastructure works financed by the project will not only benefit Belize's 320,000 inhabitants, they will also help the world discover all the treasures that this small but beautiful country has to offer.

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The Best Deal

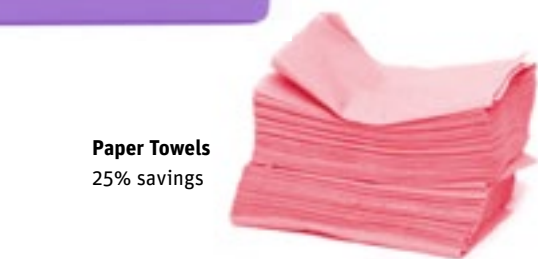
Savings with Reverse Auctions

Average Savings for All Goods in 2011

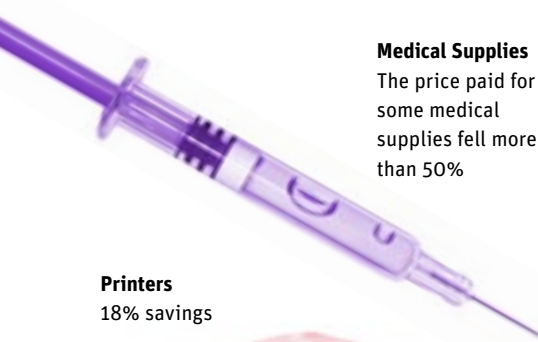
7.5%



Fuel & Lubricants
9% savings



Paper Towels
25% savings



Medical Supplies
The price paid for some medical supplies fell more than 50%



Printers
18% savings

Five years ago, all public sector purchases in Paraguay were carried out using traditional procurement methods. That means, for example, that even though all public hospitals in the country used the same type of needle, each hospital would purchase needles separately. As a result, prices would differ significantly for exactly the same good.

This issue, which has been called “passive waste” in the economics literature, represents very high costs for the public sector. For instance, a recent evaluation of procurement in Italy found that if all public bodies in that country were to pay the same prices as the ones paying the lowest prices, expenditures would fall by as much as 27 percent.

Reforming and modernizing public procurement was one of the key elements of a public management reform program undertaken by Paraguay in 2008, with the support of the IDB. The project included the introduction of reverse auctions, which enable a buyer to find the lowest possible price supplier for a given product.

Under a traditional auction, the seller seeks the highest price from interested buyers by setting a minimum price for a certain good or service and enabling buyers to compete for it by offering the highest bid. A reverse auction allows the buyer to determine the highest price it will pay for a certain good and service and then call on potential sellers to bid their lowest

price. Sellers can then submit bids in competition with one another, bidding the price down. When competing bids are published online, revealing prices in real time, this brings transparency to the process and improves the chances of reaching the fair market value for the purchase.

By 2011, the third full year of implementation of the Paraguay program, approximately \$380 million of a total of \$2 billion in government purchases were made using reserve auctions. The most common goods purchased via reverse auctions were fuels and lubricants (29 percent), construction services (15 percent), and medical equipment (13 percent).

Savings are significant. In the case of fuels and lubricants, prices using reverse auctions were 9 percent lower than traditional auctions, and for certain goods, such as medical supplies, the price fell by more than half. For paper towels and printers, prices were 25 percent and 18 percent lower, respectively. The international experience shows that reverse auctions can represent overall savings that fluctuate between 5 and 30 percent. In Paraguay, prices of goods bought by the government in 2011 via reverse auctions were on average 7.5 percent lower than those purchased through traditional auctions.

Good savings, a good start, and a square deal for buyers and sellers alike.

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electricity
gaps in
nicaragua



1.8
million
people have
no
service



70%
of the rural
population
have no
connection

125,000
households
are illegally
connected

Light for Communities

Nicaragua has adopted what it calls a “strength through unity” strategy to transform its energy sector over the next eight years, and the effort is anchored by an ambitious multi-donor and multi-year program led by the IDB.

The aim of the National Sustainable Electrification and Renewable Energy Program (PNESER, for its Spanish acronym) is to expand electricity coverage among the poor and reduce Nicaragua’s reliance on fossil fuels for energy. The program calls for multilateral and bilateral agencies to coordinate efforts to improve the country’s energy sector under the guidance of a single comprehensive plan with specific targets and priorities. This allows Nicaragua to leverage its own resources more effectively and reduce overall administrative costs, since the government only

has to deal with one program instead of several different projects run by a multitude of donors.

The aim of the program is to increase Nicaragua’s electricity coverage—which at 67 percent in 2009 was among the lowest in Latin America—to 85 percent in five years. A special focus will be on rural areas, where as much as 70 percent of the population in certain municipalities has no access to electricity. Since it was established in 2010, the PNESER has put in place procurement processes to provide rural electrification and electricity networks in 118,000 households and to formalize electricity connections for another 125,000.

The program will also provide financing and technical assistance to enable Nicaragua to expand transmission and grid infrastructure in order to incorporate new renewable energy

projects and improve electricity sector and end-user efficiency. Advanced feasibility studies will focus on attracting investments for new renewable energy projects. The program’s targets call for renewable energy to account for 66 percent of the country’s energy matrix by 2020, compared to 28 percent in 2009.

The IDB has provided \$88 million in loans and technical cooperation to Nicaragua’s \$418 million multi-donor program. Also contributing are the Korean Exim-Bank, Latin America Investment Facility, European Investment Bank, Central American Bank for Economic Cooperation, OPEC Fund for International Development, Japan International Cooperation Agency, and the Nordic Development Fund.

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How can countries spread innovation?

A ground-breaking impact evaluation on **Argentina's Technological Innovation Program** will help answer this question.

Fostering innovation is among the top priorities on the development agenda of several Latin America and Caribbean countries, since it is crucial to improving productivity and boosting economic growth. The region lags behind the developed world, where investment in innovation is more than three times the level in Latin America.

To catch up, several Latin American governments have created special programs to directly support innovation projects by businesses, particularly small and medium-sized companies. Most of these programs provide matching grants that use public resources to partially finance innovation projects presented by companies. Results from these programs in the region show that they are effective in helping firms develop or improve products and production processes. However, little is known about the long-term development impact of such initiatives or whether the innovation and knowledge they generate can be spread to nonparticipating firms.

The IDB is currently conducting a groundbreaking impact evaluation of the Technological Innovation Program in Argentina that will help answer these questions and contribute to shape future interventions. Final results, which will examine the effects of the Argentine program on a sample of 2004 beneficiary firms, will be available by mid-2013.

The evaluation specifically measures how innovation is disseminated to nonparticipating firms through the mobility of highly skilled workers from firms that received direct

support under the program. Preliminary results show that the program increased beneficiary companies' employment and probability of exporting by 27 and 7 percent, respectively. In addition, it increased the income and exporting probability of nonparticipating firms by 4.4 and 3.5 percent, respectively.

The evaluation is the first to provide precise measures of the spillover effects of such types of programs, filling an important gap in the economic development literature that up until now has focused only on estimating the impact on direct beneficiaries.

The study also measures the long-term impact of the project by comparing beneficiary and nonbeneficiary firms with similar characteristics several years after they benefited from the program. It shows that innovation programs require a long gestation period before they can actually produce tangible spillover effects.

Based on the methodology used for this pilot evaluation, additional studies in Argentina, Brazil, Chile, and Costa Rica have been launched to measure spillover effects of other types of innovation programs. Results from these studies will help governments enhance their current policies to transform innovation into a more effective tool to promote economic development.

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The Missing Link



Searching for Ways to Change Eating Habits

N

early one in three children under the age of five in Bolivia suffers from stunting—a result of chronic malnutrition—the second highest rate in Latin America and the Caribbean. Poverty and lack of health systems that provide the right supplements are the most commonly cited reasons for the problem, but lack of awareness and behavioral issues related to nutrition are factors as well.

A pioneering effort to change those nutritional habits is under way in Bolivia's El Alto, a city of over 1 million mostly indigenous inhabitants adjacent to the capital of La Paz and riddled with unpaved roads and houses of clay and straw. As part of the country's efforts to reduce malnutrition among pregnant women and young children, El Alto began implementing a community health agent program four years ago with support from the IDB.

The program is an experiment that could help shape the fight against chronic malnutrition by raising awareness about malnutrition among the poor in order to trigger a change in their eating habits.

Despite the availability of affordable and nutritious foods such as Andean grains, fruits, and vegetables, many families in El Alto have poor diets based mostly on cheap carbohydrates such as rice and other starchy and fat foods. That leads not only to a high prevalence of stunting but also to increasing obesity rates, a pairing of unhealthy trends that can increase the disposition to any number of diseases.

Under the program, health agents visit homes to train mothers how to better feed their children, provide nutritional supplements, and collect key health-related indicators such as the weight and height of household members. Group cooking classes that use fruits and vegetables bought on the city's streets are also part of the intervention, as well as community meetings to provide information on nutrition,

TYPES OF MALNUTRITION



HEALTHY

STUNTED

WASTED

STUNTED & WASTED

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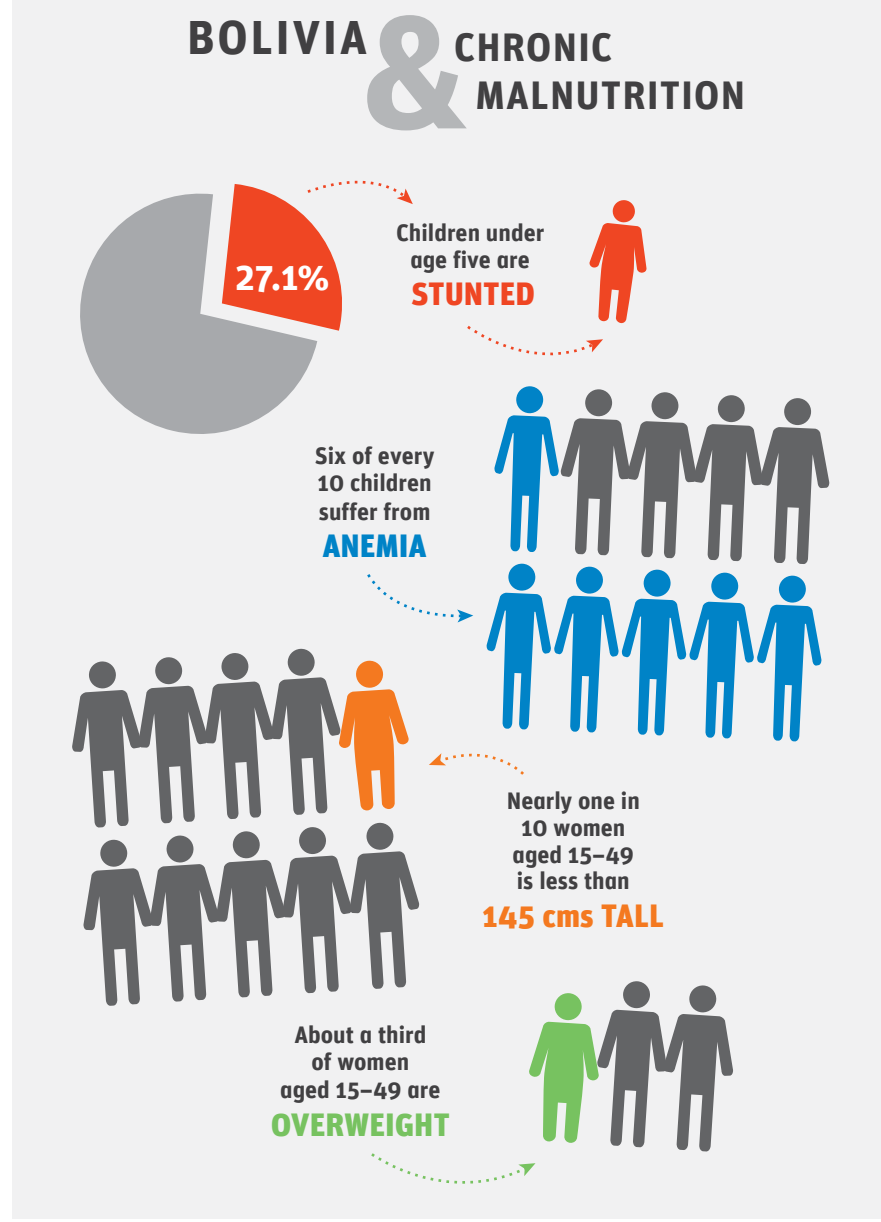
domestic hygiene, and other health-related topics.

An impact evaluation of the program showed that community health agents are a successful way to provide health and nutritional services to the targeted poor population. Moreover, it reported that pregnant women who participated in the program had changed their perceptions about nutrition and health habits.

However, greater awareness failed to trigger a change in eating habits: while more than 1,000 children under two years old whose families participated in the program were more likely to consume nutritional supplements, they did not necessarily complete the recommended doses. As a result, there was no significant impact on the level of stunting between the program's participants and the control group. The evaluation also showed that the lack of sanitation in neighborhoods of families participating in the program was a barrier to improving the nutritional status of children.

The results prompted El Alto and the IDB to put together another pilot program to determine the missing link between awareness and behavioral change. Building on the positive outcomes of the first program—such as the work of the community health agents—the new program will be rolled out between 2013 and 2016 with the participation of as many as 1,000 families.

Based on successful experiences of nongovernmental organizations working in Peru and Africa, the new program will test different innovative approaches to overcoming the barriers that prevent women trained by the program from changing eating habits in their house-



holds. Role-playing exercises with key decision-makers in the household and cooking workshops based on recipes that use traditional products with high nutritional value are among the strategies being considered. The new program is also considering the use of information and communication technologies to improve monitoring and implementation. For example, text messages could be sent to the mobile phones of mothers and caretakers to disseminate information about the program. Participants may also use their mobile phones to provide health information about their

children, which would enable the program to maintain an updated database of family medical histories in order to adapt to changing circumstances and enhance effectiveness.

Not enough is known in the developing world about the most effective ways to promote behavioral changes to improve nutrition. The new program, building on the successes of its predecessor program and accompanied by a rigorous impact evaluation, will help Bolivia and other poor countries step up their efforts to tackle this daunting challenge.



Being Prepared

Financial Toolkit to Prepare Against Natural Disasters

Latin America and the Caribbean are increasingly exposed to natural disasters ranging from earthquakes to climate-related events such as hurricanes, storms and floods. Recent disasters are still fresh on people's minds, such as the 2010 earthquakes in Haiti and Chile and, more recently, tropical storms Irene and Sandy.

Over the past decade, natural disasters alone have cost the region more than \$8 billion in damages, taking lives, destroying property, wreaking havoc on public finances, and constraining economic growth. More than ever, countries, particularly developing ones, need to be prepared. But how can they do that if setting aside resources for disasters means ignoring some of their most urgent development priorities?

A financial toolkit developed by the IDB in 2007 is helping countries solve this conundrum. Under the Integrated Disaster Risk Management and Finance Approach, countries work with the IDB to better assess their risk, devise prevention and mitigation measures, and ensure they have enough financial resources to deal with emergencies.

An important part of the toolkit is financial planning. Since natural disasters vary in terms of severity and frequency, the toolkit helps countries develop different instruments to

deal with emergency costs. First, the program provides technical support to quantify countries' exposure to natural disasters. Second, it helps countries create special budgetary reserves to cover such emergencies, including events that are less severe but more frequent, such as floods caused by storms.

Lastly, the toolkit provides special financing mechanisms, including fast-disbursing contingency credit lines and insurance facilities, so that countries can quickly tap into these resources to cover extraordinary expenses linked to catastrophic events.

The Dominican Republic has been the first country in the region to take full advantage of the toolkit, given its limited financial resources and high vulnerability to tropical storms and earthquakes. An IDB study on disaster risk management showed that the country's current tax revenue would be able to cover only about 25 percent of public emergency expenses related to a catastrophic natural disaster.

Working with the IDB, the Dominican Republic has devised a financial disaster risk-management strategy using the integrated approach. In 2009, it revamped its reserve fund for disaster emergencies and got a contingency loan from the Bank. Those resources will be quickly disbursed in the event of a severe natural disaster.

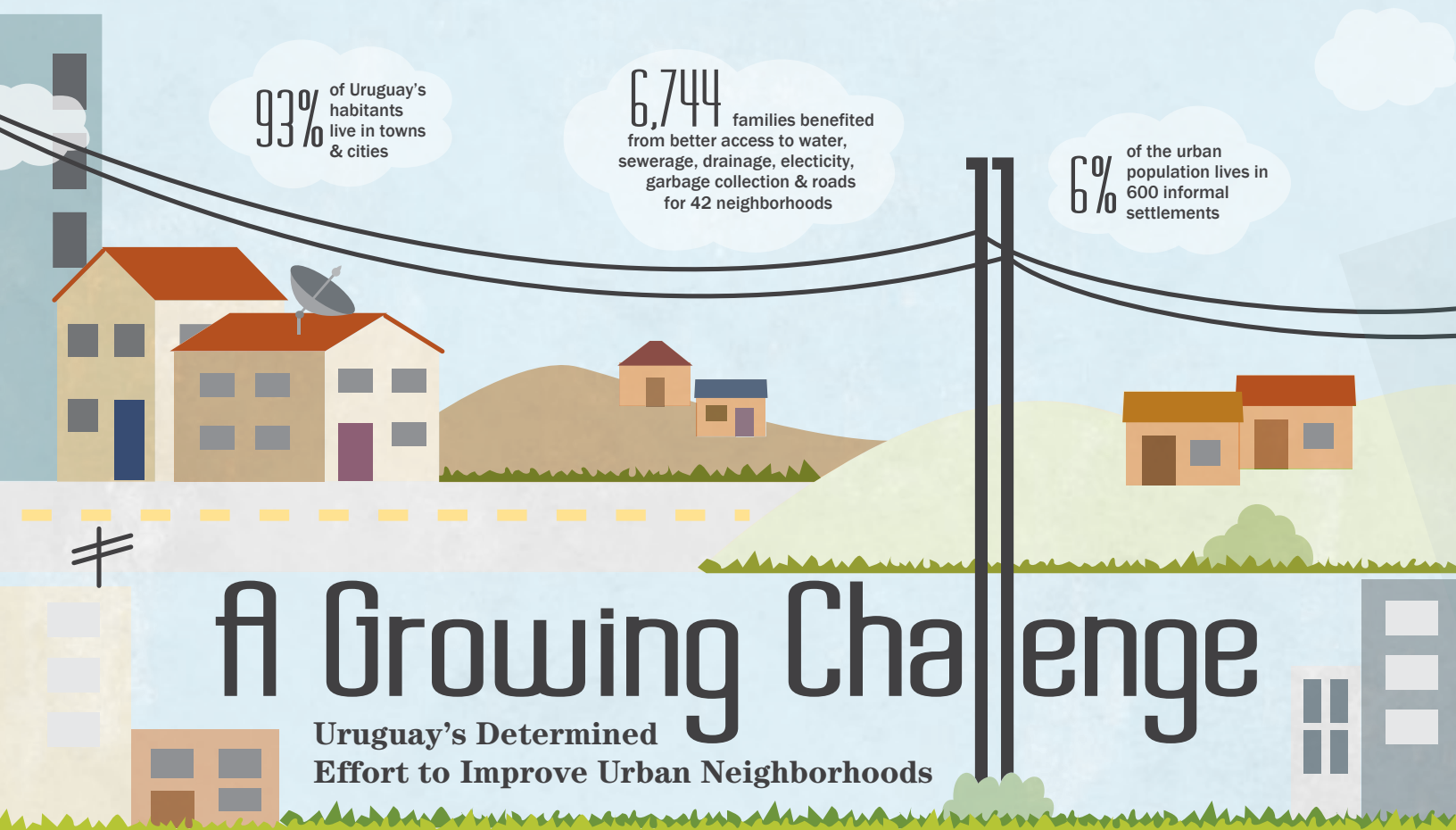
Also with technical and financial support from the IDB, the Dominican Republic in 2011 created an insurance facility to further protect its finances against the costs of natural catastrophes. The coverage is structured as a parametric insurance policy, and most of the risk will be transferred to international financial markets. The policy provides coverage of the extraordinary public expenditures that could be incurred during emergencies caused by catastrophic earthquakes or tropical storms over an initial period of five years.

The Dominican Republic is the first country in the region to take full advantage of IDB's disaster risk management toolkit.

With all the elements of the toolkit in place, the Dominican Republic is showing a level of preparedness rarely seen in Latin America and the Caribbean. By protecting its public finances, the government is ensuring it will be able to help its citizens at a time when they will need it the most.

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93% of Uruguay's habitants live in towns & cities

6,744 families benefited from better access to water, sewerage, drainage, electricity, garbage collection & roads for 42 neighborhoods

6% of the urban population lives in 600 informal settlements

A Growing Challenge

Uruguay's Determined Effort to Improve Urban Neighborhoods

Uruguay is a highly urbanized country, with 93 percent of its more than 3.3 million inhabitants residing in towns and cities. But this urbanization is accompanied by a growing problem. The National Institute of Statistics (INE) has found that 6 percent of the urban population—more than 50,000 households—lives in 600 informal settlements, primarily in the department of Montevideo.

Determined to address the problem head on, the Uruguayan government, in partnership with the IDB, implemented the Program for Integration of Irregular Settlements (PIAI) in 1999 to improve the lives of residents in such dwellings and prevent the emergence of new ones. The objective was to improve the lives of settlement residents and better integrate them into the rest of the city by providing access to adequate infrastructure and social and municipal services.

Completed in 2008, the project improved access to water, sewerage, drainage, electricity, garbage collection, and road access for 42 neighborhoods, benefiting 6,744 families. According to baseline data, sanitation conditions in program areas improved in comparison with neighborhoods that were not targeted by the program (control groups). Evaluations have shown that project beneficiaries also were better able to organize and work together, strengthening their sense of community and prompting some to invest in improving their own homes.

In order to build on the achievements of the first program and address the ongoing problem of irregular settlements, Uruguay and the IDB started a new neighborhood improvement program in 2009. The new program builds on lessons learned and has become one of the cornerstones of the government's social interventions. For

example, having learned that informal settlements are a consequence of lack of access to formal and affordable housing, the new program goes beyond improving access to infrastructure and social services to the most vulnerable population. It includes the revitalization of downtown areas as an alternative to low-cost formal housing and the development of urban and suburban areas with access to public and social services to prevent the creation and growth of irregular settlements.

The persistent problem of informal housing is not going away anytime soon in Uruguay or in other countries of Latin America. But through its IDB partnership programs, Uruguay is working hard to keep pace and eventually get ahead of this daunting issue.

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Ready for take-off

The sixfold increase in tourism in Costa Rica over the past three decades has brought with it the challenge to improve the country's major airport to comfortably accommodate that influx. Costa Rica has stepped up to that challenge by transforming Juan Santamaría International Airport into one of the best airports in Latin America and the Caribbean.

Located 17 kilometers from downtown San José, Juan Santamaría handles over 90 percent of Costa Rica's international traffic and 75 percent of the 2.2 million tourists who visit the country annually. In 2011, for the second year in a row, it was ranked by ACI (Airports Council International) as the third best airport in Latin America and the one that most improved its customer service. The ACI is a leading industry group, consisting of 580 members that operate 1,650 airports in 179 countries.

Specifically, the award recognized a successful three-year restructuring of the airport completed in 2011 that was supported by the IDB. The Bank partnered with the government, the U.S. Overseas Private Investment Corporation (OPIC), and the private sector firm that

took over management of the airport in 2008 to revamp airport operations, complete all pending construction works related to an ongoing expansion, and restructure existing debt.

Project financing in the form of loans from the IDB and OPIC refinanced long-term debt that funded construction activities under the first two phases of the expansion, which included extending the terminal to permanently house security, immigration and customs, and additional hold rooms, renovating boarding bridges, building remote stands for buses and additional parking facilities, and rebuilding the apron and one of the taxiways.

The project also provided the contractual stability and financing structure that will facilitate financing of the third and fourth expansion phases, enabling the airport to increase its current 3.5 million annual passenger capacity to 9 million passengers a year by

CONTINUES ON NEXT PAGE

2026. To accomplish this, the program will build sterile corridors to separate incoming from connecting passengers, expand the international terminal to accommodate more gates and parking positions, add a new modern domestic terminal, provide additional baggage claim facilities, extend the taxiway, and build a new rescue and firefighting facility and make other safety upgrades.

By expanding and improving services of such a critical transportation hub, Costa Rica not only becomes more attractive for business and tourists, it improves access to markets as well local and international trade. For Costa Rica and all who visit and do business there, José Santamaría International Airport is becoming a hassle-free airport of the future.

The Airports Council International recognized Juan Santamaría as the airport that most improved its customer service in 2011.

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Ending discrepancies in crime data

Pioneering Initiative Aims to Measure Public Safety Conditions

Determining the murder rate for countries in Latin America and the Caribbean is not an easy task. There are several sources that collect such data, from Interior Ministries to police and health departments, and each one uses a different methodology. As a result, murder rates can vary widely—the difference can be as high as 50 percent depending on the source and year.

Seeking to end such discrepancies and help the region better understand its public safety conditions and needs, the IDB launched the first Regional System of Standardized Indicators of Citizen Security and Violence Prevention (RIC) in 2008.

This pioneering crime data initiative has connected as many as 160 different institutions in 17 countries and two capitals in the region. The program has enabled different institutions to discuss and agree on how they will measure and compile crime and other statistics related to citizen security, following the recommendations and good practices of the United Nations Office on Drugs and Crime, which has joined to the project. The Organization of the American States, the World Bank, SICA (Sistema de Integración Centro América) and the United Nations Development Program have also become strategic partners of this IDB initiative.

To date, 22 indicators, including murder and victimization rates, have been standardized. By being able to compare reliable data, policymakers in a country can better understand how crime and violence affect the security situation—particularly issues related to drug trafficking. Moreover, reliable and standardized data allow countries to identify successful interventions and policies, as well as those that have failed, which can be equally useful and important for policy development.

Depending on the sources that collect data and their methodology, murder rates can vary widely. RIC has helped standarize the information gathered, making it accesible and reliable.

Countries participating in the initiative are Argentina, Bolivia, Colombia, Costa Rica, Chile, Honduras, Ecuador, the Dominican Republic, El Salvador, Jamaica, Guyana, Mexico, Nicaragua, Panamá, Peru, Uruguay, Paraguay, and the capital cities of Ecuador (Quito) and Argentina (Buenos Aires). Discussions are under way for Barbados, Brazil, Belize, and Guatemala to also join.

Thanks to the standardized data collected, it is possible to compare reliable information on critical public safety measures such as murder rates, as indicated on the infographic to the left.

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Want to go global?



INTrade by IDB

Access to information is key in today's globalized world, especially for small and medium-sized companies seeking new markets for their products. To succeed, these firms have to navigate a series of trade agreements and regulations that economists have likened to being as messy as a bowl of spaghetti.

In fact, however, the quickest, easiest, and most cost-effective way to find out about trade opportunities is only a click away at [INTrade](#), a comprehensive free-access online gateway created by the IDB that brings together information on trade agreements and tariffs along with many other regulatory measures that can apply to exports in Latin American and the Caribbean. Growth of the region's exports slowed considerably in 2012 as a result of sluggish growth in key export destinations, so supporting efforts to boost trade today are more important than ever.

The tool was upgraded last year and a new version launched with an enhanced design and user-friendly structure for easy access to content. The home page directs visitors to data aggregated into three broad topics areas (legal framework, market access, and statistics and indicators) or by type

of user (businesses, negotiators, or analysts). The data are then further broken down into subcategories that include detailed and highly-disaggregated information about trade agreement texts, preferential and non-preferential tariffs, tariff rates, quotas, rules of origin, sanitary and phytosanitary regulations, export and import flows, and economic integration indicators.

Besides helping companies seeking to export and import products and services, the information provided by the portal is also useful for policymaking. Governments can use data compiled by INTrade to prepare for trade negotiations and improve policies to attract foreign investments, as well as follow latest development in trade regulations and trends.

By compiling and systematizing trade information and making it available for everyone, IDB's INTrade is helping to break down a major barrier that has prevented countries and businesses in Latin America and the Caribbean from taking full advantage of greater globalization to create new markets for their products.

The scope and level of detail of INTrade data makes it a unique resource for the region.

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A Modern Land

UPGRADING COSTA RICA'S PROPERTY TITLING SYSTEM

Many people in Latin America and the Caribbean do not have formal titles to their land, and many of those who do are not sure that the information on the documents is correct.

With support from the IDB, Costa Rica decided to address this problem head on in 2000 through a program to modernize its land registry and cadaster system. At that time, 40 percent of the country's 1.6 million individual plot maps were considered inaccurate, duplicates, or inconsistent with official legal registries. These complications hindered efforts by Costa Rica to attract foreign investment and posed problems for retired foreign nationals seeking to make the country their new home.

The program called for Costa Rica to adopt a fully integrated computer system with easy access to aerial photographs of properties that showed borders, geographical location, and ownership information. Property owners could then verify the information and correct it if necessary.

However, progress in implementing the program was slow because of the complications involved in combining information from different government units, information systems, and cantons into the new cadaster. A pilot project in 2005 finally overcame these challenges. The fully-integrated system now uses the latest Web-based information technologies, including detailed topographic, cartographic, geodesic,

and cadaster information for each individual property. This information is then integrated into municipal tax information systems.

By the end of 2011, 70 percent of all properties in the country had had their titles verified and updated, a dramatic increase from when the program began a decade earlier. Many thousands more Costa Ricans now have confidence that their property titles are correct and in order, with all of the benefits that entails in terms of buying, selling, and investment. And with the updated property information, municipalities have been able to increase revenue collection.

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The background of the page is a photograph of a weathered wall. The wall has a white upper section with a prominent vertical crack and a lower section with red and brown textured paint. To the right of the wall, there is a large, colorful geometric graphic consisting of several overlapping rectangular blocks in shades of teal, grey, orange, and dark red.

Neglected Tropical Diseases

The Cost-Effective Investment to Fight NTDs in Mexico

Manuel Monterrosa first noticed his eyes were sensitive to sunlight when he was teenager. He never received treatment for onchocerciasis, known as river blindness, and eventually lost his sight.

The good news?

The drugs to fight these diseases are cheap and safe, a cost-effective public health intervention.

At the end of 2011, Maria Rodriguez, who lives in the mountains in Huixtán in Chiapas, Mexico, started having such serious problems with her eyes that she could barely do her daily chores such as cooking and preparing her children for school.

Living in a remote area, she would not have been able to treat her condition if it had not been for a health worker, a brigadista in Spanish, who visits her home regularly. The health worker diagnosed Rodriguez's pink eyes and swollen eyelids as trachoma, an infectious disease that can cause blindness if left untreated.

Rodriguez, who started taking antibiotics to treat the disease, is one of more than 132,000 people who have received health treatment through a program to combat neglected tropical diseases (NTDs), a group of little-known infectious diseases ranging from trachoma to leishmaniasis that are disabling, disfiguring, and deadly. The program is run by the Chiapas government with funding from the IDB.

NTDs occur disproportionately among poor and marginalized groups, reducing their chances of breaking the cycle of poverty. The diseases affect more than 100 million people in the Americas, mostly in poor rural communities and urban slums, and are linked to a range of social and environmental factors. In Chiapas, for example, most homes have dirt floors and lack access to potable water and sanitation. More than half of the population is illiterate. Due to these conditions, more than 300,000 people in Chi-

apas, mostly members of indigenous communities, are at particular risk of contracting NTDs.

The Chiapas pilot program integrates coordinated prevention and control activities for all the diseases, exploring effective ways to combine health, water supply, and sanitation interventions with other initiatives such as primary care, conditional cash transfers, housing, and preventive actions such as contagion control.

The project has also invested in public awareness campaigns to help reduce the risk of infection for the entire population of 4 million people in Chiapas. Radio shows produced in Tzotzil and Tzeltal, two main local indigenous languages; target more than 100,000 inhabitants in San Cristóbal de las Casas and surrounding municipalities. The shows depict real-life situations with information about modes of transmission, risk factors, and treatments and cures for NTDs.

In addition, nearly 4,000 students in six public schools in endemic municipalities have participated in educational and social mobilization activities, including workshops for face and hand washing, games and



theater, and the creation of educational materials using the local languages.

Given its integrated approach that incorporates measures to fight NTDs into several existing government initiatives, this program is serving as a regional pilot to facilitate the development of an NTD agenda in Latin America and the Caribbean. The experience in Chiapas is expected to provide important lessons that could help other countries develop priorities for integrated disease control, project implementation, advocacy, and resource mobilization.

The good news is that there are cheap and safe drugs to fight these diseases, making it one of the most cost-effective public health interventions available. According to the Pan American Health Organization (PAHO), the return on the investment from controlling these diseases is estimated at 15 to 30 percent. Decreasing the incidence of NTDs improves school attendance by strengthening the health of children, protects the health of pregnant women, and improves the productivity of the workforce by preventing disabilities.

A comprehensive and cost-effective effort region-wide to take on NTDs may well have started in the hills of Chiapas.

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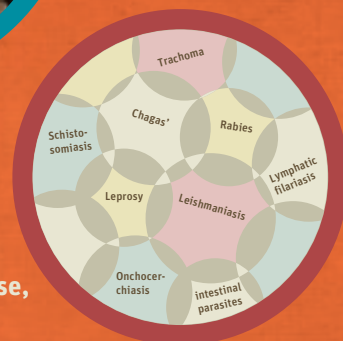
THE PROJECT IN NUMBERS



132,000+
people treated
for NTDs

Targeted Diseases

included: trachoma,
leishmaniasis, Chagas' disease,
soil-transmitted helminthes



4 million+
benefited indirectly
from reduced
risk of infections

Informational radio shows in
Tzotzil and Tzeltal, the area's
2 indigenous languages, targeted

100,000 people
in and around San Cristóbal de las Casas



3,900+ students

from 6 endemic-area public schools
participated in educational and
social mobilization activities:
hand & face washing workshops
games & theater
creation of educational
materials in local languages





Learning

Agricultural productivity in the Dominican Republic is a work in progress



In the Dominican Republic, the agricultural sector's share in the economy has been in steady decline because of slowing productivity.

Over the past two decades, the sector's share has fallen from 12 percent to 7.6 percent of GDP. This has constrained the government's efforts to improve living conditions in rural areas, home to a third of the population, half of them living below the poverty line.

In 2002, the Dominican Republic and the IDB began to work together on a program to address this problem. The aim was to increase the productivity of small farmers so they could take

through a combination of government grants and the farmers' own resources.

PATCA helped more than 10,000 farmers, successfully reaching its target. An evaluation conducted by the IDB's Office of Evaluation and Oversight found that the technologies financed through the program improved agricultural productivity, particularly for rice producers and cattle breeders. The evaluation was based on a survey of 1,572 beneficiaries.

Among rice growers, who adopted land-leveling techniques for more efficient irrigation, production value per unit of land cropped more than

techniques to address the unanswered questions.

The new phase will finance the adoption by small farmers of eight different types of agricultural technologies over the next four years, ranging from micro-aspiration irrigation to post-harvest logistics for vegetables and fruits. The program will evaluate these techniques using a randomized control trial that compares farmers who adopted the different technologies with others who did not participate in the program.

Results from this evaluation will allow the Dominican Republic to know

what works

advantage of trade agreements to boost their exports. A key component of the program, completed in 2010, taught farmers new agricultural techniques, including land leveling, minimum plowing, drip irrigation, and pasture conservation measures.

To be eligible for the program, known as PATCA, its Spanish acronym, farmers needed to be working a formal plot of land. Participants ranged from rice and fruit growers to cattle breeders and milk producers. In partnership with 78 private companies, participating farmers chose the techniques most appropriate for their products and then worked with one or more companies to implement them. Companies were paid

doubled. In the case of cattle breeders, who adopted pasture conservation techniques, the average weight per head of cattle increased by 17 percent when compared to a group that did not participate in the program.

Given the small sample of beneficiaries and insufficient comparative data about farmers who did not participate in the program, the evaluation could not provide information about the effectiveness of the other agricultural techniques made available. However, the promising results in the areas evaluated led the government and the IDB to start a second phase of the program in 2011, incorporating a rigorous impact evaluation that uses experimental

what technologies work best, a big step in transforming agriculture into a thriving sector that can help generate enough income to lift millions out of poverty.

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Top left: typical slum homes built along igarapés. Above right: PROSAMIM project construction. Right: children playing in their new neighborhood.



The Fernandes family is one of thousands of households that have benefited from a sanitation and urban development program in Manaus, capital of Amazonas, a state that covers a significant portion of the world's largest rainforest. In coordination with 17 public agencies and the IDB, Amazonas has been implementing what is called the Social and Environmental Program (PROSAMIM), since March 2006.

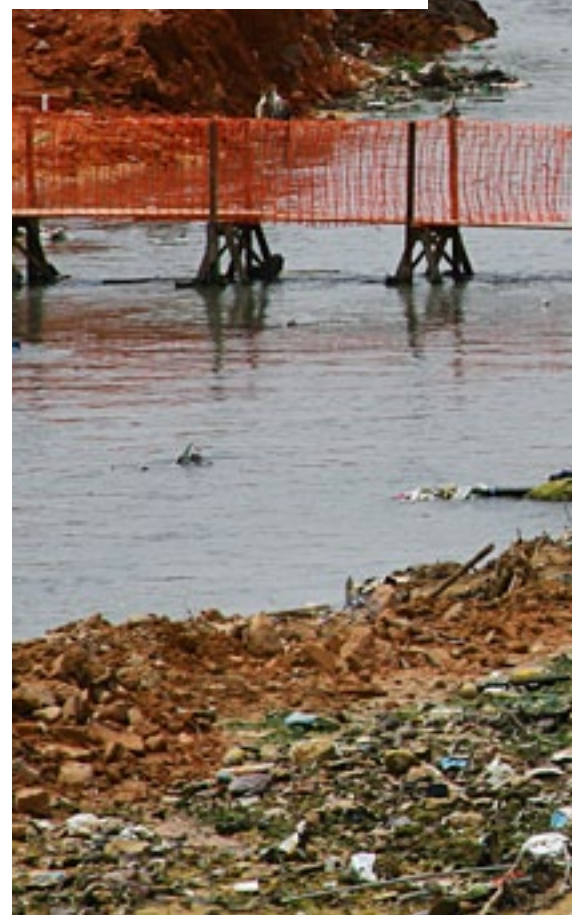
The program is addressing the environmental and social impact of a frantic and chaotic urban expansion that began three decades ago when Brazilians flocked to Manaus for a chance at a better life. The state population jumped five-fold in just three decades. Like the Fernandes family, many settled along the Rio Negro's floodplains, bordering the seasonal tributaries, known as igarapés, which are constantly at risk of flooding and have no electricity, potable water, or sewer system. Today, an estimated 600,000 people live in precarious conditions in the Educandos-Quarenta watershed near where the oldest part of Manaus was built.

Through the program, 11,539 families living in the watershed have

been relocated to safer, better housing, including the Fernandes family. The program has also built 22,400 meters of drainage works and sewer connections and 30,076 meters of paved roads. Rebeca and her friends can now play in three newly-built state parks. Beneficiary households have electricity, clean water, and sewerage and live in communities with basic infrastructure such as roads.

This entire process has been developed under a carefully planned environmental management system, including ample public consultation and community involvement, establishment of a Program Management Unit, and even training for families about community sanitation and conservation.

The results to date offer a promising precedent for reproducing this experience throughout the city of Manaus. The IDB is currently starting a new phase of the program for those living below the 30-meter flood contour in the São Raimundo watershed. As that program phase unfolds, we'll be helping many other families like the Fernandes' and many other happy and safer children like Rebeca and her friends.



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From Stilts to Dry Land

Like any child, Rebeca Fernandes is thrilled playing in and around her new home, which in her case is on the shores of the Negro River in Manaus, Brazil. The difference is that when Rebeca's family recently changed address, her new home was on dry land instead of on stilts over fetid waters. She no longer walks precariously on floating wooden boards to play with her next door neighbor. And most importantly, she doesn't get sick anymore from contaminated water.

The population of Amazonas increased 24% from 2000 to 2010—one of Brazil's fastest growing states. The population of Manaus jumped five-fold in three decades.





Keeping heroes in the school

Finding New Ways to Retain Teachers in Rural Mexico

In remote villages of rural Mexico, home to the country's poorest and most marginalized populations, one of the biggest challenges to improve the quality of education is decrease the attrition rate for those who teach there.

Domingo Ruperto Díaz González, an 18-old primary teacher in Las Pilas, a rural village in the Mexican state of Chiapas, may hold the key to help solve the problem.

Díaz teaches 10 children at a school that has no plumbing or electricity. He is taking part in the Community Education Program aimed at reducing the 30

percent attrition rate for community instructors. The path-breaking program targets isolated hamlets like Las Pilas that are too sparsely inhabited to justify the construction of a traditional school.

Because it is so difficult to find career schoolteachers willing or able to work in such areas, the program relies on voluntary instructors who, like Díaz, are usually young adults with the necessary skills who agree to live and teach in rural communities for at least one year in exchange for a modest stipend and a scholarship to continue their education once they complete the program.

Mexico is seeking to enhance incentives to retain teachers in the program after a baseline survey done in cooperation with the IDB identified reasons why they leave. These reasons include the stipend being insufficient to cover living expenses, difficulties adapting to life in the community where they've been assigned, or family problems.

As a result of the survey, Mexico, with the help of the IDB, has now increased the stipend by 50 percent for all instructors in the 172 most marginalized communities and is also testing different payments schedules. One group, in which Díaz is included,

is receiving lump-sum payments in addition to the regular monthly stipend at the beginning of every quarter, while another group is receiving the equivalent amount distributed in equal payments at the end of every month. The goal is to find out whether more cash in the hands of instructors helps them better allocate their resources and be able to afford goods and services that help reduce their hardship while living in their assigned community.

However, the program also recognizes that beyond any monetary issues, the isolation and challenges of the rural environment can sometimes prove too harsh for even the most committed volunteers like Díaz. One response has been to give teachers a “perseverance sheet” that recognizes them for their effort and upgrades their status every two months with titles that start with “apprentice” and graduate to “hero” if they remain until the end of the school year.

Both the stipend and the perseverance sheet initiatives will be rigorously evaluated, with reports expected to be ready by mid-2013. The findings may help not only Mexico but also other countries in the region seeking cost-effective ways to decrease teacher attrition in hard-to-teach posts. Ensuring that teachers can meet their basic needs is part of the solution, but finding innovative ways to say thank you for their dedicated work may well be just as important.

Teaching in Rural Mexico: THE CHALLENGE

333,593 students

36,707 community instructors

20.4%
of instructors
leave during the
school year

80%+

of students have either
an insufficient or only a
basic level of Spanish &
math for their grade level

Sources: CONAFE, Mexico 2012

Ernestina Pérez Collazo, Community Instructor in the Primary Level indigenous Education Program, Chamula



Why are Mexico's volunteer rural teachers leaving their jobs?

43%
can't adapt
to life in the
community

28%
cite personal
reasons:
family problems,
continuing
their studies,
marriage, etc.

18%
leave for
financial
reasons

10% didn't
report a reason

Sources: Survey of 6,910 instructors, tutors, and advisors that left the Community Education Program between September and December 2010.

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Team Leader:
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“ I now have the certainty
that the land I own is legal ”



This is my Land

How Land Titling Can Boost Access to Credit for Farmers in Ecuador

The Facts

Agriculture accounts for

9% GDP



Agriculture employs over

1/4 of Ecuador's labor force

There are about

2.7 million

rural properties in Ecuador

1.62 million

plots have no updated records

324,000

properties have no titles

Results so far...



45,857

property titles were granted



cadastral information generated for

100,000

rural plots



\$800–\$900

average annual income increase

Expected results for the new phase

The registry program will expand to

50

cantons

The cadastre of **800,000** properties will be updated

The status of **170,000** properties will be clarified

For more than 70 years, the Herrera family has owned and farmed 300 hectares in the municipality of Pimamiro in northern Ecuador. The family had a deed for the land but it provided few details about the exact property lines, which areas had been set aside as protected areas, and in which parts farming was allowed.

That changed about three years ago when a pilot project financed by the IDB established a modern, reliable, and continuously updated system to secure land ownership rights in eight rural cantons. The program generated or updated the cadastral information of over 100,000 rural plots and reduced problems with informality, like the ones faced by the Herreras. In all, more than 45,857 property titles were granted through the program.

"I now have the certainty that the land I own is legal," said German Herrera, the family patriarch, who operates a

dairy farm on the property. Herrera said the program has given him the certainty that he was farming on the right plot of land—another portion of his land is destined for conservation—and that the taxes he was paying were correct.

The project developed a cost-effective and agile methodology to register and physically measure properties on a large scale. The registry process was implemented with the participation of local governments and beneficiaries.

An impact evaluation of the project suggests that land formalization, which complemented government measures already in place to boost lending to the agricultural sector, has contributed to improved access to credit for farmers. With the help of this expanded credit supply, farmers project-wide who obtained formal land titles also boosted production and increased their annual income on average between \$800 and \$900 by the time the project ended in 2009.

These preliminary results have prompted the Ecuadorian government to expand this registry program to another 50 cantons. The new phase, financed by an IDB loan approved in 2010, is expected to update the cadaster of 800,000 of the 2.7 million estimated rural properties in the country. The legal status of tenure will be clarified for approximately 170,000 properties.

This new project incorporates a rigorous evaluation that will not only assess the impact of the project on credit, investments, production, and the performance of rural land markets but also on how land formalization can affect municipal revenue collection. Results from that evaluation, expected in 2015, may shed light on how to best develop specific agricultural policies to help Latin American farmers with formal land titles obtain loans, increase production and income.

Team Leader:

Luis Hernando Hintze / luishh@iadb.org

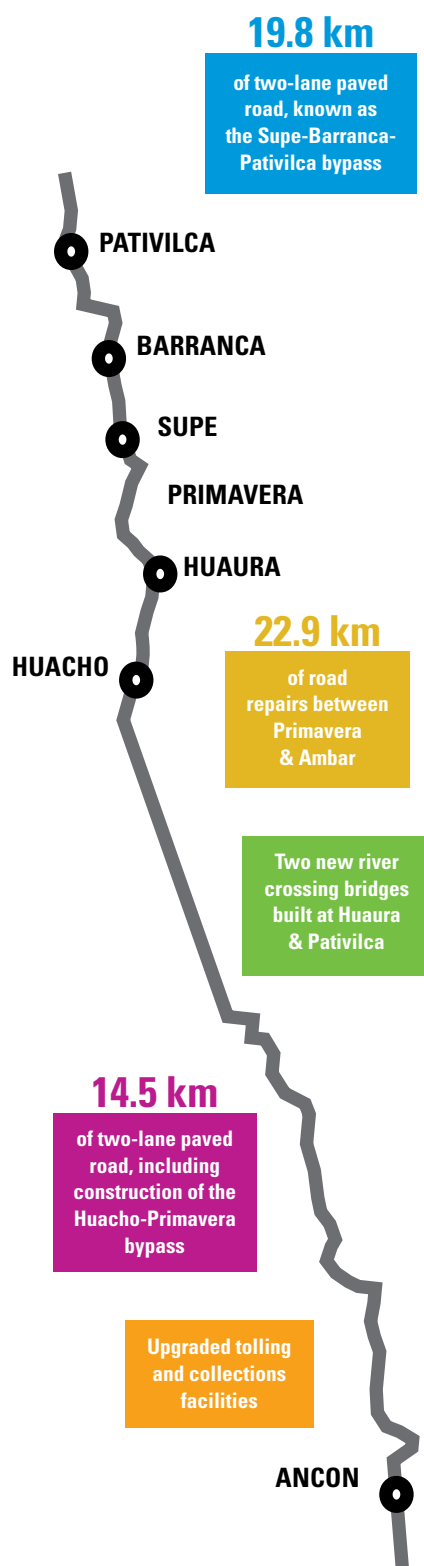
Paving the Road to the Future

PUBLIC-PRIVATE PARTNERSHIP TRANSFORMS A ROAD SYSTEM & A REGION IN PERU

BETTER ACCESS BETWEEN LIMA & NORTHERN PERU

78

DEVELOPMENT THAT WORKS | DEO 2012



A decade ago, the only way to transport goods from the Port of Callao in Lima to the northern part of Peru was on the 183-kilometer Ancón-Huacho-Pativilca road system, a maze of narrow two-lane roads through a series of densely populated areas. For trucks transporting cargo the countless traffic jams cost precious time and money. For the local populations, the costs were felt in terms of congestion, noise and road safety.

Fortunately, today those problems have been mitigated thanks to a unique partnership between the Peruvian government, the private sector, and the IDB. As part of a Highway Development Plan designed to attract private investment in the country's roads, the Peruvian government in 2003 handed over management and maintenance of the Ancón-Huacho-Pativilca system to Norvial S.A., a special-purpose company, under a 25-year concession.

The IDB then joined in to help finance the road expansion, upgrading, operation, and maintenance.

Construction works completed during the first three years of the concession included two bypasses totaling 34.2 kilometers and detours to direct heavy traffic away from urban areas. The project also repaired existing roads, built two new bridges, and upgraded toll facilities. The improvements cut travel time by as much as third, im-

proved access to the capital, and helped reduce congestion and the emission of toxic pollutants in populous areas.

In addition to providing sustainable long-term financing for the project, the IDB also helped strengthen the concession structure, improve the legal framework, and design environmental and social standards. For example, the Bank worked closely with the Ministry of Transportation and Communications as well as the regulator to strengthen the regulatory documentation prior to the Bank's financing. In particular, given the complexity of the construction works and the interface with local communities, the IDB played an important role in managing resettlement issues and addressing concerns of communities that were affected by the project.

Norvial is currently working with the IDB to improve road safety to reduce the number of traffic accidents.

By facilitating the transport of agricultural and manufacturing products to commercial centers around Lima and the Port of Callao, the new road system has played a central role in the development of Peru's northern region, which has grown at faster rates than the rest of the country in recent years. Put simply, better and safer highways save time and money for users of the system as well as those living around the highway.

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The Smart Fight

The Best Available Scientific Data and Cutting-Edge Technology Against Beach Erosion and Natural Disasters in Barbados

The construction of a kilometer-long boardwalk between Rockley and Coconut Court on the southern coast of

Barbados is not only a tourist attraction—it also provides safe access to beaches and has increased beach width by nearly 20 meters.

The six-to-twelve-foot deep boardwalk and its related engineering infrastructure represent the culmination of a series of measures that have propelled Barbados to the forefront of coastal management in Latin America and the Caribbean. Working with the IDB since the 1980s, the country has successfully established the legal and institutional framework needed to protect its coast and has acquired the technical know-how to assess, monitor, and manage complex physical processes that shape its coastline.

With that knowledge and institutional capacity in place, Barbados has been able to implement coastal infrastructure works that are environmentally sustainable and resilient to

natural disasters, and that utilize the most advanced engineering techniques to limit maintenance costs over time.

Given its comprehensive approach to coastal and marine management, Barbados is considered today a best-practice model for the Caribbean. From 2002 to 2009, the country built headlands, breakwaters, retaining walls, and walkways and revetments to stabilize its shoreline and control beach erosion on the south and west coasts. The key for Barbados to design and carry out cost-effective sustainable beach nourishment operations has been understanding shoreline dynamics based on the best available scientific data and cutting-edge technology that takes into account disaster risk and the impact of climate change

The country's coastal management has been a boost to the tourism industry, which employs nearly half of the population. With hazard-resilient infrastructure and safer access, the island's beaches become more attractive for tourists, helping increase revenues of local businesses. According to a 2009



survey, half of business respondents in the areas benefitted by the projects indicated that monthly revenue increased by as much as 5 percent.

And it doesn't hurt to have beaches that are larger. As a result of the project, beach volume has increased by 26,000 cubic meters, which amounts to an increase in average beach width of 20 meters. You can see it all...on the boardwalk!

Team Leaders:

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Barbados & the Sea

Project Results

3.5 km. of public beach added.

Continuous & safe, along the south & west shoreline since 2010.

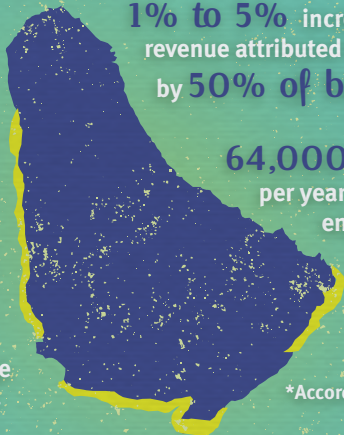
Beach volume increased 26,000 m³.

This equates to an average 20 meters of beach width.

1% to 5% increase in monthly revenue attributed to the project reported by 50% of businesses*

64,000 person-hour per year increase of safe & enjoyable coastal access via the boardwalk

*According to a 2009 survey.



The Facts

97 km. of coast

44% of the population lives near the coast

95% of tourism areas are in or near the vulnerable coastal zone

Tourism accounts for:

39% of GDP

50% of export earnings

44% of employment

Approximately 35 percent of the Colombian adult population has no access to any formal financial services and are considered “unbanked,” according to the Colombian Banking Association. Some 79 percent of adults have no access to credit cards.

The evidence shows that most of the unbanked population earns less than the minimum wage, has higher unemployment levels than those with access to financial services, and is significantly more likely to have lower educational levels and work in the informal sector.

How do such households function? The unbanked use friends, family, or informal money lenders as sources of credit and pay significantly higher interest rates. In Medellín, for example, interest rates on a personal loan from an informal money lender can be more than 100 percent a year, compared to the 20–30 percent that might be typically charged by a commercial bank.

To change this situation, Empresas Públicas de Medellín (EPM), the city’s utility company, launched the *Financiación Social* program in 2008 to provide accessible credit lines for its poorest and typically unbanked client base to purchase energy-efficient appliances, IT products (e.g. computers and tablets) and undertake home improvement projects.

With support through the IDB’s Opportunities for the Majority, the program uses EPM’s business platform to assess credit risk via clients’ utilities payment records. With long-term knowledge of their customers’ credit histories, EPM provides credit at more reasonable rates to eligible customers and then bills them through their monthly utility bill.

EPM has 1.9 million utilities clients, one of them being Sandra Yanette Echavarria,

who used a loan obtained through the program to purchase appliances, including a new refrigerator. When finishing the payments, she plans to take out another loan to buy a water heater, as well as a laptop computer for her children.

The final impact is yet to be measured, but the program is showing good short-term results and long-term outcomes. Since 2008 EPM has issued a total of 90,000 cards and lines of credit. During 2012, *Financiación Social* had extended a total of \$41.6 million in loans to almost 26,488 new EPM clients, 84 percent of whom were from the country’s three lowest income strata and 2,000 were banked for the first time. More than half of all beneficiaries were women and around 12%

of EPM clients had no prior credit history before

the program. Originally, EPM had expected that clients would mostly use the loans to purchase energy-efficient appliances and home improvements, but the actual results have showed that around 36% of clients in low-income strata used loans to get access to information technology, perceived as one of their primary needs.

Repayment performance is reported to one of Colombia’s credit bureaus and thus helping beneficiaries build up a credit history, which should make it easier for them to obtain other forms of financing in the future. For clients like Echavarria, who is upgrading her home and building a formal credit history at the same time, the program has opened up opportunities never before available to improve the quality of life for her family.

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Banking the Unbanked in Colombia



35% of the population is UNBANKED

84% of them come from the 3 lowest income strata

50% were women

38% of loans have been used on home improvements

36% of the loans have been used on IT products

25% has been used on energy efficient appliances

79% have no access to credit cards

By 2012 *Financiación Social* extended US\$41.6 million loans to 26,488 new EPM clients

Just a Click Away

How to Help Chile Save Time & Money

Chile has long had one of the highest Internet penetration levels of all the countries in Latin America and the Caribbean. The question has been how to turn this into a tool to support the country's economic and social development.

The answer came when Chile, as part of an ambitious ongoing digital development strategy, decided in 2004 to revamp its e-government platform and expand its range of public services over the Internet for citizens and businesses.

With support from the IDB, the country developed a user-friendly, one-stop shop Web platform of electronic services to save Chileans time and money. The platform, known as ChileAtiende, allows Chileans with Internet access to quickly access a wide range of government services, including reporting and blocking lost identification documents, searching for jobs, and enrolling in social assistance programs.

Completed in 2010, the project also upgraded the electronic government procurement platform to increase its visibility and transparency, and to expand the range of business opportunities for potential government suppliers. The project also offered digital literacy programs and public awareness campaigns to inform citizens about online government services.

During the course of the project, the number of online services offered by the central government through ChileAtiende rose from 350 to 450, an increase of 29 percent. The number of visitors to the portal more than doubled, reaching 4 million unique visits in 2010.

Purchase orders published and awarded through the government's electronic procurement platform ChileCompra, also part of the project, rose from 917,000 in 2005 to 1.6 million in 2010, an increase of 79 percent. By making its purchases more transparent and accessible, the government created a strong incentive for micro and small companies to go digital in order to bid for contracts. As a result, these companies today supply over a third of the orders awarded on the portal.

The project supported the development of another high-impact innovation: a platform that interconnects government agencies, which allows them to exchange data in real time. By enabling different agencies to talk to each other electronically, the platform reduces the amount of steps required for Chileans to obtain official documents and access certain government services, such as pensions. By the end of 2010, the platform had linked information systems from 20 different government agencies, facilitating the exchange of data for 48 procedures and 39 information services.

With such a range of government services just a click away, Chile is showing how greater connectivity can foster development.

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Water for Peru's Desert Capital

Team Leader:

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82

DEVELOPMENT THAT WORKS | DEO 2012

The capital city of Lima is located in the valleys of three rivers on a desert coast overlooking the Pacific Ocean in central Peru. It is mild and warm throughout the year and noteworthy for being one of the driest capitals in the world. It just doesn't rain much in Lima, yet its growing population of nearly 9 million people, many of them impoverished, needs water.

As with many cities in Latin America, Lima has burgeoning slums (called *pueblos jóvenes*) that are now spreading to the higher parts of the hills surrounding the city. Access to water along these dry and jagged slopes is precarious and

living conditions are substandard. So in line with the Millennium Development Goals, the Peruvian government created the "Water for All" program to help extend and improve water and sanitation services in the *pueblos jóvenes*, as well as in low-income areas in the country's other largest cities.

As Peru's partner in addressing these challenges, the IDB financed three of the nine projects under the program: Sargento Lorentz, Amauta Valley and Carabayllo. SEDAPAL, Lima's water and sewage utility, implemented the program, delivering potable water to 21,504 families, and sewer service to 18,263 families in the three projects financed by the IDB.



Results in Numbers:

New Service Connections			
Water	Sewerage	Combined	Population
7,429	5,211	12,640	92,146
4,115	3,898	8,013	41,240
9,960	9,154	19,114	107,243
21,504	18,263	39,767	240,629

**Sargento
Lorentz**

**Amauta
Valley**

**Integral
Carabayllo**

TOTAL

A 2010 evaluation of the first three years of the program found that 83 percent of households interviewed had toilets and 70 percent had drainage and water connections installed under the program.

The impact of such programs on health is well established. Better access to water and sanitation services improves health and economic conditions for the population. Diarrhea, cholera, dysentery, typhoid, and some respiratory diseases can be prevented by providing clean water and adequate sewage disposal service, according to the United Nations' 2012 Global Analysis and Assessment of Sanitation and Drinking-Water. For example, the World Health Organization reports that improved sanitation reduces diarrhea-related death rates by a third, mostly among children under the age of five living in developing countries.

Moreover, improved water and sanitation services support economic development by reducing the frequency of disease, making people more productive and curbing demand for health services. That's particularly important in Lima, which accounts for two-thirds of Peru's industrial production and needs a healthy workforce.

Globally, investment in water and sanitation has generated \$7 billion in savings a year for health agencies and \$340 million in savings for households, according to WHO estimates. Such savings allow governments to use public resources for other development initiatives. By investing to create safer and healthier households in Lima's *pueblos jóvenes*, the Government of Peru is improving its citizens' lives and the overall economic and social development of the country.

Improved water and sanitation services support economic development.

Still curious about Development that Works?

FOLLOW OUR BLOG

http://blogs.iadb.org/desarrolloefectivo_en/



Read more about
NEW & EFFECTIVE ways we
measure
the impact of
our projects to fight
poverty & exclusion in
LATIN AMERICA & THE CARIBBEAN

Demonstrating Results from our Strategic Focus

The Results Framework provides key information about the IDB's performance and the Bank's main contributions to the development of Latin America and the Caribbean. It was created as a tool to guide and measure progress in achieving results in the Bank's five institutional priorities for the period between 2012 and 2015.

These strategic priorities were set by the Ninth General Capital Increase agreement (GCI-9), which was ratified by the Bank's Board of Governors in 2012. The Results Framework is comprised of four components. This chapter contains progress made in all components. The first shows the region's progress in addressing long-term development challenges. Indicators in this table provide context to the Bank's work and cannot be directly attributed to the IDB because they are

the result of a combination of actions, policies and measures implemented or funded by countries and other partners. The second summarizes how the IDB is contributing to the region's development by measuring progress in achieving key outputs. The third details how the Bank is allocating its lending capacity to achieve results in one geographical and three strategic areas. The fourth shows progress in achieving operational effectiveness and efficiency targets.

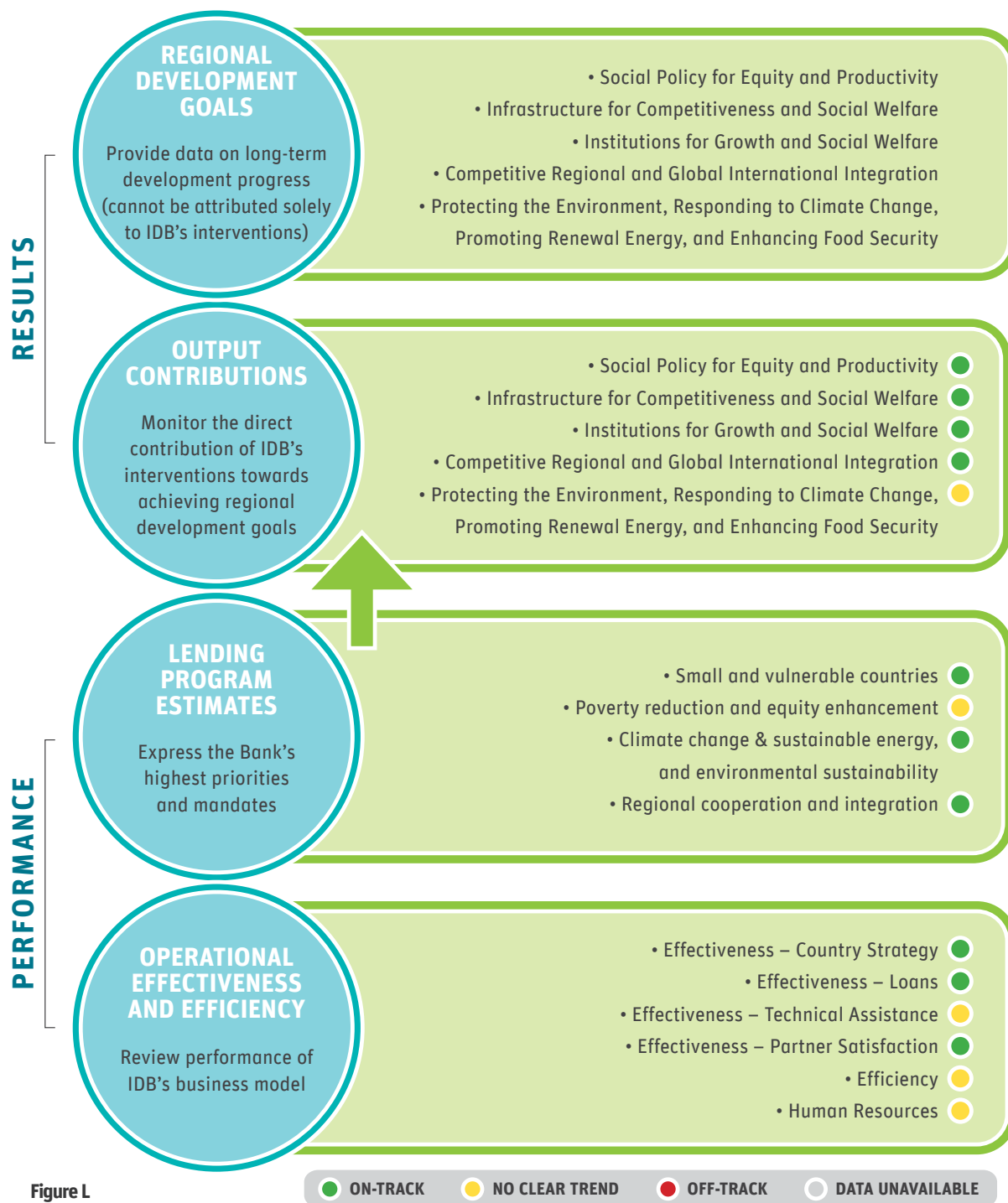


Figure L

Monitoring GCI-9

The traffic light status is intended to assess both progress to date on all indicators and the likelihood of achieving the 2015 targets for indicators with targets. The output status considers both actual progress as of December 31, 2012 and planned progress for the remainder of the Results Framework period (2013-2015) for approved sovereign guaranteed

operations, and where applicable, projections for non-sovereign guaranteed operations. Overall, the Bank is on track to reach the majority of its expected output targets, reflecting country demand for projects in these sectors. Details for the methodology can be downloaded at www.iadb.org/2012DEO/trafficlight.

Table A

Regional Development Goals

GOAL	BASELINE		PROGRESS IN 2012	
	VALUE	YEAR	VALUE	YEAR
1 - SOCIAL POLICY FOR EQUITY AND PRODUCTIVITY				
2.1.1 Extreme poverty rate	12.60%	2007	12.30%	2010
2.1.2 Gini coefficient of per capita household income inequality	0.55	1999–2004	0.51	2006–2011
2.1.3 Share of youth ages 15 to 19 who complete ninth grade	47%	2000–2007	60%	2009–2011
2.1.4 Maternal mortality ratio (modeled per 100,000 live births)	100	2000	80	2010
2.1.5 Infant mortality rate (per 1,000 live births)	21	2007	18	2010
2.1.6 Share of formal employment in total employment	46.30%	2007	53%	2010
2 - INFRASTRUCTURE FOR COMPETITIVENESS AND SOCIAL WELFARE				
2.2.1 Incidence of waterborne diseases (per 100,000 inhabitants)	9.6	2002	5.9	2008
2.2.2 Paved road coverage (Km/Km ²)	0.038	2001–2006	0.034	2004–2009
2.2.3 Percent of households with electricity	93%	2007	94%	2011
2.2.4 Proportion of urban population living in dwellings with hard floors Proxy*: Proportion of urban population living in slums	29.20%	2000	23.50%	2012
3 - INSTITUTIONS FOR GROWTH AND SOCIAL WELFARE				
2.3.1 Percent of firms using banks to finance investments	19.60%	2006	33.60%	2010
2.3.2 Ratio of actual to potential tax revenues Proxy*: Actual tax revenue collected (% of GDP)	17.70%	2007	19.40%	2011
2.3.3 Percent of children under five whose birth was registered	89%	2000–2007	91%	2000–2010
2.3.4 Public expenditure managed at the decentralized level as percent of total public expenditure	20%	2007	25.53%	2009
2.3.5 Homicides per 100,000 inhabitants	25.1	2008	24.6	2010
4 - COMPETITIVE REGIONAL AND GLOBAL INTERNATIONAL INTEGRATION				
2.4.1 Trade openness (trade as percent of GDP)	84.90%	2004–2007	82.50%	2008–2011
2.4.2 Intra-regional trade in LAC as percent of total merchandise trade	Exports: 24.2%	2004–2007	27.80%	2008–2011
	Imports: 33.1%		33.90%	2008–2011
2.4.3 Foreign direct investment net inflows as percent of GDP	4.20%	2004 – 2007	4.50%	2007–2010
5 - PROTECTING THE ENVIRONMENT, RESPONDING TO CLIMATE CHANGE, PROMOTING RENEWABLE ENERGY, AND ENHANCING FOOD SECURITY				
2.5.1 CO ₂ emissions (kilograms) per \$1 GDP (PPP)	0.29	2006	0.28	2009
2.5.2 Countries with planning capacity in mitigation and adaptation of climate change	3	2009	13	2012
2.5.3 Annual reported economic damages from natural disasters	\$7.7 b	2007	\$5.1 b	2011
2.5.4 Proportion of terrestrial and marine areas protected to total territorial area (%)	19.30%	2009	19.30%	2010
2.5.5 Annual growth rate of agricultural GDP (%)	3.66%	2005–2007	1.78%	2008–2010

*A proxy is reported due to the unavailability of data for the original indicator.

Sources:

SEDLAC data • UN MDG Report Statistical Annex, 2012 • WDI Report, 2012 • WHO data • World Road Statistics, 2011 • OLADE data • World Bank and IFC Enterprise Survey • State of the World's Children Report, 2012 • UNODC data • EM-DAT • CEPAL Anuario estadístico de América Latina y el Caribe, 2011

Table B

Outputs Contribution to Regional Goals

IDB support has contributed to significant results achieved by country members to pursue the joint overarching objective of reducing poverty and inequality and promoting sustainable growth. These outputs are representative of the Bank's interventions, but are not to be considered exhaustive as Bank operations will generate other outputs as well.

	BASELINE¹ 2005–2008	BASELINE DIS- AGGREGATED OUTPUTS 2012²	PROGRESS IN 2012³	GCI TARGET 2012–2015	STATUS⁴
1 - SOCIAL POLICY FOR EQUITY AND PRODUCTIVITY					
3.1.1 Students benefited by education projects (girls, boys)	3,200,000		4,015,874	8,500,000	●
(a) girls	*	1,967,778	1,967,778	n/a	
(b) boys	*	2,048,096	2,048,096	n/a	
3.1.2 Teachers trained	175,000		66,957	530,000	●
3.1.3 Individuals (all, Indigenous, Afro-descendant) receiving a basic package of health services	2,000,000		9,600,750	23,000,000	●
(a) Indigenous	*	3,140	3,140	n/a	
(b) Afro-descendants	*	2,656,412	2,656,412	n/a	
3.1.4 Individuals (all, Indigenous, Afro-descendant) receiving targeted anti-poverty program	n/a		10,895,153	16,000,000	●
(a) Indigenous	*	529,715	529,715	n/a	
(b) Afro-descendants	*	312,403	312,403	n/a	
3.1.5 Individuals (all, men, women, youth) benefited from programs to promote higher labor market productivity	n/a		313,302	600,000	●
(a) men	*	123,294	123,294	n/a	
(b) women	*	190,008	190,008	n/a	
3.1.6 Number of jobs added to formal sector	129,000		14,291	160,000	●
2 - INFRASTRUCTURE FOR COMPETITIVENESS AND SOCIAL WELFARE					
3.2.1 Households with new or upgraded water supply	1,500,000		381,639	2,770,000	●
(a) Indigenous	*	22,861	22,861	n/a	
(b) Afro-descendants	*	20,706	20,706	n/a	
3.2.2 Households with new or upgraded sanitary connections	680,000		156,058	3,600,000	●
(a) Indigenous;	*	14,087	14,087	n/a	
(b) Afro-descendants	*	TBD	u/d	n/a	
3.2.3 Km of inter-urban roads built or maintained/upgraded	22,000		9,560	53,000	●
3.2.4 Km of electricity transmission and distribution lines installed or upgraded	2,000		2,138	1,000	●
3.2.5 # of Households with new or upgraded dwellings	n/a		27,005	25,000	●
(a) Indigenous	*	TBD	u/d	n/a	
(b) Afro-descendants	*	TBD	u/d	n/a	

	BASELINE¹ 2005-2008	BASELINE DIS- AGGREGATED OUTPUTS 2012²	PROGRESS IN 2012³	GCI TARGET 2012-2015	STATUS⁴
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3 - INSTITUTIONS FOR GROWTH AND SOCIAL WELFARE

3.3.1 Micro/Small/Medium productive Enterprises financed	220,000		584,064	120,000	
3.3.2 Public Financial systems implemented or upgraded (budget, treasury, accounting, debt, and revenues)	24		21	28	
3.3.3 Persons incorporated into a civil or identification registry	n/a		5,003,047	3,000,000	
(a) women	*	2,501,524	2,501,524	n/a	
(b) men	*	2,501,523	2,501,523	n/a	
(c) Indigenous	*	250,152	250,152	n/a	
(d) Afro-descendants	*	350,213	350,213	n/a	
3.3.4 Municipal and other sub-national governments supported	n/a		146	1,000	
3.3.5 Cities benefited with citizen security projects	n/a		26	32	

4 - COMPETITIVE REGIONAL AND GLOBAL INTERNATIONAL INTEGRATION

3.4.1 # of public trade officials and private entrepreneurs trained in trade and investment	n/a		16,779	65,000	
(a) women	n/a	5,034	5,034	n/a	
(b) men		11,745	11,745		
3.4.2 Regional and sub-regional integration agreements and cooperation initiatives supported	n/a		11	10	
3.4.3 # of cross border and transnational projects supported (infrastructure, and customs, etc)	26		18	22	
3.4.4 Number of International trade transactions financed	561		1,127	1,000	
3.4.5 Mobilization volume by NSG financed projects/companies	\$25.3 billion		\$7.6 billion	\$31.2 billion	

5 - PROTECTING THE ENVIRONMENT, RESPONDING TO CLIMATE CHANGE, PROMOTING RENEWABLE ENERGY, AND ENHANCING FOOD SECURITY

3.5.1 Power generation capacity from low-carbon sources over total generation capacity funded by IDB	91%		73%	93%	
3.5.2 Number of people given access to improved public low-carbon transportation systems	n/a		1,599,017	8,500,000	
(a) Indigenous	*	TBD	u/d	n/a	
(b) Afro-descendants	*	TBD	TBD	n/a	
3.5.3 National frameworks for climate change mitigation supported	n/a		2	5	
3.5.4 Climate change pilot projects in agriculture, energy, health, water and sanitation, transport, and housing	n/a		5	10	
3.5.5 Number of projects with components contributing to improved management of terrestrial and marine protected areas	15		5	30	
3.5.6 Farmers given access to improved agricultural services and investments	n/a		2,381,933	5,000,000	
(a) women	*	214,374	214,374	n/a	
(b) men	*	2,167,559	2,167,559	n/a	
(c) Indigenous	*	690,761	690,761	n/a	
(d) Afro-descendants	*	TBD	u/d	n/a	

* As stated in the RF, it was not possible to collect reliable data for disaggregated outputs at the time the baselines were collected for 2005–2008 period.

¹ Baseline numbers were collected from the information system for the four year period stated, where available. The Bank stated its commitment to collect baselines for disaggregated indicators starting in 2012.

² This column has the baseline data for disaggregated outputs. TBD=To Be Determined was used where information was not deemed reliable to include a baseline for 2012. The Bank will continue working to identify baselines for the disaggregated indicators.

³ Progress column for 2012 includes disaggregated data where available. u/d was used for “unavailable data.”

⁴ Output status methodology: <http://www.iadb.org/2012DEO/trafficlight>

Table C

Lending Programs Indicators

The Bank's targets include both Sovereign and Non-Sovereign operations and are expressed as a percentage of total lending. Loans might qualify for one or more categories and therefore the lending estimate percentages do not add up to 100 percent.

The achievement of lending targets will be based on 2015 approvals. Current lending data and status is reported based on 2012 approvals.

	BASELINE	PROGRESS	ESTIMATED	STATUS*
	2006-2009	2012	2015	
LENDING PROGRAM INDICATORS				
1.1 Lending to small and vulnerable countries	27%	43%	35%	●
1.2 Lending for poverty reduction and equity enhancement	40%	44%	50%	●
1.3 Lending to support climate change initiatives, sustainable energy (including renewable) and environmental sustainability	5%	33%	25%	●
1.4 Lending to support regional cooperation and integration	10%	16%	15%	●
<i>Note:</i> Since projects can qualify for more than one lending category the estimated percentages proposed do not add to 100 percent. <i>* Percentage variances against the 2015 estimate are used to determine status.</i>				

Table D

Operational Effectiveness and Efficiency

Delivering results on the ground requires the Bank to step up its “results-based” management, by tracking its performance periodically through a comprehensive set of indicators of operational effectiveness and efficiency. The Bank has been progressively adapting its organizational systems and processes to meet these mandates.

As part of GCI-9, the Board of Governors mandated that the Bank implement a systematic approach to capture external feedback from civil society and public and private sectors regarding the Bank's products, services and comparative advantages. The IDB implemented a pilot of the External Feedback System (EFS) in 2012 and it will be formally launched in 2013. Among other things, the data collected is used to report on the partner satisfaction indicators of the RF. Additional information about the EFS can be downloaded at www.iadb.org/2012DEO/efs.

	BASELINE	PROGRESS	ESTIMATED	STATUS¹
	2006-2009	2012	2015	
1- EFFECTIVENESS – COUNTRY STRATEGIES				
4.1.1 Percent of country strategies with satisfactory scores in evaluability dimensions	27%	100%	85%	●
Percent of country strategies that have satisfactory results that can be validated at completion for:				
4.1.2 Sector outcomes	-	100%	65%	●
4.1.3 Financial outcomes	-	100%	75%	●
4.1.4 Progress on building and using country systems	-	65%	55%	●

	BASELINE 2006-2009	PROGRESS 2012	ESTIMATED 2015	STATUS¹
2- EFFECTIVENESS – LOANS				
For sovereign guaranteed (SG) operations (approvals)				
4.2.1 Percent of new operations with satisfactory scores on evaluability dimensions	26%	100%	85%	●
4.2.2 Percent of projects with high environmental and social risks rated satisfactory in implementation of mitigation measures	-	75%	85%	●
Project portfolio performance satisfactory from monitoring reports (execution) - SG				
4.2.3 Percent of projects that have satisfactory performance	-	60%	70%	●
4.2.4 Percent of projects with satisfactory rating on development results at completion	-	70%	60%	●
For non-sovereign guaranteed (NSG) operations (approvals)				
4.2.5 Percent of new operations with satisfactory scores on evaluability dimensions	-	100%	85%	●
4.2.6 Percent of projects with high environmental and social risks rated satisfactory in implementation of mitigation measures	-	98%	85%	●
Project portfolio performance satisfactory from monitoring reports (execution) - NSG				
4.2.7 Percent of projects that have satisfactory performance	-	91%	70%	●
4.2.8 Percent of projects with satisfactory ratings on development outcomes at completion	60%	53%	65%	●
3- EFFECTIVENESS – TECHNICAL COOPERATION (TCs)				
4.3.1 Percent of completed TCs with results that can be validated	-	80%	100%	●
4.3.2 Percent of completed TCs with satisfactory results	-	60%	65%	●
4- EFFECTIVENESS – PARTNER SATISFACTION				
4.4.1 Percent of external partners satisfied with Bank delivery of services for country strategies	-	72%	70%	●
4.4.2 Percent of external partners satisfied with Bank delivery of services for loan operations	-	87%	70%	●
4.4.3 Percent of external partners satisfied with Bank delivery of services for TCs	-	80%	70%	●
5- EFFICIENCY				
4.5.1 Cofinancing (percent of Regular Lending Program)	29%	26%	30%	●
4.5.2 Trust Funds (percent of Regular Lending Program)	2%	1%	3%	●
4.5.3 Total administrative expenses per US\$1 million approved*	\$41,900	\$39,684	\$34,000	●
4.5.4 Total administrative expenses per US\$1 million disbursed*	\$50,150	\$61,302	\$45,000	●
4.5.5 Percent of administrative expenses in operational programs	61%	67%	68%	●
4.5.6 Cycle time: country strategy (Inauguration to delivery of Strategy to Government)	20 months	11 months	6 months	●
4.5.7 Cycle time: SG loan preparation time (Profile to approval)	9.5 months	7 months	8 months	●
4.5.8 Cycle time: SG loan disbursement period (eligibility to first disbursement)	19 days	21 days	19 days	●
4.5.9 Cycle time: NSG loan preparation time (Profile to approval)	12 months	11 months	6 months	●
4.5.10 Cycle time: NSG loan disbursement period (eligibility to first disbursement)	-	8 days	10 days	●
HUMAN RESOURCES				
4.5.11 Percentage of professional and executive staff who are women, grade 4 or above	28%	35%	40%	●
4.5.12 Percentage of Upper Management staff who are women (Executive staff and Representatives/EVP and Vice-Presidents)	18% / 0%	31% / 20%	38% / 40–60%	●
4.5.13 Percentage of Professional staff based in COF	26%	32%	40%	●
* Target figures for administrative expenses are set in constant 2009 dollars.				
¹ Output status methodology: http://www.iadb.org/2012DEO/trafficlight				

Eligible Countries for the Fund for Special Operations – FSO

The Results Framework indicators were not disaggregated by countries eligible for the Bank's Fund for Special Operations (FSO). However, following OVE's recommendation, tables below show specific achievements made by these four countries in 2012, in the applicable Results Framework indicators.

FSO eligible countries include Bolivia, Guyana, Honduras, and Nicaragua.

FSO Countries Contribution to Bank Regional Development Goals

Table E

	2012*
1 - SOCIAL POLICY FOR EQUITY AND PRODUCTIVITY	
3.1.1 Students benefited by education projects (girls, boys)	89,437
(a) girls	43,824
(b) boys	45,613
3.1.2 Teachers trained	686
3.1.3 Individuals (all, Indigenous, Afro-descendant) receiving a basic package of health services	664,805
(a) Indigenous	3,140
(b) Afro-descendants	0
3.1.4 Individuals (all, Indigenous, Afro-descendant) receiving targeted anti-poverty program	818,440
(a) Indigenous	20,247
(b) Afro-descendants	0
3.1.5 Individuals (all, men, women, youth) benefited from programs to promote higher labor market productivity	732
(a) women	u/d
(b) men	u/d
3.1.6 Number of jobs added to formal sector	0
2 - INFRASTRUCTURE FOR COMPETITIVENESS AND SOCIAL WELFARE	
3.2.1 Households with new or upgraded water supply	32,913
(a) Indigenous	14,632
(b) Afro-descendants	0
3.2.2 Households with new or upgraded sanitary connections	24,717
(a) Indigenous	10,085
(b) Afro-descendants	0
3.2.3 Km of inter-urban roads built or maintained/upgraded	674
3.2.4 Km of electricity transmission and distribution lines installed or upgraded	631
3.2.5 # of Households with new or upgraded dwellings	2,090
(a) Indigenous	u/d
(b) Afro-descendants	u/d

	2012*
3 - INSTITUTIONS FOR GROWTH AND SOCIAL WELFARE	
3.3.1 Micro/Small/Medium productive Enterprises financed	2,521
3.3.2 Public Financial systems implemented or upgraded (budget, treasury, accounting, debt, and revenues)	0
3.3.3 Persons incorporated into a civil or identification registry	3,047
(a) women	u/d
(b) men	u/d
(c) Indigenous	u/d
(d) Afro-descendants	u/d
3.3.4 Municipal and other sub-national governments supported	1
3.3.5 Cities benefited with citizen security projects	1
4 - COMPETITIVE REGIONAL AND GLOBAL INTERNATIONAL INTEGRATION	
3.4.1 # of public trade officials and private entrepreneurs trained in trade and investment	11,111
(a) women	u/d
(b) men	u/d
3.4.2 Regional and sub-regional integration agreements and cooperation initiatives supported	0
3.4.3 # of cross border and transnational projects supported (infrastructure, and customs, etc)	4
3.4.4 Number of International trade transactions financed	u/d
3.4.5 Mobilization volume by NSG financed projects/companies	u/d
5 - PROTECTING THE ENVIRONMENT, RESPONDING TO CLIMATE CHANGE, PROMOTING RENEWABLE ENERGY, AND ENHANCING FOOD SECURITY	
3.5.1 Percentage of power generation capacity from low-carbon sources over total generation capacity funded by IDB	0
3.5.2 Number of people given access to improved public low-carbon transportation systems	0
(a) Indigenous	0
(b) Afro-descendants	0
3.5.3 National frameworks for climate change mitigation supported	0
3.5.4 Climate change pilot projects in agriculture, energy, health, water and sanitation, transport, and housing	0
3.5.5 Number of projects with components contributing to improved management of terrestrial and marine protected areas	0
3.5.6 Farmers given access to improved agricultural services and investments	5,753
(a) women	0
(b) men	0
(c) Indigenous	0
(d) Afro-descendants	0
* Column for 2012 includes disaggregated data where available. U/d was used for "unavailable data."	

FSO Countries Lending Program Estimates

Table F

	2012
LENDING PROGRAM INDICATORS	
1.1 Lending to small and vulnerable countries	100%
1.2 Lending for poverty reduction and equity enhancement	58%
1.3 Lending to support climate change initiatives, sustainable energy (including renewable) and environmental sustainability	21%
1.4 Lending to support regional cooperation and integration	33%
Note: Since projects can qualify for more than one lending category the estimated percentages do not add to 100 percent.	

FSO Countries Operational Effectiveness and Efficiency

Table G

	2012
1- EFFECTIVENESS – COUNTRY STRATEGIES	
4.1.1 Percent of country strategies with satisfactory scores in evaluability dimensions	100%
Percent of country strategies that have satisfactory results that can be validated at completion for:	
4.1.2 Sector outcomes	100%
4.1.3 Financial outcomes	100%
4.1.4 Progress on building and using country systems	57%
2- EFFECTIVENESS – LOANS	
For sovereign guaranteed (SG) operations (approvals)	
4.2.1 Percent of new operations with satisfactory scores on evaluability dimensions	100%
4.2.2 Percent of projects with high environmental and social risks rated satisfactory in implementation of mitigation measures	76%
Project portfolio performance satisfactory from monitoring reports (execution) – SG	
4.2.3 Percent of projects that have satisfactory performance	75%
4.2.4 Percent of projects with satisfactory rating on development results at completion	79%
For non-sovereign guaranteed (NSG) operations (approvals)	
4.2.5 Percent of new operations with satisfactory scores on evaluability dimensions	100%
4.2.6 Percent of projects with high environmental and social risks rated satisfactory in implementation of mitigation measures	100%
Project portfolio performance satisfactory from monitoring reports (execution) – NSG	
4.2.7 Percent of projects that have satisfactory performance	100%
4.2.8 Percent of projects with satisfactory ratings on development outcomes at completion	100%
3- EFFECTIVENESS – TECHNICAL COOPERATION (TCs)	
4.3.1 Percent of completed TCs with results that can be validated	***
4.3.2 Percent of completed TCs with satisfactory results	***
4- EFFECTIVENESS – PARTNER SATISFACTION	
4.4.1 Percent of external partners satisfied with Bank delivery of services for country strategies	75%
4.4.2 Percent of external partners satisfied with Bank delivery of services for loan operations	74%
4.4.3 Percent of external partners satisfied with Bank delivery of services for TCs	85%
5- EFFICIENCY	
4.5.1 Cofinancing (percent of Regular Lending Program)	0%
4.5.2 Trust Funds (percent of Regular Lending Program)	1%
4.5.3 Total administrative expenses per US\$1 million approved*	**
4.5.4 Total administrative expenses per US\$1 million disbursed*	**
4.5.5 Percent of administrative expenses in operational programs	**
4.5.6 Cycle time: country strategy (Inauguration to delivery of Strategy to Government)	11 months
4.5.7 Cycle time: SG loan preparation time (Profile to approval)	7 months
4.5.8 Cycle time: SG loan disbursement period (eligibility to first disbursement)	8 days
4.5.9 Cycle time: NSG loan preparation time (Profile to approval)	11 months
4.5.10 Cycle time: NSG loan disbursement period (eligibility to first disbursement)	5 days
HUMAN RESOURCES **	
* Target figures for administrative expenses are set in constant 2009 dollars	
** Disaggregation for FSO countries not applicable	
*** Disaggregation for FSO will be incorporated in 2013	

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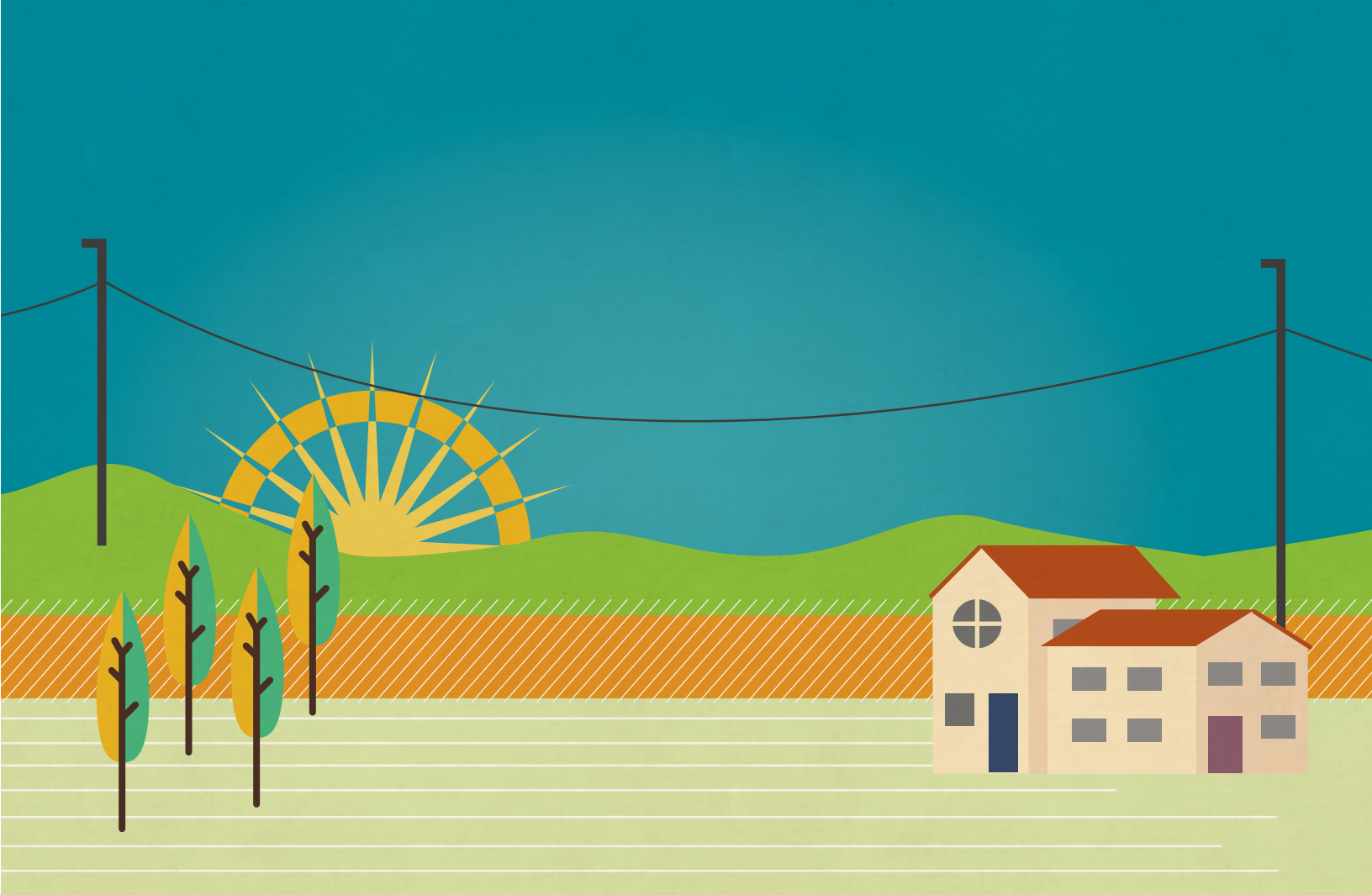
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