

lessons on development

WHAT DOES (AND DOESN'T) WORK IN DEVELOPMENT

IMPACT EVALUATIONS: IN SEARCH OF ATTRIBUTION

FAILURE: AN OPPORTUNITY TO LEARN & INNOVATE

WHY DOES EARLY PROJECT MONITORING PAY OFF?



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ACRONYMS

CCS Climate Change and Sustainability Division

CCT Conditional Cash Transfer

CMF Capital Markets and Financial Institutions Division

COF Country Offices

CRF Corporate Results Framework

CTI Competitiveness and Innovation Division

DEF Development Effectiveness Framework

DEM Development Effectiveness Matrix

DEO Development Effectiveness Overview

DFI Development Finance Institutions

ECG-GPS Evaluation Cooperation Group Good Practice Standards

EDU Education Division

EFS External Feedback System

ENE Energy Division

ERIOC Economic Return on Invested Capital

ERR Economic Rate of Return

FMM Fiscal and Municipal Management Division

FRR Financial Rate of Return

FSO Fund for Special Operations

ICS Institutional Capacity of the State Division

IDB Inter-American Development Bank

IDB-9 Ninth General Capital Increase

IFD Institutions for Development Sector

INE Infrastructure and Environment Sector

INT Integration and Trade Sector

NSG Non-sovereign Guarantee

OECD Organization for Economic Cooperation and Development

OMJ Opportunities for the Majority Sector

OVE Office of Evaluation and Oversight

PCR Project Completion Report
PMR Progress Monitoring Report
PPP Public-Private Partnership
PSR Project Supervision Report

RND Rural Development and Natural Disasters

ROIC Return on Invested Capital

SCF Structured and Corporate Finance Department

SCL Social Sector

SG Sovereign Guarantee

SMART Specific, Measurable, Achievable, Relevant, and Time-bound

SME Small and Medium Enterprises

SPH Social Protection and Health Division

TC Technical Cooperation

TFFP Trade Finance Facilitation Program

TIU Trade and Investment Unit

TSP Transport Division

WSA Water and Sanitation Division

XPSR Expanded Project Supervision Report

EFFECTIVENESS FOR IMPROVING LIVE SECTION OF THE PROPERTY OF TH

The economic outlook for Latin America and the Caribbean has changed radically over the past few years. In 2014 the region posted its lowest growth rate in four years. By some estimates, the impressive gains our countries made against poverty have reached a plateau. We may see a slight recovery in 2015, but we will still perform below our potential.

Under this new scenario, if our countries want to boost growth, they will have to turn to their own engines. Latin America and the Caribbean has a long agenda of pending reforms that starts with raising productivity. The Inter-American Development Bank stands ready to support the region in taking on this challenge.

But in order to serve as the premier development institution our partners expect us to be, the IDB must maximize its efficiency and effectiveness. This new edition of our Development Effectiveness Overview (DEO) offers a detailed account of the efforts we carried out to that end over the past year.

The premise is simple: in order to improve, we need to meticulously measure and evaluate how we perform. For a development institution, it is just as important to discern what works as what does not work. That is why we have kept honing the Development Effectiveness Framework—our toolkit for designing, implementing, monitoring and evaluating projects—since its inception in 2008.

The information and the insights obtained through this methodical process have allowed us to build up our base of practical knowledge, which in turn aids us in preparing better projects and correcting those that require adjustments. Lessons learned are regularly shared with our development partners and other practitioners through the print and online versions of the DEO.

Besides helping us to improve our operational performance, our development effectiveness tools also permit us to monitor our progress towards meeting our institutional commitments. Using the Corporate Results Framework, we can gauge our contributions to the region's development as well as whether we are achieving

specific targets agreed under the Ninth General Capital Increase.

This report shows we are on track to reach the majority of our targets. For example, in our contribution of outputs for regional goals 14 targets have already been met. In the case of our lending targets three of the four lending priorities met their goals in 2014 and 23 of the 30 indicators in operational effectiveness and efficiency are on track to be met in 2015.

However, just as countries must make additional efforts to return to higher growth, so must the IDB go the extra mile. Given the growing demands our governments face, we cannot rely simply on what has worked in the past.

We have to come up with innovations to help the region address its most pressing development problems more effectively. Last year we started exploring new approaches, working more collaboratively, both internally and with external partners, seeking to leverage our collective knowledge and experiences.

The IDB is devoted to being the best development partner for Latin America and the Caribbean and fulfilling its mission of improving lives. This report is a testament to those commitments.

Luis Alberto Moreno President Inter-American Development Bank Washington, D.C., March 2015





"Without continual growth and progress, such words as improvement, achievement, and success have no meaning."

BENJAMIN FRANKLIN

INTRODUCTION

he Inter-American Development Bank (IDB) is committed to improving lives in Latin America and the Caribbean. Every Bank project has objectives that serve this goal. However, this is a lengthy process, especially due to the inherent nature and complexity of development projects.

Similar to a new business seeking a return on investment, IDB projects need time to incubate before it can be determined whether they have achieved their intended result. That said, ensuring that the IDB's projects do have a positive impact is crucial to achieving the results planned during their design phase and ultimately to improving lives.

Toward this end, the IDB approved the **Development Effectiveness Framework** (DEF) in 2008 to design, implement, monitor, and evaluate its projects both in the public (sovereign guaranteed, SG) and the private sector (non-sovereign guaranteed, NSG). For SG operations the DEF includes three tools that follow a project throughout its life cycle: the Development Effectiveness Matrix during design, the Progress Monitoring Report during supervision of execution, and the Project Completion Report at closure. For NSG operations, the tools utilized are a Development Effectiveness Toolkit, the Project

Supervision Report during design and execution, and the Expanded Project Supervision Report when the operation is complete. Results achieved across the Bank are then aggregated and compiled in the Corporate Results Framework.

At the start of the project cycle of SG operations, the IDB uses the **Development Effectiveness Matrix** (DEM) to assess if the projects submitted for approval by the Board of Executive Directors are based on sound economic logic and theory of change, supported by empirical evidence, and designed in a way that guarantees their results can be evaluated. During project origination, the DEM ensures that projects (1) adequately diagnose the development challenge being confronted; (2) propose a set of solutions that are evidence-based; (3) safeguard resources by including an ex-ante economic analysis; and (4) are set up to include proper output, results and impact measurement indicators that are specific, measurable, achievable, relevant, and time-bound (SMART).

Once an SG project is approved and begins implementation, it is critical to monitor progress to ensure that the project remains on track, both in terms of financial disbursements and of physical progress. When project implementation begins, the

IDB team uses the Progress Monitoring Report (PMR) to measure progress toward the goals established at project inception. Every project includes a Results Matrix that encompasses outputs and costs and results and impacts, as well as the corresponding indicators and targets that will reflect fulfillment of the project goals and ultimately proxy results. The PMR tracks progress toward the targets set in the Results Matrix and analyzes any gaps. Monitoring is done in two dimensions that take into account indicator metrics as well as budget and disbursement patterns. Also importantly, PMR tracking enables preemptive and corrective action during project execution if a project has difficulties or the context in which it is being executed changes. In the case of NSG projects, the Bank uses Project Supervision Reports (PSRs), which are prepared annually to facilitate monitoring and allow for corrective action when needed.

To document results achieved and record lessons learned when an SG project has ended, a Project Completion Report (PCR) is prepared. The PCR allows for a comprehensive project review from start to end, analyzing whether a project met its targets and achieved the desired development goals, as well as any challenges encountered during implementation. The PCR serves not only as an accountability mechanism but also as a learning tool. The PCR analysis that accompanies the quantification of targets met is comprehensive enough to glean

from the project's years of execution any lessons and recommendations for future projects. If any impact evaluations associated with the project are finished by the time the PCR is produced, the PCR will incorporate these findings in a way that can be easily accessible for future project teams. At closure, NSG projects rely on an Expanded Project Supervision Report (XPSR), which serves a similar purpose. This year the guidelines have been under review and the self-evaluation exercise for NSG projects was not conducted.

Finally, the IDB measures its yearly progress toward institutional priorities and selected development goals through a set of indicators in its Corporate Results Framework (CRF). The indicators tracked in the CRF provide key information on the Bank's contributions to the development of Latin America and the Caribbean, as well as progress in achieving specific results in each of the Bank's five sector priority areas for 2012-15. Those priorities are (1) social policy for equity and productivity; (2) infrastructure for competitiveness and social welfare; (3) institutions for growth and social welfare; (4) competitive regional and global international integration; and (5) protecting the environment, responding to climate change, promoting renewable energy, and ensuring food security.

The year 2014 was an important one for the Development Effectiveness Framework. The PMR was revamped in 2013, and a new methodology implemented in 2014 provides a more accurate description of the state of execution of projects. It does this by using a more ample set of indicators for project assessment and better mechanisms to ensure the quality of the data used for those assessments.

Also in 2014, the methodology of the PCRs was upgraded and a pilot was run using the new PCRs to evaluate a set of projects. The new methodology is based on tracking the Results Matrix of each project approved by the Board of Executive Directors and assessing the outputs and results achieved by the project in comparison with the initial plan. By complementing such quantitative data with qualitative data, the new PCRs aim to provide a complete view of an SG project's execution, with the ultimate objective of providing concrete lessons and recommendations for future projects.

This report summarizes the development effectiveness achievements and challenges during 2014. Chapter 1 presents progress on the indicators in the IDB's Corporate Results Framework (CRF) as compared to established targets. Information is then presented for each of the four levels of the CRF, which include Regional Development Goals, Outputs, Lending Program Indicators, and Operational Effectiveness and Efficiency Indicators.

Chapters 2, 3, and 4 report on the tools used for the design, monitoring, and closure of IDB projects, respectively. Chapter 4 focuses in particular on the findings of a new generation of PCRs for SG operations that deepen the results and the attribution of IDB-financed operations.

Finally, Chapters 5 and 6 discuss how the IDB is learning from its operational experience. Chapter 5 continues an initiative begun in last year's Development Effectiveness Overview to report not only on what worked at the IDB, but what didn't work in five operational areas. This year the recommendations stem from projects involving access to financial markets; conditional cash transfers; gender and diversity; innovation, science and technology; and tourism. Chapter 6 reports the results of a variety of impact evaluations completed during 2014. The knowledge obtained from such evaluations provide valuable lessons for our borrowing member countries and for the IDB. These lessons are essential for the design of new projects, as well as for the adaptation of ongoing ones, with the goal of maximizing their development effectiveness.

The improvements to the tools of the Development Effectiveness Framework, as well as the findings and lessons reported in the pages that follow, speak to the IDB's strong commitment to reducing poverty and accelerating economic growth in the region. The framework ensures sound and high-impact IDB operations that can go beyond their specific objectives, and it provides an array of learning opportunities to continually strengthen our efforts to improve lives in Latin America and the Caribbean.

he IDB's primary tool for monitoring the achievement of its strategic objectives is the Corporate Results

Framework (CRF). The CRF provides key information about the Bank's contributions to development in Latin America and the Caribbean, as well as the efficiency and effectiveness with which it works. As with any corporate performance tool, it is impossible to capture all aspects of the IDB's work in the CRF. However, the CRF is structured in four levels to provide insight into the institution's and the region's progress across a range of areas. Data are presented in a series of tables:

- The Regional Development Goals show the Region's progress in addressing long-term development challenges;
- The Output Contributions table summarizes how IDB-financed operations are contributing to the Region's development;
- The Lending Program Indicators reflect how the IDB is directing its lending capacity toward priority areas;
- The Operational Effectiveness and Efficiency table covers indicators related to a variety of aspects of the way IDB works.

REGIONAL DEVELOPMENT GOALS

Track the region's progress in addressing long-term development challenges

OUTPUT CONTRIBUTIONS

Summarize how IDB operations contribute to each of the sector priorities defined in its Institutional Strategy

LENDING PROGRAM

Express IDB's highest priorities and mandates

OPERATIONAL EFFECTIVENESS & EFFICIENCY

Summarize performace of IDB's efforts to improve its own effectiveness and efficiency

- On track
- No clear trend
- Fig. 1.1: Progress Overview

Figure 1.1 summarizes progress on CRF indicators at each of these four levels. The sections that follow provide greater detail on the progress at each level. As the IDB continues to improve the rigor of its data validation processes, preliminary and partial-year data are included where final and fully validated data are not available. The traffic light symbols are used to indicate the likelihood of achieving the 2015 targets for indicators at

¹ The Bank's decision to report preliminary and partial-year data allows for improved alignment to its other reporting cycles and greater efficiency in the data collection process. After the regular report-

- Social policy for equity and productivity
- Infrastructure for competitiveness and social welfare
- Institutions for growth and social welfare
- Competitive, regional and global international integration
- Protecting the environment, responding to climate change, promoting renewal energy, and enhancing food security
- Small and vulnerable countries
- Poverty reduction and equity enhancement
- O Climate change and sustainable energy, and environmental sustainability
- Regional cooperation and integration
- Effectiveness Country strategy
- Effectiveness Loans
- Effectiveness Technical cooperation
- Effectiveness Partner satisfaction
- Efficiency
- Human resources

the three levels that were assigned targets under IDB's Ninth General Capital Increase (IDB-9). The Regional Development Goals do not have targets because progress against these indicators cannot be attributed to specific IDB activities. Details on the traffic light methodology, and types of projects contributing to the values presented in the following tables, are available in the newly expanded CRF Annex accessible through the DEO website.

ing cycles close for all the CRF indicators, the preliminary figures presented in this report will be updated on the <u>DEO website</u> and reported to the Board of Executive Directors.

Table A

Regional Development Goals

he indicators contained within the Regional Development Goals provide information on long-term development progress in the region. Many of them are directly related to the Millennium Development Goals. Progress against these indicators cannot be directly attributed to the IDB, but is instead the result of a combination of policies and programs implemented by our borrowing member countries, sometimes with financial support from the IDB or other partners. Notwithstanding the unique and evolving development goals of each IDB borrowing member country, these indicators provide important context to the broader development challenges in the Region and can help the IDB monitor high-level trends that may impact future strategic planning and programming decisions.

As shown in Table A, indicators related to the Regional Development Goals are organized by the IDB's five sector priorities as approved in IDB-9: (1) social policy for equity and productivity; (2) infrastructure for competitiveness and social welfare; (3) institutions for growth and social welfare; (4) competitive regional and global international integration; and (5) protecting the environment, responding to climate change, promoting renewable energy, and enhancing food security.

Social Policy for Equity and Productivity

Goal	Baseline		Progress ^A	
doat	Value	Year	Value	Year
2.1.1 Extreme poverty rate	13%	2007	11%	2012
2.1.2 Gini coefficient of per capita household income inequality	0.55	1999-2004	0.49	2008-2013
2.1.3 Share of youth ages 15 to 19 who complete ninth grade	47%	2000-2007	67%	2007-2013
2.1.4 Maternal mortality ratio (per 100,000 live births)	100	2000	85	2013
2.1.5 Infant mortality rate (per 1,000 live births)	21	2007	16	2013
2.1.6 Share of formal employment in total employment	46%	2007	53%	2013

Infrastructure for Competitiveness and Social Welfare

Goal	Baseline		Progress ^A	
doat	Value	Year	Value	Year
2.2.1 Incidence of waterborne diseases (per 100,000 inhabitants)	9.6	2002	5.9	2008
2.2.2 Paved road coverage (km/km²)	0.038	2001-2006	0.036	2007-2012
2.2.3 Percent of households with electricity	93%	2007	96%	2013
2.2.4 Proportion of urban population living in dwellings with hard floors Proxy ^B : Proportion of urban population living in slums	29%	2000	24%	2012

Table A

Regional Development Goals

Institutions for Growth and Social Welfare

Goal	Baseline		Progress ^A	
dual	Value	Year	Value	Year
2.3.1 Percent of firms using banks to finance investments	19.6%	2006	32.7%	2010
2.3.2 Ratio of actual to potential tax revenues Proxy ⁸ : Actual tax revenue collected (% of GDP)	17.7%	2007	21.6%	2012
2.3.3 Percent of children under five whose birth was registered	89%	2000-2007	92%	2005-2012
2.3.4 Public expenditure managed at the decentralized level as percent of total public expenditure	20%	2007	25%	2011
2.3.5 Homicides per 100,000 inhabitants	25.1	2008	23	2010-2013

3

Competitive Regional and Global International Integration

Goal	Baseline		Progress ^A	
GUdl	Value	Year	Value	Year
2.4.1 Trade openness (trade as percent of GDP)	84.9%	2004-2007	77.6%	2010-2013
2.4.2 Intraregional trade in LAC as percent Exports:	24.2%	200/- 2007	27.8%	2010 2012
of total merchandise trade Imports:	33.1%	2004-2007	32.6%	2010-2013
2.4.3 Foreign direct investment net inflows as percent of GDP	4.2%	2004-2007	4.8%	2010-2013

4

Protecting the Environment, Responding to Climate Change, Promoting Renewable Energy, and Enhancing Food Security

Goal	Baseline		Progress ^A	
dodi	Value	Year	Value	Year
2.5.1 CO ₂ emissions (kilograms) per \$1 GDP (PPP)	0.29	2006	0.28	2010
2.5.2 Countries with planning capacity in mitigation and adaptation of climate change	3	2009	17	2014
2.5.3 Annual reported economic damages from natural disasters (billion US dollars)	\$7.7	2007	\$8.9	2013
2.5.4 Proportion of terrestrial and marine areas protected to total territorial area (%)	19.3%	2009	20.3%	2012
2.5.5 Annual growth rate of agricultural GDP (%)	3.7%	2005-2007	2.5%	2010-2012

5

A. The data for the Regional Development Goals are drawn from external sources. Because these indicators are designed to measure long-term impact, updates are available only periodically. The sources are: EM-DAT, State of the World's Children Report 2014, ECLAC's Statistical Yearbook for Latin America and the Caribbean 2013, SEDLAC data, UN MDG Report

Statistical Annex 2014, UNODC data, WDI Report 2014 (World Bank), WHO data, World Road Statistics 2014, OLADE data, World Bank and IFC Enterprise Survey.

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

Table B

Contribution of Outputs to Regional Goals

s with the Regional Development Goals, the results presented in Table B reflect progress achieved in select areas of the IDB's five sector priorities. The indicators measure the IDB's contribution to country development results by providing data on outputs and beneficiaries of IDBfinanced projects. Progress on these indicators is highly dependent upon programming decisions by the IDB and its borrowing member countries, as well as the time required for projects to be executed and generate measurable results.

Table B also includes bar graphs showing cumulative progress on each indicator since 2012, the planned results expected to be achieved by the end of 2015, in cases where the target has not yet been met and any remaining gap to achieve the target. Based on this information, each indicator is classified as having met its target, on track to achieve its target by 2015, off track, or as having no clear trend. The CRF Annex and data on the DEO website provide additional details on the baseline values; progress in previous years; and the types of projects—sovereign guarantee (SG) loans, non-sovereign guarantee (NSG) loans, or technical cooperation (TC)—contributing to each indicator.

In addition to the consolidated data for all IDB borrowing member countries, Table B also presents disaggregated information as agreed in IDB-9. Specifically, disaggregation by gender and ethnicity is included when available. Furthermore, the table includes the 2014 progress in the four poorest countries eligible for concessional lending through the Fund for Special Operations (FSO)—Bolivia, Guyana, Honduras, and Nicaragua.2

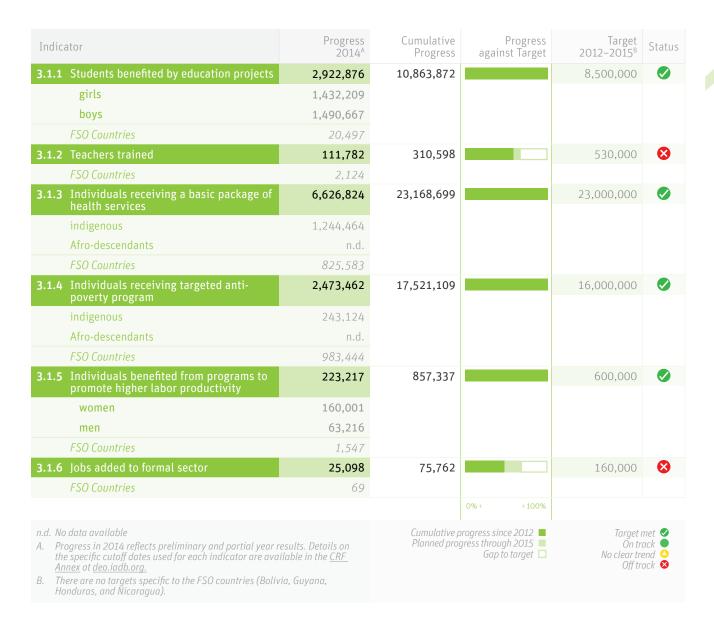
Overall, the Bank is on track to reach the majority of its targets at the output level. Of the 27 targets, 14 have already been met, and an additional three are on track to be met in 2015. As noted in last year's Development Effectiveness Overview, in some instances, CRF targets will not be met due to timing of the project approvals and how long it takes to generate measureable results, while in others, the original targets were overly ambitious.3 As such, there are only a few changes in the traffic light status reported this year as compared to 2013.4

² While Haiti is the poorest country in the region, its financing from the IDB has been exclusively in the form of grants since 2007 through the IDB Grant Facility.

³ For example, data regarding employment had not been widely tracked at the time the target was set for indicator 3.1.6 and actual results have been lower than expected.

⁴ In some cases, project contributions to CRF indicators were adjusted as a result of the data validation process. As such, the cumulative total presented in the 2014 DEO does not always match the sum of the data presented in previous years. Details on the final, validated data for 2013 is available on the DEO website.

SOCIAL POLICY FOR EQUITY AND PRODUCTIVITY



INFRASTRUCTURE FOR COMPETITIVENESS AND SOCIAL WELFARE

Indica	ator	Progress 2014 ^A	Cumulative Progress	Progress against Target	Target 2012–2015 ^B	Status
3.2.1	Households with new or upgraded water supply	86,726	655,198		2,770,000	8
	indigenous	3,505				
	Afro-descendants	5,451				
	FSO Countries	26,625				
3.2.2	Households with new or upgraded sanitary connections	161,331	1,172,387	_	3,600,000	8
	indigenous	3,537				
	Afro-descendants	8,034				
	FSO Countries	22,132				
3.2.3	Km of inter-urban roads built or maintained/upgraded	5,675	23,337	_	53,000	8
	FSO Countries	47				
3.2.4	Km of electricity transmission and distribution lines installed or upgraded	890	9,500		1,000	Ø
	FSO Countries	565				
3.2.5	Households with new or upgraded dwellings	471,186	801,416		25,000	Ø
	indigenous	n.d.				
	Afro-descendants	n.d.				
	FSO Countries	5,347				
				0% < >100%		
A. Pro the <u>An</u> B. Th	o data available rogress in 2014 reflects preliminary and partial year res. e specific cutoff dates used for each indicator are availa nnex at <u>deo.iadb.org.</u> nere are no targets specific to the FSO countries (Bolivia, anduras, and Nicaragua).	ble in the <u>CRF</u>		rogress since 2012 ress through 2015 Gap to target	Õn tr No clear tr	met 🗸 rack • rend 🗅 rack 😵

INSTITUTIONS FOR GROWTH AND SOCIAL WELFARE

Indic	ator	Progress 2014 ^A	Cumulative Progress	Progress against Target	Target 2012–2015 ^B	Status
3.3.1	Micro / Small / Medium productive enterprises financed	276,271	2,365,765		120,000	Ø
	FSO Countries	8,087				
3.3.2	Public Financial systems implemented or upgraded (budget, treasury, accounting, debt, and revenues)	5	35		28	Ø
	FSO Countries	0				
3.3.3	Persons incorporated into a civil or identification registry	1,653,914	9,960,780		3,000,000	Ø
	women	793,830				
	men	860,084				
	indigenous	115,763				
	Afro-descendants	82,688				
	FSO Countries	158				
3.3.4	Municipal and other sub-national gov- ernments supported	177	587		1,000	<u>\(\)</u>
	FSO Countries	54				
3.3.5	Cities benefited with citizen security projects	1	28		32	
	FSO Countries	0				
A. Protein the An	o data available ogress in 2014 reflects preliminary and partial year r e specific cutoff dates used for each indicator are ava unex at <u>deo.iadb.org.</u>	ilable in the <u>CRF</u>		orogress since 2012 ■ gress through 2015 ■ Gap to target □	Target On tr No clear tr Off tr	ack 🔵
A. Protection And B. Th	ogress in 2014 reflects preliminary and partial year r e specific cutoff dates used for each indicator are ava	ilable in the <u>CRF</u>		gress through 2015	Ŏn tr No clear tr	a er

COMPETITIVE REGIONAL AND GLOBAL INTERNATIONAL INTEGRATION

Indicator		Progress 2014 ^A	Cumulative Progress	Progress against Target	Target 2012–2015 ^B	Status
3.4.1 Publ	lic trade officials and private entre- neurs trained in trade and investment	14,001	51,363		65,000	<u> </u>
WC	omen	3,220				
me	en	10,781				
FS0	Countries	1,423				
agre	ional and sub-regional integration eements and cooperation initiatives ported	0	15		10	
FS0	Countries	0				
proj	ss-border and transnational ects supported (infrastructure, customs, etc)	4	23		22	
FS0	Countries	1				
3.4.4 Inte	rnational trade transactions financed	553	3,054		1,000	
FS0	Countries	130				
3.4.5 Mob proj	ilization volume by NSG financed ects/companies (billion US dollars)	\$0.889	\$12.2		\$31.2	8
FS0	Countries	\$0.017				
				0% < >100%		
the speci Annex at B. There are	available in 2014 reflects preliminary and partial year resulific cutoff dates used for each indicator are availaled on tages. deo.iadb.org. e no targets specific to the FSO countries (Bolivia, s, and Nicaragua).	ble in the <u>CRF</u>		orogress since 2012 gress through 2015 Gap to target	Õn tr No clear tr	met 🗸 rack • end 🛆 rack 😵

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

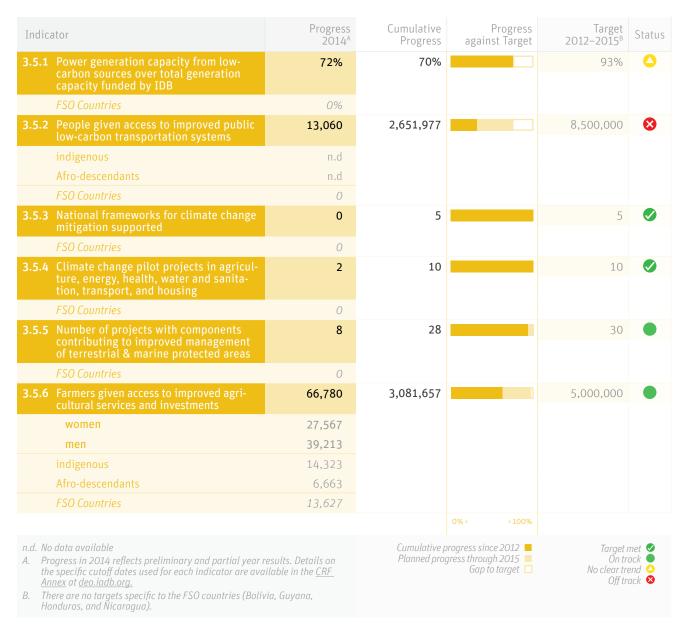


Table C

Lending Program Indicators

he Lending Program Indicators capture the percentage of total SG and NSG lending approvals by volume directed at the following four lending priorities: (1) small and vulnerable countries; (2) poverty reduction and equity enhancement; (3) climate change, sustainable energy (including renewable) and environmental sustainability; and (4) lending to support regional cooperation and integration.

As shown in Table C, IDB lending in 2014 met or exceeded the corresponding 2015 targets in three of the four lending priorities. Although there is no target for lending to FSO countries, in most cases

the percentage of lending dedicated to the lending priorities in these four countries (Bolivia, Guyana, Honduras, and Nicaragua) was higher than the percentage for all countries.

The targets for the Lending Program Indicators apply only to 2015 and, as such, 2014 progress may not be a good indication of whether the target will be met. Approvals in any given year are highly dependent upon country demand, and therefore may vary significantly from year to year. Nonetheless, preliminary information on the 2015 pipeline indicates that all four lending targets are likely to be met in 2015.5

Indicator	Baseline 2006–2009	Progress 2014 ¹	Target 2015 ²	Status
1.1 Lending to small and vulnerable countries	27%	36%	35%	
FSO Countries		100%		
1.2 Lending for poverty reduction and equity enhancement	40%	45%	50%	
FSO Countries		59%		
1.3 Lending to support climate change initiatives, sustainable energy (including renewable) and environmental sustainability	5%	33%	25%	•
FSO Countries		33%		
1.4 Lending to support regional cooperation and integration	10%	30%	15%	
FSO Countries		63%		
A. Total percentages exceed 100 because loans may qualify for more than one	category.			On track

B. There are no targets specific to the FSO countries (Bolivia, Guyana, Honduras, and Nicaragua).

No clear trend 4 Off track 😵

 $^{^{5}}$ Estimates based on operations programmed as of November 2014 indicate that the lending targets will be met in 2015. However, this information is subject to change.

Table D

Operational Effectiveness and Efficiency

he fourth level of the CRF includes a series of indicators that measure the IDB's internal performance on effectiveness, efficiency, and human resources. As shown in Table D, 23 of the 30 indicators at this level are on track to be met in 2015.

IDB performance has been particularly strong on the indicators related to effectiveness of country strategies, and loans. For example, efforts to improve the implementation of mitigation measures for projects with high environmental and social

Effectiveness: Country Strategies

Indica	itor	Baseline 2006–2009 ^A	Progress 2014 ^B	Target 2015 ^c	Status
4.1.1	Percent of country strategies with satisfactory scores in evaluability dimensions	27%	100%	85%	
	FSO Countries		100%		
Perce	nt of country strategies that have satisfactory results that can	be validated at co	mpletion for:		
4.1.2	Sector outcomes	100%*	100%	65%	
	FSO Countries		100%		
4.1.3	Financial outcomes	100%*	100%	75%	
	FSO Countries		100%		
4.1.4	Progress on building and using country systems	65%*	70%	55%	
	FSO Countries		69%		

n.d. No data available

A. Baselines marked (*) were established in 2012. They were not available at the time targets were set, but are included here to begin establishing a trend.



C. There are no targets specific to the FSO countries (Bolivia, Guyana, Honduras, and Nicaragua).

On track • No clear trend •

Off track 😵

Effectiveness: Loans

Indicator	Baseline 2006–2009 ^A	Progress 2014 ^B	Target 2015 ^c	Status
Approvals – SG Operations				
4.2.1 Percent of new operations with satisfactory scores on evaluability dimensions	26%	100%	85%	
FSO Countries		100%		
4.2.2 Percent of projects with high environmental and social risks rated satisfactory in implementation of mitigation measures	75%*	88%	85%	
FSO Countries		89%		
Portfolio Performance (Execution) – SG Operations				
4.2.3 Percent of projects that have satisfactory performance	60%*	75%	70%	
FSO Countries		79%		
4.2.4 Percent of projects with satisfactory rating on development results at completion	70%*	76%	60%	
FSO Countries		75%		
Approvals - NSG Operations				
4.2.5 Percent of new operations with satisfactory scores on evaluability dimensions	100%*	100%	85%	
FSO Countries		100%		
4.2.6 Percent of projects with high environmental and social risks rated satisfactory in implementation of mitigation measures	98%*	88%	85%	
FSO Countries		100%		
Portfolio Performance (Execution) – NSG Operations				
4.2.7 Percent of projects that have satisfactory performance	91%*	93%	70%	
FSO Countries		90%		
4.2.8 Percent of projects with satisfactory ratings on development outcomes at completion	60%	n.d. [□]	65%	n.d.
FSO Countries		n.d.		
n.d. No data available A. Baselines marked (*) were established in 2012. They were not available at the time targets were set, but are included here to begin establishing a trend. B. Estimated values in 2014 are based on preliminary or partial year data. Further details of specific cutoff dates used for each indicator are available in the CRF Annex at deo.iadb.org. C. There are no targets specific to the FSO countries (Bolivia, Guyana, Honduras, and Nicaragua). D. This indicator relies on the results of an annual validation exercise carried out by the Office of Evaluation and Oversight (OVE) of results reported in Expanded Project Supervision Reports for closed projects. As OVE did not conduct				

Table D

Operational Effectiveness and Efficiency

Effectiveness: Technical Cooperation (TCs)

Indicator		Baseline 2006–2009 ^A	Progress 2014 ^B	Target 2015 ^c	Status
4.3.1 Percent of completed TCs with validated	results that can be	80%*	77%	100%	8
FSO Countries			74%		
4.3.2 Percent of completed TCs with	satisfactory results	60%*	75%	65%	
FSO Countries			68%		

3

Effectiveness: Partner Satisfaction

Indicator		Baseline 2006–2009 ^A	Progress 2014 ^B	Target 2015 ^c	Status
4.4.1	Percent of external partners satisfied with Bank delivery of services for country strategies	72%*	85%	70%	
	FSO Countries		100%		
4.4.2	Percent of external partners satisfied with Bank delivery of services for loan operations	87%*	91%	70%	
	FSO Countries		88%		
4.4.3	Percent of external partners satisfied with Bank delivery of services for TCs	80%*	89%	70%	
	FSO Countries		93%		

n.d. No data available

A. Baselines marked (*) were established in 2012. They were not available at the time targets were set, but are included here to begin establishing a trend.

On track •
No clear trend •
Off track •

- B. Estimated values in 2014 are based on preliminary or partial year data. Further details of specific cutoff dates used for each indicator are available in the <u>CRF Annex</u> at <u>deo.iadb.org.</u>
- ${\it C.} \quad \textit{There are no targets specific to the FSO countries (Bolivia, Guyana, Honduras, and Nicaragua)}.$

Efficiency

Indicator	Baseline 2006–2009 ^A	Progress 2014 ^B	Target 2015 ^c	Status
4.5.1 Co-financing (percent of Regular Lending Program)	29%	28%	30%	
FSO Countries		1%		
4.5.2 Trust Funds (percent of Regular Lending Program)	2%	3%	3%	
FSO Countries		14%		
4.5.3 Total administrative expenses per US\$1 million approved ^D	\$41,900	\$34,708	\$34,000	
$\textbf{4.5.4} \textbf{Total administrative expenses per US\$1 million disbursed}^{\texttt{D}}$	\$50,150	\$47,257	\$45,000	
4.5.5 Percent of administrative expenses in operational programs	61%	64%	68%	
4.5.6 Cycle time: country strategy (inauguration to delivery of strategy to government)	20 months	9.2 months	6 months	8
FSO Countries		9.2 months		
4.5.7 Cycle time: SG loan preparation time (profile to approval)	9.5 months	6.0 months	8 months	
FSO Countries		6.0 months		
4.5.8 Cycle time: SG loan disbursement period (eligibility to first disbursement)	19 days	44 days	19 days	8
FSO Countries		28 days		
4.5.9 Cycle time: NSG loan preparation time (profile to approval)	12 months	7.5 months	6 months	8
FSO Countries		10 months		
4.5.10 Cycle time: NSG loan disbursement period (eligibility to first disbursement)	8 days*	5 days	10 days	
FSO Countries		5 days		

On track No clear trend △ Off track ❸

n.d. No data available

A. Baselines marked (*) were established in 2012. They were not available at the time targets were set, but are included here to begin establishing a trend.

B. Estimated values in 2014 are based on preliminary or partial year data. Further details of specific cutoff dates used for each indicator are available in the <u>CRF Annex</u> at <u>deo.iadb.org</u>.

C. There are no targets specific to the FSO countries (Bolivia, Guyana, Honduras, and Nicaragua).

D. Target figures for administrative expenses are set in 2009 dollars.

Table D

Operational Effectiveness and Efficiency

Human Resources

Indicator	Baseline 2006–2009 ^A	Progress 2014 ^B	Target 2015 ^c	Status
4.5.11 Percentage of professional and executive staff who are women, grade 4 or above	28%	37%	40%	
4.5.12 Percentage of upper management staff who are women (Executive staff and Representatives/EVP and Vice-Presidents)	18% / 0%	33% / 25%	38% / 40-60%	0
4.5.13 Percentage of professional staff based in COF	26%	31%	40% ^D	8



A. Baselines marked (*) were established in 2012. They were not available at the time targets were set, but are included here to begin establishing a trend.



- B. Estimated values in 2014 are based on preliminary or partial year data. Further details of specific cutoff dates used for each indicator are available in the <u>CRF Annex</u> at <u>deo.iadb.org</u>.
- C. There are no targets specific to the FSO countries (Bolivia, Guyana, Honduras, and Nicaragua).
- D. Evidence regarding the current level of partner satisfaction, portfolio performance and the costs of relocating staff indicate that this target is no longer relevant.

IDB MAKES PROGRESS IN MITIGATING SOCIAL AND ENVIRONMENTAL RISKS

The Bank has seen an increase in the percentage of high-risk operations that have satisfactory performance in implementing measures to mitigate social and environmental risk, from 73 percent in 2011 to 88 percent in 2014—surpassing the 2015 CRF target of 85 percent. To maximize efficiency, and to enhance the overall management and reporting of safeguards, the Bank has focused on those operations identified as having significant environmental and social impacts and risks. A number of factors have led to the improved performance in mitigating risks for these operations, including: (i) continued efforts in support of high-quality preparation (such as commis-

sioning complementary studies during preparation) and developing suitable adaptive management measures; (ii) increased engagement of clients and clear contractual agreements, which allow for more robust and effective supervision; (iii) development of clear guidance, processes, and criteria for the supervision and performance rating of projects, which helped streamline and standardize reporting; and (iv) increases in staff hours dedicated to supervision (an 18 percent increase from 2011 to 2013) and monetary resources allocated to supervision (a 23 percent increase from 2011 to 2014).

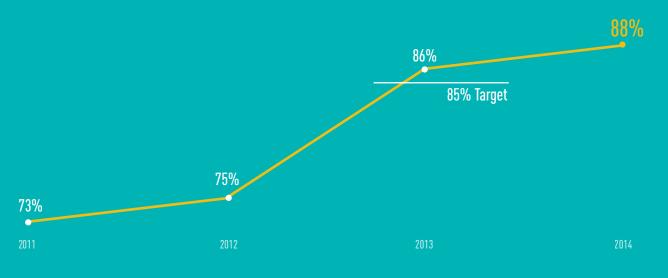


Fig. 1.2: Percent of Projects with High Environmental and Social Risks Rated Satisfactory in Implementation of Mitigation Measures

risks have led to significant improvements on indicator 4.2.2 (see Box 1.1). The IDB also continues to perform well in partner satisfaction, as measured by the External Feedback System (see Box 1.2). The only effectiveness indicator which is currently off track (4.3.1) relates to the monitoring of performance on technical cooperations (TCs). Management is currently developing the TC Monitoring and Reporting System, which will allow the Bank to more systematically measure and track the performance and results of the TCs it supports.

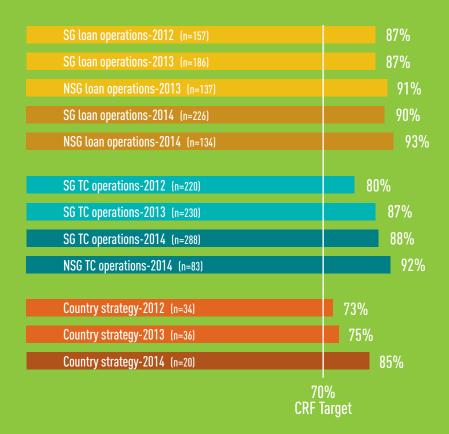
Performance as measured by the efficiency metrics is more varied. On one hand, performance on some indicators (such as cycle time for NSG loan disbursements) was stronger than the 2015 target, and a few indicators that were off track in 2013 have improved (such as co-financing as a percent of the regular lending program). On the other hand, three of the ten efficiency indicators are currently off track, including the cycle time for SG loan disbursements and for country strategy distribution to governments following inauguration. In both these

MAJORITY OF PARTNERS ARE SATISFIED WITH IDB'S WORK

The External Feedback System (EFS) captures partner feedback through a family of online surveys that analyze the experience of IDB's partners across the project cycle. The overall satisfaction of surveyed external partners with IDB continues to surpass the target of 70 percent set in IDB-9.

In 2014, 91 percent of respondents reported being either "very satisfied" or "satisfied" with IDB's delivery of services for loan operations (90% for SG loan operations and 93% for NSG operations), while 89 percent reported the same level of satisfaction for technical cooperation (TC) operations (88% for SG TCs and 92% for NSG TCs). In the case of country strategies, 85% of respondents reported being

"satisfied" or "very satisfied" with the country strategy preparation process in 2014. Satisfaction for SG loan operations has remained fairly stable, with a three percentage point increase since the first EFS surveys were conducted in 2012. Satisfaction with SG TC operations has increased eight percentage points in the



same period and satisfaction with the country strategy preparation process has increased 12 percentage points since 2012.

More detailed information on the EFS is available on the <u>IDB website</u>, including the <u>2014 IDB External Feedback System report</u>.

Fig. 1.3: Overall Satisfaction with IDB Delivery of Services by Product, 2012-14*

cases, performance on the indicators is dependent on the speed with which the country as well as the Bank takes action. IDB is continuing to explore enhanced metrics that will provide greater insight into Bank performance in the area of efficiency.

Performance on the human resources metrics is also mixed. While it is not clear whether all the targets related to gender diversity in leadership are going to be met in 2015, there has been significant progress on these indicators over recent years (see Box 1.3). With respect to the percentage of professional staff based in Country Offices (COF), as stated in the 2013 DEO, evidence regarding the current level of partner satisfaction, portfolio performance and the costs of relocating staff indicate that this target is no longer relevant.

IDB ADVANCES TOWARDS A MORE GENDER BALANCED SENIOR STAFF

The IDB continues to make measurable progress in reaching its goal of increasing the representation of women across professional and executive levels by 2015. Deliberate actions to create an inclusive workplace, coupled with efforts to strengthen the internal pipeline of female talent, have contributed to this growth.

The IDB has invested in a number of career development and work-life initiatives to better attract, support, and retain talented women. These include a focus on women in the Bank-wide mentoring program; the launch of the Emerging Women Leaders Program in 2013, with a focus on accelerating the growth of women leaders in grades 6 to 3; and the Working Mama Program, a groupcoaching program to support women in managing their professional and personal roles. In addition, in 2013,

the Bank approved a new policy to provide pregnant and lactating women with greater flexibility with regards to mission travel and to provide options for lactating staff members to continue breastfeeding upon their return from maternity leave.

With respect to recruitment, the institution has female candidates, particularly in sectors where women have been traditionally under-represented. Activities include the development of a female talent community on LinkedIn, as well as targeted sourcing efforts to reach women through professional organizations, associations, and networks. In addition, to ensure a balanced and diverse representation on selection panels, half of the members, by policy, should be women.

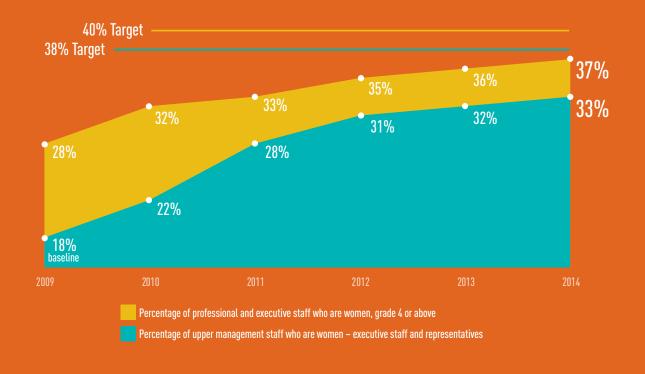


Fig. 1.4: Percentage of Professional, Executive, and Upper Management Positions Filled by Women

Looking forward

he 2012-15 CRF is the IDB's first results framework at the corporate level. Based on internal stock-taking, independent evaluations, and the experience of comparator organizations, the IDB has been working to foster an increasingly more robust culture of results within the institution, as well as to enhance the quality, transparency, and utility of the data obtained through CRF reporting. For example, this year's report includes data that has gone through a more structured data validation process, and the accompanying annex provides greater details on what is behind the numbers.

Starting in 2013, the IDB engaged in an extensive consultation process to identify improvements in both the content of and processes surrounding the CRF that will cover the 2016-19 period. While the updated CRF will be finalized only after the approval of the updated Institutional Strategy, a key area of focus will be continued progress in improving the utility of the CRF as a management tool and integrating it into key IDB business processes. Improvements are envisaged at each stage of the Managing for Development Results cycle, ranging from setting goals and allocating resources to monitoring and reporting on performance. Through the new CRF, a number of benefits are expected, including a more careful validation process, as well as the opportunity to review progress on the CRF more regularly and to make adjustments along the way.





MANAGING FOR DEVELOPMENT RESULTS

CH 2: DEVELOPMENT EFFECTIVENESS AT APPROVAL
CH 3: MONITORING FOR DEVELOPMENT EFFECTIVENESS
CH 4: ASSESSING RESULTS AT PROJECT CLOSURE

DEVELOPMENT EFFECTIVENESS ATAPPROVAL

Sovereign-Guaranteed Operations

PROJECT APPROVALS IN 2014

n 2014, the IDB's Board of Directors approved 105 sovereign guaranteed loans, with a value of \$11 billion. Investment projects accounted for \$7.8 billion, and policy-based projects that support the design and implementation of policies or specific reforms accounted for \$3.2 billion (see Figure 2.1). One project under the Contingent Credit Line for Sustainable Development was also approved for \$300 million.

Given the complexity of the region's development challenges, the IDB is increasingly aiming to capture a multisectoral view, starting with its sector notes. More and more, sector notes reflect the multi-faceted reality of the region's challenges thus

better supporting country strategy development. The overarching goal is to allow for the design and execution of projects that address challenges comprehensively. As a result, lending volumes reported by specific thematic divisions offer only a partial view of how the IDB allocates its resources. Figure 2.1 shows the lending volume of IDB divisions that approved projects in 2014, without detailing cross-collaboration, but instead by the division of the primary booking unit. Figure 2.2 illustrates joint work across IDB divisions, which reflects the multisectoral approach of our work.

In 2014, 36 public sector operations (34 percent of the SG-total) were the result of joint work between

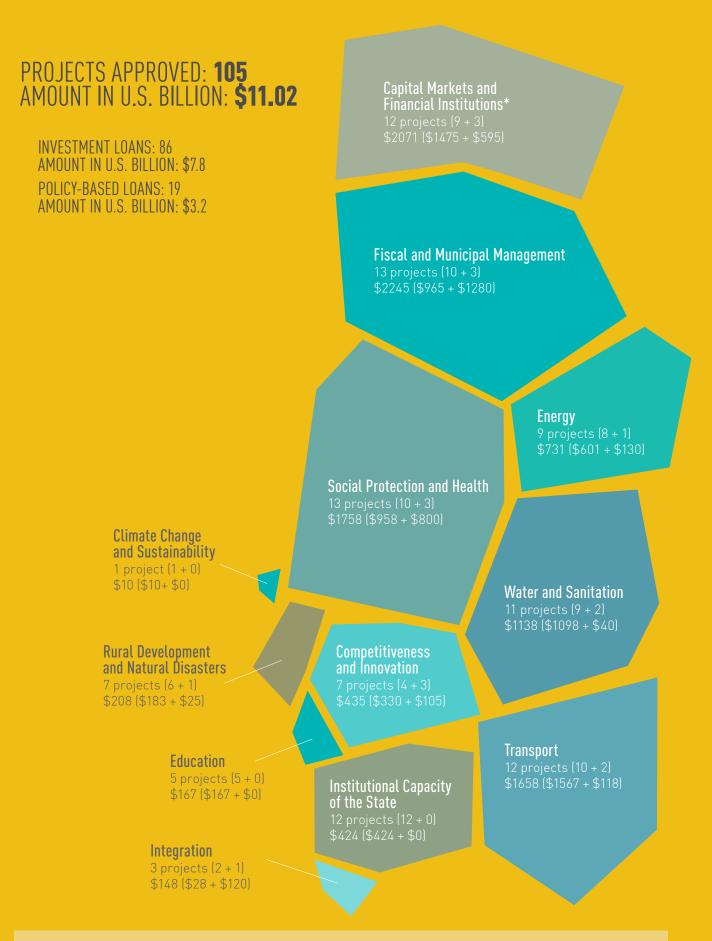
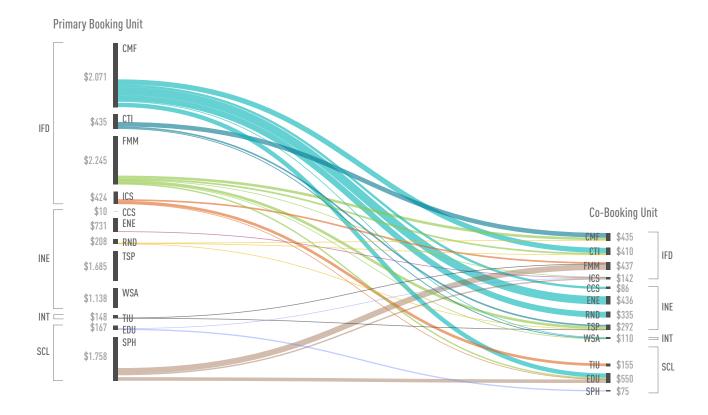


Fig. 2.1: Public Sector Approvals by Division in 2014 (in US\$ million) • Division Total (Investment + Policy-Based Loan) * Includes a \$300 million project under the contigent credit line for sustainability development.



Departments = IFD: Institutions for Development; INE: Infrastructure and Environment, SCL: Social; INT: Integration and Trade. Divisions = CMF: Capital Markets and Financial Institutions; CTI: Competitiveness and Innovation; FMM: Fiscal and Municipal Management; ICS: Institutional Capacity of the State; CCS: Climate Change and Sustainability; ENE: Energy; RND: Rural Development and Natural Disasters; TSP: Transport; WSA: Water and Sanitation; EDU: Education; SPH: Social Protection and Health: TIU: Trade and Investment.

Fig. 2.2: Multi-Booking of Sovereign Guaranteed Operations at the IDB SG operations which were double-booked or triple-booked at the IDB account for US\$ 2,802 million of approvals. However, when adding-up the values of the co-booking this value increases to US\$3,463 (right axis).

different Bank divisions, a frequent way in which the IDB works to tackle multisectoral challenges. In addition, four operations were designed jointly with one of the Bank's private sector windows. In IDB jargon, this is called "multi-booking". Such collaboration allows for a more holistic approach of development projects as the strengths of different divisions combine and synergies between them improve the overall effectiveness of our work.

ASSESSING PROJECTS AT ENTRY

How can the IDB ensure that the 105 SG operations approved in 2014 will reach their development objectives? Within limits, the answer depends on the Development Effectiveness Framework (DEF).

The main purpose of the DEF is precisely that. In order to achieve effectiveness, projects ought to be designed not only in a coherent way from the standpoint of the project logic and the best evidencebased solution supporting them, but also in a way that lends itself to evaluating them once completed. To assess if projects have these characteristics, the IDB uses the Development Effectiveness Matrix (DEM) prior to project approval.

How are DEMs designed and what do they represent? The evaluability assessment of the DEM is composed of three subsections: program logic, exante economic analysis, and monitoring and evaluation. For each of these subsections the DEM generates a score between o and 10. The simple average of





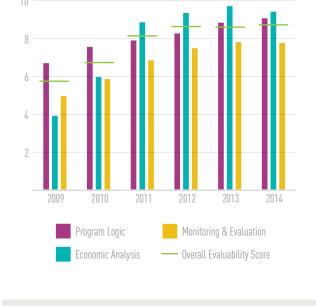


Fig. 2.4: DEM Scores by Evaluability Assessment Category

these three scores corresponds to the overall DEM score. All projects must reach a minimum of 5 in each of the evaluability subsections and in the overall DEM score before being submitted for approval by the Board of Executive Directors.

Figure 2.3 shows the evolution of DEM scores between 2009 and 2014. DEM scores increased considerably during the period. Since 2012, all projects have had overall DEM scores above 7, meaning that their design is supported by an evidence-based economic logic and in a way in which their results can be evaluated.

In 2014, 60 percent of approved projects were rated as "evaluable" and 40 percent as "highly evaluable." Boxes 2.1 to 2.4 illustrate some of the projects approved in 2014 that had high DEM scores and point out main features in them that illustrate why they were evaluated this way. To understand what lies behind the overall DEM score, it is necessary to look in more detail at the scores of the evaluability categories. Figure 2.4 shows that average scores across the three categories have shown sustained improvement. In 2014, the highest average score was for the economic analysis category (9.5), followed by program logic (9.1) and monitoring and evaluation (7.8).

The program logic category is divided into three dimensions: problem diagnosis, proposed interventions and solutions, and results matrix quality. One crucial element assessed by the DEM in this section is if there is an evidence-based assessment and solution for the project. What does this mean? As a first step, projects ought to clearly identify a problem to address, and then make sure there is enough evidence to guarantee it is indeed a priority challenge. For illustrative purposes, let's imagine that a government faces the challenge of low crop yields in a particular plot of land. To address the issue jointly with the IDB, the project team would ask a series of questions to understand the problem. For example, is there evidence that indeed the crop yields are low? How do they compare with average crop yields in other nearby regions?

Once there is enough evidence to substantiate the claim that crop yields are indeed lower than desirable; the DEM ensures the project explores the

⁶ It is important to note that evaluability levels were redefined in 2014 to differentiate projects with top scores from other projects. In particular, the "highly evaluable" level was modified so as to exclusively include projects with DEM scores equal or greater than 9. This has allowed for a distinction of the highest-scoring projects as a way to incentivize continuous improvements in the evaluability levels of all other projects.

Program Diagnosis 92%

Proposed interventions or solutions 88%

> Results matrix quality 94%

Fig. 2.5: Program Logic Ratings (Percent of Maximum Score Reached by the Average Project)

root causes of this circumstance so that the proposed solution can be optimized.

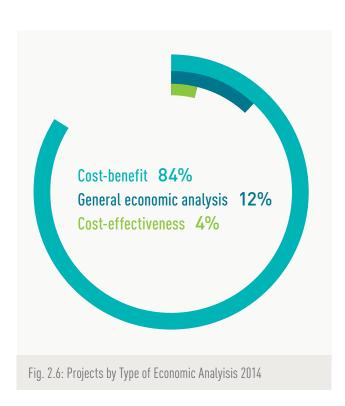
When the team has gathered enough evidence to identify the root causes of the problem the DEM also serves as the tool that questions whether there is evidence the solution proposed by the team will work.

For this purpose, let's imagine that the solution of the IDB team centers on the identification of a promising staple that is less water-dependent than average. Has this promising seed thrived in other similarly dry lands? If yes, how do the two pieces of land compare? If the seed thrived in a dry land that nonetheless enjoyed higher annual rainfall, are we adapting the technique and increasing the frequency of irrigation? The DEM examines whether there is evidence the problem we are trying to address indeed exists, and evidence that our proposed solution has been engineered to be as effective as possible. In other words, this amounts to assessing whether the project is based on a sound theory of change. In many cases, this analytical work relies on the knowledge produced by the Bank, such as impact evaluations, technical notes, and Sector Framework Documents, among others. The financial support of Technical Cooperations has been crucial to produce this analytical work.

Figure 2.5 shows that in 2014, ratings in all three dimensions of the program logic section were quite close to the possible maximum score (that is, very close to or above 90 percent of the maximum possible score).

A significant portion of the progress in evaluability scores in recent years is related to the economic analysis category. Following our example, it is essential to consider whether the value of the mature staple, or benefits of the project, is equal or greater than the initial cost of the seed being planted and the materials used to fertilize and care for it as it grows. The valuation of benefits is done from the vantage point of society. If firms benefit from the intervention, the analysis also considers effects on employees, competitors, suppliers, etc. Likewise, the costs included go beyond IDB-project financing to include all costs necessary for the intervention's implementation. Economic analyses carried out by project teams can use either a cost-benefit or cost-effectiveness methodology, while for policy-based loans a general economic analysis is used.

Figure 2.6 shows the proportion of projects with the different economic analysis methodologies used. In 2014, a cost-benefit analysis was carried out for the vast majority of projects. This type of analysis is



a very valuable tool to gauge the efficiency in the use of Bank funds. A properly implemented cost-benefit analysis, must be able to show that the economic benefits generated by the project not only is greater than its costs, but also that its return is higher than the cost of capital. Figure 2.7 shows the average economic rate of return (ERR) by sector, and the number of projects in the sector for which the ERR was estimated.

Finally, in the *monitoring and evaluation* category, the IDB has made great progress in using the most rigorous methodologies to evaluate its projects. In 2014, impact evaluations based on experimental or quasi-experimental methods were proposed for 43 percent of projects approved (compared with 49 percent in 2013)⁷. Ex-post cost-benefit analyses were proposed for 49 percent of projects, ex-post cost-

⁷ There are cases where a given project combines different impact methodologies to evaluate its different components.

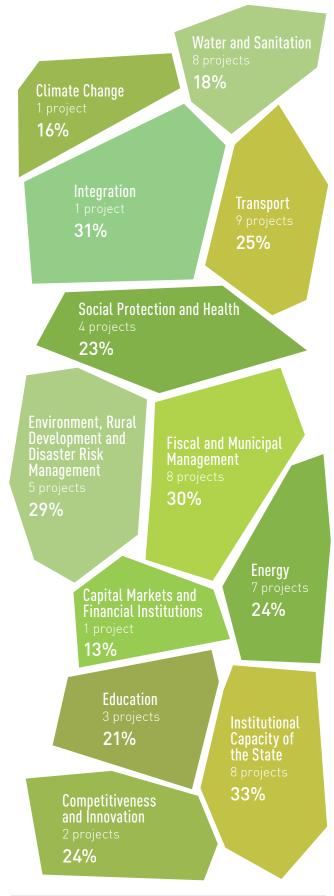


Fig. 2.7: Economic Rates of Return Across Sectors*

* Excludes 19 policy-based loans, 20 projects which do not have an ERR (relied on cost-effectiveness or general equilibrium analysis) and 9 outliers.

effectiveness analyses for 5 percent, and before-after methodologies for 4 percent (Figure 2.8).

As described previously, the IDB uses the DEM as a tool to enhance project evaluability during design. Generally speaking, a higher DEM score is desirable. However this may not always be the case. For example, if an innovative program is designed, it will be natural that it cannot be supported by empirical evidence regarding its effectiveness, since it has never been tried. In such a case, the project may score low on the section rating whether the solution is evidence-based. When this happens, the project should be accompanied by a rigorous impact evaluation that will document if the proposed intervention was effective or not. As pioneers of development, it is desirable for the Bank to forward such innovative solutions. Thus, managing for development results cannot rely

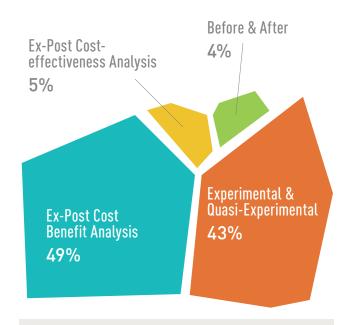


Fig. 2.8: Proposed Evaluation Methodologies for Projects Approved in 2014

IMPROVING TEACHERS TO BENEFIT STUDENTS

evaluable with a DEM score of 9.5. A distinct feature of tics and proposed solutions on both novel country-specific and international evidence. The project aims to build on the success of a 2012 pilot to explore scaling the project. In addition the project will follow a rigorous evaluation plan aimed at re-confirming the success of the previous pilot on a much larger scale. The project will use two randomized control trials to assess the effects of

Belize attend primary school, less than half achieve a tion—6.8 percent of GDP compared to 4.8 percent of GDP in the average OECD country—this poor performance can

With support from the IDB, the government piloted of the pilot, standardized test scores improved. The own students, using hands-on activities tailored to

thinking skills. There is ample evidence in the education

in training programs for teachers and principals, and

on a single tool, but must complement this with other relevant and pertinent information. The DEM score is used as a tool to proxy project evaluability of projects during Board Approval, but these discussions are rich in nature and extend beyond the DEM score.

THE DEM & IDB PRIORITIES

The DEM is also used during project design to ensure alignment with the IDB's priorities, such as lending targets, as well as alignment with country priorities, as they have been outlined in the Country Strategy. Together, IDB staff and borrowing countries define how a country's priorities coincide with the Bank's development goals. The Country Strategies provide a common reference framework for the medium-term that guides the Bank's actions and gears it toward results.

Specifically, the DEM's strategic alignment section captures the extent to which projects contribute to (1) the IDB's Results Framework, which establishes the Bank's corporate priorities given the region's development challenges, and (2) country strategy objectives.

Of the 105 public sector projects approved by the IDB in 2014, 99 were aligned both with the Bank's institutional priorities and the corresponding Country Strategy. Five were not aligned to the Country Strategy, and one was only aligned to the Country Strategy but not with the institutional priorities, but they were approved because they addressed important development challenges. In 2013, there were three projects that were neither aligned to the IDB's institutional priorities or the Country Strategy.

EQUITABLE ACCESS TO ELECTRICITY

With ample evidence that equitable access to electricity remains a challenge for Panama, an IDB loan was approved in 2014 to help mitigate this challenge through the expansion of Panama's rural electricity network which was rated as evaluable with a DEM score of 8.6.

One salient feature of the design of this project is its solid monitoring and evaluation plan. As noted in chapter 6, there is ample room for increasing the scope and range for rigorous evaluations of infrastructure projects. In this case, detailed surveys will be conducted, and a rigorous econometric approach will be used to assess the socioeconomic effects of the project. Particular attention will be given to the impact on women and children. This evaluation will contribute to the still-limited knowledge in the region on the development impact of rural energy systems.

Electricity is a basic requirement for development and a key service to improve lives. Lighting alone can bring many benefits, including increased study time, improved health, and new business opportunities.

In Panama, private companies in charge of distribution usually invest in areas that are easily accessible,

leaving poor and isolated households outside of the electricity grid. Only 71 percent of Panama's rural households have access to electricity, as reported in Panama's 2010 census.

Since 2006, the IDB has contributed to the expansion of Panama's rural electricity coverage. To date, 13,443 families have benefited, but more than 111,000 rural families still lack electricity. The project approved in 2014 will further expand electricity coverage to another 6,126 rural-households (by connecting them to the grid), plus 45 schools and 10 health centers. In addition, the program will use renewable energies to expand access to 4,218 more isolated households, plus 62 schools, 11 health centers, and 14 indigenous territories. In total, 10,344 households will benefit. The project will encourage public-private partnerships.

⁸ Panama underlined the importance of equity in access to energy by approving Law 58 on March 30, 2011. The law establishes that the government will continue to support the electrification of underserved rural areas.

CITIZEN SECURITY AND JUSTICE PROGRAMME III

Crime and violence is a daunting problem in Jamaica and the IDB has been supporting the country's efforts to mitigate this challenge since 2001. In 2014, the IDB approved Jamaica's Citizen Security and Justice Programme (CSJP III), the third program in a series to mitigate these challenges in the country.

The project was rated highly evaluable, with a DEM score of 9.2 based on the empirical evidence of the problem, the strategy to address it, the quality of the program logic, the economic analysis and, in particular, its evaluation plan. This is especially important, since, as mentioned in the 2013 Development Effectiveness Report, one of the great weaknesses of projects in this area is precisely the lack of access to evidence-driven analyses to support the intervention. The program itself will add to the knowledge base of the sector through the inclusion of two randomized control trials. In addition, CSJP III benefited from the evidence found in prior phases.

The 2014 CSJP program focuses on using solutions that have proven successful elsewhere. The

solutions include: (1) providing skills and opportunities that enable residents to change their attitudes toward tolerance instead of violence; (2) delivering youth programs to promote life skills, education, and job preparation; and (3) increasing access to services that complement the formal court system to promote reconciliation and alternative dispute-resolution

Since 2001, the IDB has supported the first two phases of the Programme (CSJP I and II). CSJP has expanded from nine to fifty communities in eight parishes since its inception, and a recent tracer study of CSJP II (2009-2013) by the IDB's Office of Evaluation and Oversight reported that the murder rate in the eight parishes where the program is functioning has declined 43 percent, compared to a 35 percent decline nationally. Additionally, 44 percent of targeted residents said that crime in their community has decreased in the past five years, compared to 28 percent of residents from other communities.

USING INFORMATION TECHNOLOGY TO IMPROVE THE AGRICULTURE SECTOR

The IDB approved a project in 2014 that aims to strengthen the capacity of farmers in Peru to negotiate prices, identify marketing alternatives, adopt new technologies, improve hedging against risk, and gain more access to credit. The project was rated highly evaluable, with a DEM score of 10, not only because of the quality of the evidence based diagnosis and identification of a solution, but also thanks to a rigorous experimental evaluation **design,** as well as the results of other similar approaches elsewhere, provided to gain insights on the effectiveness of the intervention that will be piloted through the project.

In Peru, agriculture accounts for 7 percent of GDP and provides 80 percent of the nation's food supply. However, a significant share of the agricultural output is sold at a lower price than it could have been sold in a higherpriced market, given that only 8 percent of farmers use some type of market information on prices to make decisions. This translates into lost earnings for farmers.

The project is based on a research study in Peru that involved providing cellphones set up to receive text messages with prices of 17 crops in nearby markets. Farmers who received the service sold their crops at prices 13 percent higher compared to those who did not receive it, thus earning a higher value for their agricultural output.

Producers who lack resources or do not understand the benefits of the cellphone service are not always initially willing to pay for it, so the IDB project makes financing available to private cellphone providers until the service becomes sustainable.

In benefitting farmers, the project aims to increase GDP growth while also helping to reduce poverty and improve equity. When the project is completed, an evaluation of its short- and long-term impact will provide information for the scaling of this in Peru as well as the design of similar projects in the region in the future.

PROJECTS APPROVED: **63** AMOUNT IN U.S. BILLION: **\$2.8**

Non-Sovereign Guaranteed Operations

he IDB fosters development through its private sector operations in order to create opportunities for individuals, and foster economic growth. Private-sector led growth tends to be sustainable growth, as ventures must stand the test of markets.

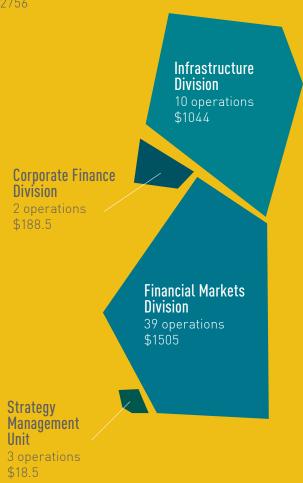
The IDB supports the development of the private sector through its sovereign guaranteed (SG) operations, which channel resources to support policies aimed at improving the business environment, and overcoming other challenges that constrain investment. The IDB also provides direct finance to private entities through its non-sovereign guaranteed (NSG) operations.

This work is done through the IDB's Structured and Corporate Finance Department (SCF), in charge of primarily large-scale projects, and its Opportunities for the Majority Sector (OMJ), which invests in business models that can be scaled up and benefit the Base of the Pyramid in the region. In 2014, the IDB approved 63 private sector projects for a total of \$2.8 billion up from \$2.1 billion in 2013. Figure 2.9 provides a breakdown of the 2014 approvals by their respective IDB divisions.

The IDB has had a development effectiveness framework in place for its non-sovereign guaranteed (NSG) operations since 2008. This framework has its foundations on frameworks at other development finance institutions (DFIs), and in particular, is harmonized with the Evaluation Cooperation Group Good

Structured and Corporate Finance Department

54 operations \$2756



Opportunities for the Majority Sector

Opportunities for the Majority
9 operations
\$67.1

Fig. 2.9: Private Sector Operations Approved in 2014 (in US\$ million)*

* Includes IDB-A-loan or guarantee amounts, including the Trade Finance Facilitation Program (TFFP).

⁹ The IDB Group also supports private sector projects through the Inter-American Investment Corporation and the Multilateral Investment Fund, which 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.

Practice Standards (ECG-GPS). The basic elements consist of an ex ante development effectiveness scoring tool, a supervision reporting tool that tracks actual results annually, and self-evaluations (conducted for mature projects) which are validated by the independent Office of Evaluation and Oversight (OVE). Since its inception in 2008, this framework has been adjusted to sharpen its focus and increase its relevance. Currently, in the context of the private sector reform discussions, the IDB Group is working on the harmonization of the different development effectiveness tools used by each private sector window.

In order to determine which private sector projects the IDB should support, and how the IDB can best add value to those operations, all NSG operations are carefully screened and analyzed to determine their potential to bring development benefits to Latin America and the Caribbean. In order to ensure rigor and consistency in assessing NSG projects, the IDB uses a comprehensive Development Effectiveness (DE) toolkit, which is applied to virtually all operations.10 This toolkit has been refined and improved over the years, and the start of 2014 marked the introduction of a completely revamped approach to assessing development effectiveness for NSG projects. Boxes 2.5, 2.6 and 2.7 highlight promising NSG projects approved in 2014.

The NSG Development Effectiveness toolkit consists of the following three key components: (1) a results matrix (for a quick overview of the main expected project results); (2) a development effectiveness assessment (resulting in the project score); and (3) an evaluability checklist (resulting in the evaluability score).

Similar to SG projects, each NSG loan proposal includes a results matrix, which—in a table format —clearly states the Project Objective and the main expected development results (project outputs and results), with baseline and target values. The results matrix is tracked throughout a project's life, and therefore allows for a quick understanding of whether a project indeed reaches the most important objectives and results it had set out to achieve.

Beyond simply stating expected development results in the results matrix, they are scored against quantitative or qualitative benchmarks within the NSG development effectiveness assessment. This allows comparisons among different projects' expected performance in terms of development effectiveness.

The NSG development effectiveness assessment¹¹ analyzes the expected development results and the significance of IDB's contribution for each project along the dimensions of (1) expected development results, (2) additionality (both financial and non-financial), and (3) alignment to IDB's strategic development objectives and the country strategy or program.12

The development results dimension, considers a company's business performance, contribution to economic and private sector development, and an environmental and social assessment. The additionality section assesses the importance of the IDB role in making the project feasible (or more sustainable). For example, this could be through the provision of financing on more favorable terms than available in the market (financial additionality). Also, additionality is related to enhancing a project's development results or its design (non-financial additionality). It is particularly important to assess additionality for private sector operations, for which the intention is to ensure that the IDB always adds value to the projects beyond what purely commercial sources can offer. The strategic alignment dimension takes into

 $^{^{\}rm 10}$ The main exceptions are individual operations under the Trade Finance Facilitation Program (TFFP), which are assessed not at the operation, but at the Program level.

¹¹ The instrument used for this assessment is the NSG Development Effectiveness Matrix (NSG DEM). Its application results in the NSG Project Score (which scores expected development results), for which there is no equivalent in SG operations. In order to avoid confusion about the meaning of the term "DEM", it is important to point out that the "DEM Score" for SG operations corresponds to the Evaluability Score of NSG operations.

¹² These dimensions follow the ECG-GPS (Evaluation Cooperation Group's Good Practice Standards) for private sector project evaluation.

consideration how well the project fits in with the IDB's stated corporate priorities, as well as the country's development goals as expressed in the Country Strategy or Country Program documents.

Starting at project eligibility, a project score (0-10) is generated for the performance areas of development results (with subscores for the underlying criteria mentioned above) and additionality, whereas the strategic alignment dimension is assessed as either "aligned" or "not aligned". The overall project score is a weighted average of the performance area scores. The project score is updated and finalized at the quality and risk review meeting and at Board approval. This score is then revised annually (as part of the NSG Project Supervision Reports or PSRs) throughout a project's life, reflecting how actual project performance compares to the expectations set at approval.

For NSG projects approved in 2014¹³, the average overall project score was 7.7, indicating high expectations for projects' development results. The average development outcome score was 7.4 and it is expected that the IDB will provide strong value to the transactions, with an average additionality score of 8.4. Figure 2.10 details project scores of 2014 approvals.

In terms of alignment, 34 of the 37 NSG non-TFFP¹⁴ loans and guarantees approved in 2014 were aligned to both IDB corporate strategic priorities, as well as country strategies or programs. One project was aligned only to the country priorities, and two projects were aligned to IDB corporate priorities but not to the Country Strategy or Program documents.

Similar to the evaluability tool for SG operations, the NSG evaluability checklist15 assesses whether a project is well laid-out, and set-up in such a way that it will be possible to evaluate the results once the project is finished. The checklist has three main components: (1) project logic; (2) financial and economic analysis quality; and (3) monitoring and evaluation quality. The project logic section of the checklist considers how well the project is justified—is there evidence of the need for the intervention? The sec-

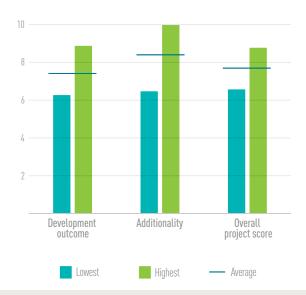


Fig. 2.10: Project Scores for NSG Projects Approved in 2014 Note: Since the DE toolkit underwent drastic changes between 2013 and 2014, a comparison to historic scores is not meaningful. Only 2014 scores are shown for that reason.

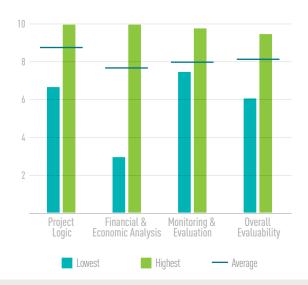


Fig. 2.11: Evaluability Scores for NSG Projects Approved in 2014 Note: Since the DE toolkit underwent drastic changes between 2013 and 2014, a comparison to historic scores is not meaningful. Only 2014 scores are shown for that reason.

¹³ There were 63 NSG loans and guarantees approved in 2014, of which 26 were part of the Trade Finance Facilitation Program (TFFP). Due 20 were part of the Hade Finance rachinator Figure (117). See to their homogeneity, TFFP operations are assessed not at the individual operation, but rather at the program level. Therefore the figure reflects the scores of the 37 non-TFFP NSG loans and guarantees.

14 Trade Finance Facilitation Program (TFFP).

15 While an evaluability score had been produced for NSG operations give and the avaluability checklist was completely overhauled and

since 2011, the evaluability checklist was completely overhauled and harmonized with the SG evaluability approach for operations in 2014. Due to the novelty of the approach, the year 2014 is considered a pilot exercise, which is currently being reviewed for feedback by the Office of Evaluation and Oversight (OVE). Based on such feedback and other lessons learned, the checklist and scoring approach might be adjusted for future operations.

INTERFISA: "NDE VALE"

Nde Vale is an expression that comes from the Guaraní dialect and, although it does not possess a direct translation, it is attributed to a person that is both persistent and courageous in the activities they undertake.

Through its customized "Nde Vale" product, Interfisa—a specialized financial institution—seeks to address the unmet needs of women entrepreneurs in Paraguay. Micro-entrepreneurs at the base of the pyramid face significant obstacles in obtaining financing for their businesses due to a lack of appropriate records that can be used as a means for verifying their repayment capacity, a scenario that is worse for women-owned businesses.

The lack of collateral, such as access to land titles —which are generally in the name of the male head of household—and traditional structures for investment decision making in the family, put women at a greater disadvantage when applying for any kind of financing. Such market failures are often exacerbated for the following reasons: (1) the market often does not recognize women entrepreneurs as relevant target customers; (2) the informal economy in which most women operate limits their

productivity and restricts their access to formal sources of financing; (3) the amount of collateral required to obtain a loan under these circumstances is up to three times greater than the loan amount; and (4) a large percentage of women do not have the technical knowledge to apply for a loan or even know what their capital needs are.

With this project, Interfisa seeks to contribute to their clients' development, particularly in rural areas, by extending loans to micro, small, and medium enterpris**es (MSMEs) owned or led by women.** In order to cater to these beneficiaries, "Nde Vale" does not require collateral, has a flexible repayment schedule adjusted to the customers' cash flow, and a streamlined loan contract. Moreover, Interfisa has designed an incentive system to motivate its loan officers to reach women who reside in areas outside of urban centers and are currently not part of the financial system. Overall, with the support of a US\$5 million loan from the Opportunities for the Majority Sector (OMJ), this project aims to benefit approximately 5,072 women microentrepreneurs and 9,105 small and medium enterprises (SMEs) owned or led by women in Paraguay, who previously had little or no access to formal sources of financing.

tion also includes an assessment of how clearly the project's development objectives are stated, and whether there is evidence for the validity of the way in which the project addresses the identified development problem. Furthermore, this section analyzes the justification for the need for IDB involvement in the relevant private sector context. The score also appraises how well the document identifies the intended beneficiaries and the development benefits the project is expected to achieve. Finally, a crucial component of evaluability is the verification of the vertical logic of the project, in other words how the project objective relates to the outputs which in turn lead to results, as reflected in the results matrix.

The financial and economic analysis section evaluates the quality of the project's financial and economic analyses in accordance with the standards set forth by the ECG-GPS. 16 The monitoring and evaluation section

assesses the mechanisms and provisions put in place to ensure a meaningful ex-post project evaluation, as well as development results tracking and reporting.

Finally, an overall Evaluability score¹⁷ is produced based on the scores for each of the three areas described above (with each area equally weighted). For projects approved in 2014¹⁸, the average evaluability score was 8.2.19 Figure 2.11 below summarizes evaluability scores for NSG approvals in 2014.

 $^{^{16}}$ For real sector projects, an ex-ante cost benefits analysis is carried out to calculate the FRR (Financial Rate of Return) and ERR (Economic Rate of Return) or ROIC (Return on Invested Capital) and ERIOC (Economic Return on Invested Capital). For financial intermediary projects, the financial performance of the client financial institutions, as well as the economic sustainability of their portfolio are the main criteria proposed by the ECG-GPS.

¹⁷ As previously mentioned, the Evaluability score is referred to as "DEM score" for SG operations.

¹⁸ This excludes TFFP operations, as well as other transactions for which evaluability is not assessed at the individual operation level, but at the facility or program level.

¹⁹ As the year 2014 marks a pilot of this new NSG evaluability checklist, the scoring mechanics and the average score might still be revised based on OVE's feedback.

BANCO GUAYAQUIL: A MULTI-BOOKED SCF-OMJ PROJECT

Agriculture in Ecuador represents the main economic activity in rural areas, where 41 percent of the population still lives in poverty. This is in part due to the lower levels of productivity in this sector, which consists primarily of micro, small, and medium-sized farmers who lack access to knowledge on productive best practices, technology, and effective financing to become more competitive in both domestic and foreign markets.

With the main objective of improving access to finance for agricultural producers in Ecuador, the Inter-American Development Bank (IDB), acting jointly through its Structured and Corporate Financing Department (SCF) and its Opportunities for the Majority Sector (OMJ) joined forces and—along with the "China Co-Financing Fund for Latin America and the Caribbean" as well as diverse B lenders—is providing Banco Guayaquil (BG) with

US\$100 million in medium-term financing to support its expansion strategy into the agroindustry sector.

To achieve greater penetration, BG seeks to develop partnerships with various anchor companies, thereby using an alternative channel to reach producers that previously lacked access to formal sources of financing. These anchor companies, in addition to sharing their lists of generally small producers with BG, will also provide information on their various crop specific production cycles to ensure that the terms and conditions of the loans placed by BG fit the needs and repayment capabilities of its producers. Additionally, they are also expected to provide technical assistance on best production practices to loan recipients in their value chain. The productive sectors identified as potential recipients of support from this program are the cocoa, corn, dairy, meat, palm oil, and sugar sectors.

AUTOPISTA URBANA IN BUENOS AIRES

The Autopista Urbana S.A. (AUSA) program represents a pioneering NSG operation, as it is dedicated specifically to addressing the critical public health issue of road safety. It is the first time a private sector concessionaire raises funds especially to finance road safety concerns.

Every year in Latin America and the Caribbean, approximately 150,000 people are killed in road accidents with another five million injured. The economic cost of crashes in the region is estimated at \$60 billion per year, which amounts to 1–2 percent of regional GDP. In response, global leaders have espoused the *Decade of Action for Road Safety (2010–2020)* with the stated goal of reducing global fatality projections by half by the year 2020.

In the city of Buenos Aires road incident rates among users and pedestrians are at approximately 10,000 per year with nearly 25 people injured daily. In particular, the most problematic infrastructure issues in Buenos Aires are "at-level" road/rail crossings where vehicle and bus traffic crosses the urban train network. During 2005-2010, there was an average of 714 incidents per year at

these road-rail intersections resulting in over 350 fatalities per year across the city.

The AUSA project provides infrastructure investment, private sector management and coordination with public authorities to improve road safety in Argentina.

The approach includes two road safety and mobility components: (1) a large-scale infrastructure investment program; and (2) a partnership between the Bank and Autopista Urbana S.A. (AUSA) which commits to a program of continuous improvement with the goal of reaching international best practices based on the Bank's Highway+ program.

Expected development impact includes: (1) reduction in the number of traffic incidents; (2) time savings for both the road and rail systems; (3) enhancements to the environmental sustainability of the road network; and (4) temporary construction jobs. Also, the Road Safety Action Plan will: (1) increase accountability and transparency of road safety performance; (2) improve data collection, management and analysis of road safety data and (3) move AUSA towards international best practices in road safety.

Monitoring Sovereign Guaranteed Operations

nce projects are approved, the IDB continuously collects data on the extent of progress, achievement of results, and disbursements of allocated funds. This process uses the Progress Monitoring Report (PMR), an instrument in the Bank's Development Effectiveness Framework (DEF).

The PMR enables the IDB to monitor its public operations—internally known as sovereign guaranteed operations—from the earliest project stage. This instrument opens up a myriad of opportunities for project team leaders and government counterparts to make opportune and informed decisions about the project as it proceeds. Through the PMR the Bank also learns about what works (and what doesn't) in implementation.

SNAPSHOT: 2014

Portfolio of IDB Public Sector Projects in Implementation



633 public sector projects



\$8.6 billion

disbursed in 2014 to support IDB public sector projects



Accounting for \$49 billion

of IDB financing

Almost half of this portfolio is made up of projects in the transportation, water and sanitation, and fiscal and municipal management sectors.

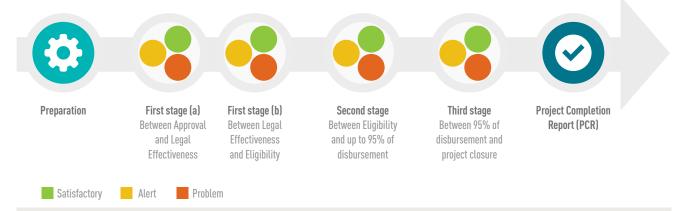


Fig. 3.1: Life-Cycle of Public Sector Projects

The first stage is divided in two lapses: (1) The first refers to legal effectiveness which relates to the signing of the contract between IDB and the host country. Sometimes this is done at the level of the executive power, and for other countries it also includes congressional retification. (2) Reaching eligibility involves meeting a number of conditions as they have been established contractually. Often, they relate to how the executing agency is set-up to implement the project. Once conditions are met, the projects becomes eligible to disbuse.

THE NEW PMR METHODOLOGY

The IDB has focused in recent years on improving how it monitors project implementation. In 2013, the Bank revamped the PMR methodology to better capture the different dimensions of a project's performance. This allows the Bank to better understand how different factors affect project execution. The new methodology, described below, was implemented in 2014.

In order to understand some of the changes in the methodology, it is useful to understand the cycle of an IDB project. The operational life cycle of a project has three stages (Figure 3.1). The first stage starts with the approval of the operation by the Board of Executive Directors and runs to the start of disbursements, which requires the legal or administrative approval by the beneficiary country and the fulfillment of the clauses for first disbursement. Box 3.1 presents some of the main benefits of monitoring the performance of projects in this early stage of execution.

The second stage starts when the project becomes eligible for its first disbursement and continues until 95 percent of project funds have been disbursed by the Bank. The third stage then begins and lasts until the operation completes.

The previous methodology only monitored projects during the second and third cycles. The new

one begins monitoring with the IDB's Board of Executive Director's approval. This is crucial, because in many cases the lapse between approval and the initial disbursement of funds is lengthy, which may be due to correctable delays.

The dimensions of project performance are measured through a set of indicators tailored to each execution stage; some of the indicators are used only for tracking purposes, while others are used for rating project performance in three categories: satisfactory, alert, and problem. Projects are classified into each category depending on how well they match their execution and financial plans.

In addition to including a wider time span to monitor, the new PMR methodology also classifies project performance more accurately because it uses better indicators, and also has an improved quality control and validation process that incorporates in its assessment relevant parties associated with the project—including team leaders, division chiefs, chiefs of operations, and country representatives.

The previous system only used indicators for projects in the execution stage. The revamped methodology provides additional elements for managers to learn about problems during implementation, understand their causes, and make more informed decisions.



Fig. 3.2: Performance Classification of Sovereign Guaranteed Operations, 2010-13*

To give just one example, team leaders are encouraged to describe findings and recommendations in an informative and comprehensive way, which also enhances the use of the PMR as a knowledge and learning tool. The new methodology is accompanied by a platform that invites teams to explain any changes in the project's results matrix or provide recommendations for future interventions. Tracking such "qualitative" information about a project's execution helps to better understand the circumstances—such as the reasons for delays in scheduling, cost overruns, or a lag in achieving results—that could affect performance and results. Combining such qualitative data with the quantitative indicator data allows for a more holistic approach, which in turn leads to improved accuracy for project classification (more detail in the section "Quantitative + Qualitative Analysis = Effective Project Monitoring").

CLASSIFICATION OF THE IDB PORTOFLIO

Classifying the IDB's sovereign guaranteed projects into categories of satisfactory, alert, and problem helps project teams, executing agencies, and the Bank's administration ensure that problems may be identified and actions taken so that specific development targets can be met. In addition, information on progress is vital to identify program strengths and weaknesses, learn from what was done well or not, make improvements, and develop skills along the way. Box 3.2 discusses an example of one of the Bank's most important uses of PMR data, for portfolio performance reviews.

Figure 3.2 shows that the introduction of the new PMR methodology has slightly modified the composition of the performance classification of sovereign guaranteed operations because projects are now grouped into three different stages, with a set of tailored indicators for each stage. In the 2014 classification exercise, which focused on project status through December 2013, 75 percent of operations had a satisfactory performance classification, 14 percent an alert classification, and 10 percent a problem classification.²⁰

^{*} The ratings from 2010 to 2012 do not include projects whose performance was rated as "outlier", a classification that was no longer in use for performance ratings of 2013. For 2013, the projects were rated using a new methodology, which among other changes, expanded the scope of the portfolio being monitored and this increased the total number of operations with a performance classification. The classification was expanded to included (1) projects already approved but that have not reached eligibility, and (2) projects that reached 95% disbursement.

^{*} This figure only goes up to end-2013 because classifications up to end-2014 will be reported during the March 2015 cycle.

These percentages are cumulative and independent of the project's implementation stage. Less than 1 percent (five operations) of total Bank operations have not been assigned a performance rating. They are not rated because they had not programmed physical or financial progress in 2013.

For approved projects that have not yet reached eligibility (see Figure 3.1) and therefore cannot disburse, the classification is based on a comparison between the elapsed time from the approval date to the moment in which disbursements can start considering interim legal steps depending on the characteristics of the country. The comparison is made with the country's benchmark determined by its own historical pattern. Of the projects in this first stage in 2013, 80 percent were classified as satisfactory, 8 percent as alert, and 12 percent as problem.

For projects that are disbursing (the second stage in Figure 3.1), the PMR uses the Earned Value Method (EVM) technique to classify execution performance by comparing the planned values of a project with the actual values achieved (earned value) and the

actual costs. In short, what this methodology does is detect whether projects are delayed in their execution or running overcosts in comparison to their initial execution plan and to yearly updated ones. In 2013, 71 percent (321) of projects that had disbursed less than 95 percent of their allocated resources were classified as satisfactory, 17 percent (78 projects) as alert, and 11 percent (52 projects) as problem.

In terms of projects that had disbursed more than 95 percent of their allocated resources (the third stage in Figure 3.1) in 2013, 92 percent (78 projects) were classified as having a satisfactory performance, 6 percent (5 projects) as alert, and 1 percent (1 project) as problem.

What are some of the characteristics of operations whose performance is classified as being in

THE SOONER WE MONITOR, THE BETTER THE RESULTS

Project and management specialists have identified many benefits to monitoring operations early in the operational life cycle, even before the first disbursement of a project takes place. A number of early monitoring methodologies and tools have been created to respond to concrete needs during this operational stage.

If an operation takes longer than anticipated to reach eligibility to begin disbursements, this delay can have repercussions on execution because assumptions made at the time of approval may have changed in the interim. Early detection of possible delays gives project teams the opportunity to mitigate their effects and make any changes necessary to ensure effective project implementation later on.

The IDB's new Progress Monitoring Report system tracks how long it takes a project to move from approval to eligibility for disbursement, then compares the length of that period with the average duration of that stage in other projects in the same country. Delays in comparison with the benchmark can signal potential problems with project design, or changes in the borrower's priorities, legal framework, or political context.

In some cases, reaching eligibility may take a long time, affecting the design and the context under which the operation will be executed. Therefore, once a project is eligible for disbursements—the second stage of the operational life cycle—project teams can modify and update the operational plan from the design phase to take into account the actual context of the operation and risk management factors, thus facilitating timely and realistic project implementation. While these changes are valid, the new monitoring system keeps a record of all the adjustments made to the original operational plan prior to eligibility. Furthermore, the system also logs all changes made to the operational plan after eligibility is reached and requires teams to clearly justify the reasons for any adjustments.

Having mechanisms in place to measure project performance from inception to closure enables the IDB and its partners to ensure that projects are off to a good start—and it stands to reason that starting well increases the chances of finishing well.

either alert or problem status? Box 3.3 presents findings and recommendations from operations classified as either alert or problem. These are valuable lessons not only to redirect projects facing difficulties, but also to design future operations.

QUANTITATIVE + QUALITATIVE ANALYSIS = EFFECTIVE PROJECT MONITORING

At the IDB, monitoring is more than simply comparing what is implemented against what was planned.

The qualitative data reported is useful in all stages of the project's life cycle and is just as important as quantitative data for annual re-planning exercises, mid-term evaluations, and assessments of overall project achievements.

Qualitative information about a project's execution provides the details and context that are key to understanding circumstances that could affect performance and results. The Bank monitors qualitative input about overall project management in six areas: (1) technical-sectoral, (2) organizational, (3)

HOW DO WE USE THE PMR?

One of the processes that best exemplifies how the IDB uses the performance monitoring information is the portfolio performance reviews that the Bank and partner countries conduct based on the classification of a project by the Progress Monitoring Report.

The reviews lead to actions and resource allocations designed to improve the performance of operations as well as meet project teams' and executing agencies' training needs. Particular attention is given to operations that have been systematically classified as being in alert or problem status.

The portfolio reviews also identify key performance factors at sector and country levels. At the sector level, reviews have found that the size and type of loans are key factors related to project performance. For example, projects in sectors that are both technically and politically complex are challenging.

Also, setting unrealistic deadlines for implementation affects execution, especially for interventions with a high degree of social sensitivity, for example in the case of projects that require involuntary resettlement. Moreover, changes in the program's objective or expected results also influence the operation's implementation. When such changes involve a wide reformulation of the operation, it is important to consider the possibility of designing a new intervention rather than adjusting an existing one. Finally, when more than one executing agency is involved in the loan, timely and defined coordi-

nation between them is a crucial factor for a satisfactory performance.

Key challenges at the country level related to project performance include institutional weaknesses in areas such as procurement policies and financial management. Also, the implementation of operations executed by subnational governments requires special effort by all actors involved to strengthen management. Furthermore, the implementation of small operations in large countries presents a major challenge to the natural inclination of giving more relevance to the execution of major interventions, neglecting those of a narrower scope. Another challenging factor at the country level is the cancellation of undisbursed balances, and the closing out of long-running projects that have systematically inadequate performance-levels.

Some of the interventions to correct these problems imply management actions by high-level IDB and government officials, while others involve providing management tools and resources to executing agencies, and still others require training project teams and counterpart staff in particular processes or procedures.

The nature of the corrective intervention will depend on the nature of the identified performance constraint. In the end, what matters is not the classification of project performance in itself, but the effective and timely actions taken to improve the performance of the operations in execution, thus increasing development effectiveness.

30X 3<u>.</u>3

FINDINGS + RECOMMENDATIONS FROM PROJECTS IN ALERT AND **PROBLEM STATUS**

- ecuting agency with little experience with IDB proj-

- monitoring of counterpart resources in order to ensure
- and an undiagnosed lack of capacity in less experienced

fiduciary, (4) public processes/actors, (5) laws and policies, and (6) other issues.

Monitoring qualitative information is also crucial to understanding the reasons behind schedule delays, cost overruns, or any lag in the achievement of results. Mapping the most recurrent reasons for delays or bottlenecks in implementation is helpful in formulating portfolio management strategies at both the individual project level and at the level of the whole portfolio of IDB projects.

In other cases, qualitative information may be pertinent to either reinforcing or driving a change in a project's performance classification, which had been previously based primarily on quantitative data. This is because qualitative information can sometimes explain certain elements of a project that are otherwise not captured through quantitative data.

In sum, the combination of quantitative and qualitative data to evaluate project performance allows for a profound understanding of the operation. This in turn improves the accuracy of the project's classification and facilitates more effective allocation of resources during supervision. Boxes 3.4, 3.5, and 3.6 feature projects in The Bahamas, Guyana and Uruguay that show how the PMR information has been crucial in getting projects back on track.

RECOMMENDATIONS ON MITIGATING CHALLENGES TO PROJECT EXECUTION

Through the Progress Monitoring Report, the IDB can identify the main factors affecting project execution, and proactively address them with project teams and executing agencies. With this knowledge, the IDB has acquired lessons on how to best prepare and manage projects during supervision and mitigate challenges common to implementation.

In recent years, the participation of specialists in the country offices in the design of operations has increased significantly. Their knowledge of the

THE BAHAMAS' WATER + SEWERAGE CORPORATION (WSC) SUPPORT PROGRAM

The WSC Support Program: New Providence Water Supply and Sanitation Systems Upgrade aims to improve the efficiency and quality of service provision of potable water, address immediate problems of sanitation in New Providence, and support the development of the Water and Sewerage Corporation of the Bahamas (WSC), a wholly owned Government organization, entrusted with managing, maintaining, distributing and developing the water resources of The Bahamas.

The \$49 million project's main component, which represents 60 percent of the loan resources, aims to reduce non-revenue water (NRW). In other words, water that is "lost" before it reaches the customer, either through leaks (physical losses) in the distribution network or through theft or metering inaccuracies (apparent losses). The corresponding indicator: Volume of NRW expressed as a daily average volume in Million Imperial Gallon (MIGd) was intended to decrease from the baseline of 5.5 MIGd to 2.5 MIGd over the life of the Project.

This PMR indicator is perhaps the most important in the project's results matrix, and also the basis for the Performance Based Contract (PBC) financed by the IDB Loan. Under this PBC modality, the Contractor is paid for its services through a formula that is based on its outputs (70%) and results (30%). This contractual arrangement, which is only possible through project monitoring, allows for an alignment of interest between the Contractor and the WSC, and has proved a valuable mechanism. To date, the NRW is already below its established final target.

This confirms the importance of this indicator; NRW reduction is indeed a major contributor to the sustainability of WSC, not only in financial terms, but also its technical and environmental sustainability.

Reduction of NRW is an important contribution that improves the quality and sustainability of water services. The majority of IDB's loans in this sector are advancing the objective of reducing non-revenue water. The modality of a performance-based-contract is not commonly used in the industry, nor in the majority of the Bank's projects. The IDB is preparing a case study relating to such contracts, based on its work with WSC in Bahamas, and of the National Water Commission (NWC), the equivalent of WSC in Jamaica.

country context and experience is beneficial for project execution. This is particularly helpful in avoiding the inclusion of project components that are difficult to implement or of dubious feasibility given the inherent country context. Therefore, participation of specialists in the country offices should continue to be encouraged in the preparation of all our interventions.

Another important aspect the IDB should consider is the time assigned to project preparation. When time is not ample enough for the elaboration of an adequate conceptual design, project teams may incur in costly additional work. Sometimes they are forced to make additional sectoral diagnoses as well as other technical and institutional

assessments to provide more conceptual inputs and empirical evidence.

Moreover, the Bank should be aware that, particularly for innovative projects, abstract concepts as captured in a project proposal may not be sufficient for understanding a specific area of intervention. In the early stages of design, it is important to identify and analyze similar projects financed in other countries, thus enhancing the understanding of the components that will be funded by IDB and their expected results.

In the first stage of execution, the operational component most likely to affect delivery times for project results is bidding and contractual procedures. Technical support is thus crucial to facilitate

30X 3.5 GUYANA

GUYANA'S MICRO AND SMALL ENTERPRISE DEVELOPMENT AND BUILDING ALTERNATIVE LIVELIHOODS PROGRAM

It was through IDB's monitoring of the progress of Guyana's Micro and Small Enterprise Development program that the Bank realized there was a need to revise the project's original approach to enhance its success. The project aims to support the Government's strategy of reducing carbon emissions by re-orienting the economy toward a low carbon path via the creation of the necessary incentives for its beneficiaries to invest in the Low Carbon Sectors (LCS). Its focus is on facilitating job creation via Micro and Small Enterprises (MSE) in identified low carbon sectors; targeting them by enhancing access to credit and to business development training.

The corresponding result indicator—Jobs created in the low carbon sectors with resources from the program—depends on the project's outputs, specifically those related with the MSEs that could benefit from the use of the different tools provided by the program: (1) credit guarantee fund, (3) interest payment support facility, and a (3) low carbon grant scheme to assist with seed capital for the start-up or expansion of businesses.

Monitoring the program revealed the demand for guarantees was mostly stemming from Medium Enterprises (MEs), rather than Micro and Small Enterprises (MSEs) as originally thought. Monitoring also identified the need to allow new financial intermediaries to participate in order to increase the dissemination of the program.

These findings led to corrective actions in redirecting the program: (1) indicators were revised to reflect a lower demand by micro and small enterprises resulting in lower jobs-creation targets; (2) guarantees have been mostly extended to medium enterprises instead of micro and small enterprises as originally thought and their coverage has been extended to 5 years. Project execution will benefit from a revamped approach that better serves the actual beneficiaries, while preserving and pursuing its development objectives.

the reviewing of bids and responding to objections and appeals. Face-to-face meetings with executing agencies are also helpful in clearly establishing rules, agreements, and quality standards. Prudential financial planning that takes into account the complexity and potential time-lags associated with bidding is also recommended.

Several issues that often influence project execution relate to the executing agency, including its capacity to manage administrative and organizational matters, coordinate with other actors, as well as plan and monitor the project.

The executing agency's capacity to manage administrative and organizational matters can affect the schedule for project implementation. The most common recommendation to address this issue is assigning more time and resources to institutional

training and to documenting and promoting best practices. In some cases, such training has started before large investment operations even begin. Other recommendations to build capacity include organizing ad hoc workshops to find solutions to administrative problems and reduce the timeframes for internal procedures; restructuring the executing agency; and paying close attention to project staff funding needs.

Where executing agencies manage pilot projects or subprojects within the same operation, efforts have been made to reduce complexity by minimizing the number of simultaneous initiatives and investing in a robust and strong executing agency. Outsourcing of subproject management processes, on the other hand, has not proven to be a viable solution.

The executing agency's ability to coordinate with other actors also affects project implementa-

URUGUAY'S PROGRAM TO SUPPORT GLOBAL EXPORT SERVICES

The exports of services generated \$200 billion in 2013 and Uruguayans have the potential to take full advantage of this lucrative industry for three reasons. First, Uruguay has excellent infrastructure for developing this sector, including several free trade zones devoted exclusively to the export of global services. Second, the country has adequate human capital, and a favorable climate for business, security, and transparency in Latin America. And third, Uruguay's cultural similarities and compatible time zone with the United States offer a clear comparative advantage for serving the world's lead market in the global services sector.

The IDB-financed Program to Support Global Export Services (GES) in Uruguay aims to contribute to the development of the country's GES market. Specifically the Program is seeking to increase foreign direct investment, exports, and the level of employment in this sector.

The quantitative information provided by the Progress Monitoring Report (PMR) was useful in identify-

ing two delays and deviations in the achieved outputs during project implementation, which later turned into improvements.

First, the PMR indicator related to *commercial missions*, *fairs and events supported* was lower than planned, and when analyzing the reasons behind the lower-than-expected demand it became apparent that a new instrument had to be designed. Consequently, "ProTIC" was developed, a pilot tool to support small and medium export enterprises in the information and technology sector to increase their internationalization.

Secondly, the number of students attending the program-supported job-training institutions, known as "Finishing School Programs", was lower than expected. To understand why, an intermediate evaluation of progress is being conducted. Preliminary findings show that the instrument was adequate but lacked proper dissemination. Based on its results, an aggressive dissemination campaign will be launched to improve uptake.

tion. Institutionalizing collaborative mechanisms to save time and resources during the implementation stage has had positive results. When there are several entities involved in implementation, designating one agency with the leadership role early on is considered critical to project success.

Also, the capacity of the executing agency in planning and monitoring should be carefully considered during the design of the operation. This allows for integrating an institutional-strengthening component early-on during project design should a weakness be identified. In turn, this facilitates execution.

Finally, there are legislative, regulatory or permit, and initial design issues during the design or pre-eligibility operational stage. Political support

and the need to execute subprojects in synch with the larger operation of which they form a part are important. Project teams have also pointed to the key role of stakeholders in approving and maintaining the operation's framework, and then the subsequent importance of continuing to coordinate with them to ensure ongoing political support for the project.

A comprehensive, clear, and specific intervention design allows a better understanding of what the operation is expected to deliver and achieve in a certain period of time. Furthermore, the execution of the intervention accompanied with rigorous quantitative and qualitative monitoring is crucial for gaining empirical evidence on the effectiveness of our interventions and providing lessons for the design of future projects.

Monitoring Non-Sovereign **Guaranteed Operations**

s discussed in Chapter 2, non-sovereign guaranteed (NSG) operations²¹ receive development effectiveness project scores at approval, and these project scores are updated annually, after project disbursement, as a result of the monitoring exercise of projects' develop-

ment results. In 2014, the 112 Structured Corporate Finance (SCF) and Opportunities for the Majority (OMJ) projects²² had an average updated score of 7.7 (refer to Figure 3.3). Boxes 3.7 to 3.10 provide a closer look into how NSG projects have benefited from supervision.

SNAPSHOT: 2014

Portfolio of IDB Private Sector Projects in Implementation



220 **Private Sector** Projects of which 178 are loans 15 are guarantees

27 Trade Finance Facilitation Programs (TFFPs)



\$1.5 billion

dishursed in 2014 to support IDB private sector projects

²¹ Refers to projects by the Structured Corporate Finance Division and the Opportunities for the Majority Sector.
²² As discussed in Chapter 2, SCF projects are large-scale projects, and OMJ projects provide opportunities for the base of the pyramid. The results presented here cover those regular (non TFFP) projects which were approved after 2008 when the ex-ante DEM was first applied, excluding relatively new projects where PSRs have not been provided yet.



QUIPORT: FROM ONE OF THE MOST DANGEROUS AIRPORTS TO ONE OF THE BEST

The IDB provided long-term financing that has enhanced the safety of air travel to the capital city of Ecuador and benefited the country's main export. The old Mariscal Sucre Airport (MSA) in Quito suffered from a number of constraints due to its location. Located at an elevation of 8,700 feet (2,850 meters) with mountains on three sides and a city surrounding it, it forced a steep angle of approach navigating around the mountains onto a runway with diminished aircraft performance due to low outside pressure. MSA was considered one of the most dangerous airports in Latin America. The conditions described meant more flights were needed to carry passengers or cargo. In addition, the terminal was overcrowded. Consequently, MSA was not in compliance with International Civil Aviation Organization (ICAO) standards.

The IDB financing enabled the construction and commercial operation of the New Quito International Airport (NQIA) which began operating in February 2013. Construction generated more than US\$1 billion of economic activity, requiring 20 million hours of labor and 500,000 hours of specialized training.

NQIA airport is located in the outskirts of Quito, at a lower altitude, and has longer runways than the old airport. In turn, this allows for bigger planes, ultimately bringing more passengers and cargo into and out of the region, **expected to increase economic activity by up to US\$200 million annually** while relieving Quito's
residents from the noise and pollution of the old airport.
In the two years since it opened, the export of roses, Ecuador's main export, is substantially more efficient and has led Iberia to establish the first transatlantic flight

Currently, as NQIA is pursuing the ambitious goal of becoming a zero-emissions airport, the IDB is providing technical assistance to establish the feasibility of solar panels to power at least part of the airport, and will undertake a shared value appraisal to include the local communities into the airport's waste management program and supply chain.

Guided by project monitoring, NQIA was able to adopt an Environmental and Social Management Plan, a Health and Safety Plan, and is contributing to sustainable economic development, regional trade, and the quality and efficiency of transportation. Furthermore, NQIA has established a number of corporate social responsibility (CSR) programs including job skills training for local communities, a recycling program, a new water pipeline that provides reliable potable water for 120,000 people close to the airport and scholarships for vulnerable children.

BRAZILIAN INFRASTRUCTURE INVESTMENT FUND (INFRABRASIL)

In June 2004, the IDB promoted the creation of InfraBrasil to promote private equity (PE) funds as a vehicle to fund new infrastructure projects with long term equity capital. Given that fiscal constraints limited the public sector's ability to significantly boost investments in the sector, mobilizing private resources was necessary to contribute to successfully narrowing the country's infrastructure gap.

The IDB's role in supervision of the portfolio provided investor confidence and was catalytic to investment mobilization. With the support of an anchor \$70mm loan from the Bank, InfraBrasil was able to raise an additional estimated US\$ 500 million from local pension funds.

InfraBrasil was originally structured with a focus on the energy, transportation, and water and sanitation sectors. The IDB took an active role in supervising the Fund, promoting changes to its target market once it became clear that the country had a pressing need to increase and diversify its energy matrix. The IDB adapted the original structure of the fund to allow for a higher share of the resources to be invested in the energy sector.

InfraBrasil invested in a portfolio of 17 projects through a combination of equity and debt instruments. In the energy sector, InfraBrasil's investments supported an increase in the country's generation capacity by nearly 800 MW. Among others, in the water and sanitation sector, the Fund's investments supported: the first sanitation Public-Private Partnership (PPP) at the municipal level, providing 200,000 people in Rio de Janeiro with access to sewerage services. In the transportation sector, InfraBrasil's support to two toll road concessions enabled improvements on over 700 km of roads in Sao Paulo.

BANCO BICE: ACCESS2SERVICES FACILITY

In its effort to promote key strategic social sectors through the provision of private sector sustainable financing, IDB partnered with Banco Industrial y de Comercio Exterior (Banco BICE) to increase access to finance in health, education, and environmentally-sustainable projects in Chile. In order to effectively monitor the implementation of the Facility, IDB, in consultation with Grupo Educativo, a Chile-based consultancy specialized in health and education, helped Banco BICE define a series of indicators that are aligned with the industry's international standards for impact investment.²³

In addition to IDB's support to strengthen the project's screening and monitoring the provision of long-term financing allowed Banco BICE to enter into the health and education sectors, and to further develop its portfolio of environmentally friendly projects. The IDB contributed to enhance BICE's banking practices and credit process by promoting the adoption of a new systematic approach for sustainable lending in line with IDB's Green Lines Eligi-

bility Guidelines. The IDB also encouraged Banco BICE to improve its environmental and social (E&S) practices for compliance with international standards, ensuring that proper E&S due diligence, monitoring and reporting is required for all sub-loans in the portfolio.

These actions played an instrumental role in the expansion of BICE's green portfolio and the development of new credit lines for social impact investments. Since the approval of the Facility, BICE has more than tripled its sustainable portfolio in terms of number of financed transactions from 8 to 26 projects as of the end of June 2014. These results more than surpass the target of 13 green transactions by 2015. Regarding the financing of social impact investments, Banco BICE supported the construction of four new financially sustainable health clinics in low and middle income municipalities, benefiting about 900,000

BANCO GERADOR -BANORTE TODO DÍA

The quarterly monitoring report of the IDB's Opportunities for the Majority Sector (OMJ) to a US\$5-million-loan to Banco Gerador (BG) allowed the project to adjust the business model and reach the target population.

Back in 2011, BG was seeking to increase its reach to the largely unbanked population in remote areas of Northeast Brazil. OMJ's loan aimed at supporting BG's efforts to implement the Banorte Todo Día project, an innovative business model initially focused on creating partnerships with local distributors to identify the best "Mercadinhos" (small shops) in need of credit lines.

The project's goal was to set up BG's point-ofsales (POS) devices to offer banking services to the low income population surrounding them. The Mercadinhos, in turn, would be able to increase clientele, as costumers could use BG's financing for purchases.

In practice, this incentive for the Mercadinhos to promote BG's cards and its accompanying banking services was not enough and the financial product did not take off. As OMJ ran its quarterly monitoring report, results were far below targets. Soon enough, it was agreed that other channels would be used to strengthen the Banorte Todo Día program and reach the same target population.

Therefore, BG decided to use its network of correspondent banks called "Rede Banorte" to offer the product "Banorte Amigo", a credit line specifically targeted at informal businesses located in the neighborhood of these correspondent banks. Such a streamlined structure, coupled with the community knowledge of the correspondent banks, diminishes transaction costs and credit risks, which are difficult to grasp in such an informal setting. As the Banorte Todo Día project proceeds, OMJ will continue to monitor its results closely, ensuring that the unbanked population's financial needs are fulfilled.

ASSESSING ESSING AIPROJECT CLOSURE

Assessing Sovereign Guaranteed Operations at Closure

ith the revamping of the Project Completion Report (PCR) system starting in 2013, the IDB completed the adaptation of its results measurement instruments according to the Development Effectiveness Framework (DEF). The DEF, through its focus on results measurement sets high standards, and allows for a better design of projects as well as providing a mechanism for their monitoring and evaluation.²⁴

WHY A NEW PROJECT COMPLETION REPORT SYSTEM?

The PCR system in place prior to 2014 provided limited insight into project performance at completion, and little comparability across projects. The system classified IDB projects at closure according to self-assessment ratings, which were not based on quantitative, evidence-driven, or verifiable dimensions. The new system, designed in consultation with multiple stakeholders, addresses and improves on the weaknesses of the previous system. The new PCR was piloted in 2014 (see Box 4.1) and is scheduled for rollout in 2015.

In the new system, projects are assessed according to four core criteria: development effectiveness, efficiency, relevance, and sustainability. The analysis supporting each criterion is evidence-driven. Noncore criteria are also analyzed, including the contribution of a project to both the Bank's and the host country's strategic objectives. Reflecting a concerted effort by the IDB to increase the objectivity of the criteria used, the new system sets forth clear principles and guidelines for the preparation of the individual reports. A checklist used to rate the performance of the completed intervention integrates specific rules to ensure objectivity in analyzing achievements under each core criteria. The PCR also focuses on documenting lessons learned to better understand what works for development and so that they can be used in the design of new development projects.

A CLOSER LOOK AT THE NEW PROJECT COMPLETION REPORT CRITERIA

The evidence-driven approach of the PCRs strengthens the objectivity and evaluability of the assessments. In addition, attribution has a clearly defined role in the assessment of effectiveness: it is important to demonstrate not only that project goals were met, but also that those achievements were at least partially attributable to the intervention itself and not to other determinants.

The new PCR also analyzes the ex-post efficiency of projects by incentivizing cost-benefit or cost-effectiveness analysis at closure. In other words, the IDB is accountable for both the accomplishment of its proposed goals and the judicious use of resources allocated to accomplish them.

The four core evaluation criteria used under the new PCR system—effectiveness, efficiency, relevance, and sustainability—constitute a structured and standardized methodology to rate the performance of a completed project. The PCR system has specific guidelines that detail how to assign a score in assessing each of the four criteria.

First, the PCR assesses project effectiveness, which is the extent to which expected project outputs were completed and attributable results achieved. The methodology verifies how many of the outputs and results that were targeted when the project was designed were achieved at its completion and how attributable they are to the Bank's intervention. To determine the second criterion, project efficiency, the PCR analyzes whether the project benefits surpassed its costs, and whether the project's goals were achieved at a reasonable cost. The assessment of **project relevance** looks at the capacity to adapt and align the project to the goals of the IDB and the borrowing country. Finally, the assessment of project sustainability rates the extent to which the operation ensures that the results achieved will not be reversed.

A GLIMPSE AT THE TYPES OF LESSONS THE NEW PROJECT **COMPLETION REPORT** WILL CONVEY

The new PCR system was tested in a pilot run of 12 projects. Table 4.1 presents the projects evaluated grouped by sector, and Table 4.2 groups the projects according to the IDB's institutional priorities and summarizes the projects' performance indicators.

One of the goals of the new PCR system is to strengthen institutional learning. Important lessons drawn from the successes and difficulties faced by the projects evaluated under the pilot run could benefit future IDB operations. The pages that follow summarize those lessons, grouped according to three of the IDB's institutional priorities (which were presented in Chapter 1). Lessons are drawn from all of the pilot projects, including the three discussed in more detail in Boxes 4.2 to 4.4.

PILOTING THE NEW PROJECT COMPLETION REPORT

for 12 projects that spanned most of the IDB's subregions and three in institutional capacity (see Table 4.1).

was fine-tuned and the scoring criteria more specifically

The pilot of the new system demonstrated that the new PCR indicators allow for sizable variance and differentiation among projects that overperform versus those to assess with more accuracy the achievement of results

scores of around 0.6 shows that the standard for develop-Looking ahead, once there is a critical mass of completed

results of the PCRs from the pilot projects are presented

Framework (DEF). The project with the highest score in notion that the DEF was developed precisely to design more evaluable interventions. This could mingle the negative effects of a more stringent methodology on the

PROJECTS EVALUATED IN THE PROJECT COMPLETION REPORT PILOT PROGRAM

	Social policy for equity and productivity						
	Country	Number	Name	Type ¹	Region ²	Division/Sector	
	Chile	CH-L1014	Integrated Development of Indigenous Peoples, Phase I and II	PFM	Southern Cone	Gender and Diversity	
	Colombia	CO-L1059	Expansion of the "Familias en Acción Conditional Cash Transfer Program" Phase II	PFM	Andean Group	Social Protection and Health	
	Colombia	CO-L1010	Educational Equity in Bogotá	ESP	Andean Group	Education	
	Haiti	HA-L1062	Emergency Response for the Containment of Cholera	ESP	Haiti	Social Protection and Health	
	Mexico	ME-L1080	Strengthening the "Oportunidades" Human Development Program III	CLP	Central America, Mexico, Panama and the Dominican Republic	Social Protection and Health	
	1.6		1 1 16				
		·	etitiveness and social welfare				
	Country	Number	Name	Type ¹	Region ²	Division/Sector	
	Argentina	AR0202	Andean Highways	GOM	Southern Cone	Transport	
	Honduras	HO-L1007	Social Interest Housing Program	ESP	Central America, Mexico, Panama and the Dominican Republic	Fiscal and Municipal Management	
	Nicaragua	NI-L1006	Acoyapa - Costa Rica Border Road Integration Program	ESP	Central America, Mexico, Panama and the Dominican Republic	Transport	
	Peru	PE-L1121	Development of a New Sustainable Energy Matrix Program IV	PBP	Andean Group	Energy	
	In addition in a	f	and an aint continue				
			and social welfare	т 1	D : 2	D: : : /C	
	Country	Number	Name	Type ¹	Region ²	Division/Sector	
	Argentina	AR-L1008	Institutional Strengthening Program for the National Senate	ESP	Southern Cone	Institutional Capacity of the State	
	Brazil	BR-L1104	Integrated Development Program for Campo Grande - PROCIDADES	GOM	Southern Cone	Fiscal and Municipal Management	
	Paraguay	PR-L1032	Second Program to Provide Financing to the Agencia Financiera de Desarrollo	CLP	Southern Cone	Capital Markets and Financial Institutions	

1. CLP = Project using a conditional line for investment (CCLIP); ESP = Specific investment operation; GOM = Global Multiple Works Operation; PBP = Programmatic policy based Loan; PFM = Multi-phase lending project. Some of the acronyms are based on the Spanish terms for the types of loans.

2. This classification corresponds to the Country Department structure according to the IDB's Vice presidency for Countries.

⁶⁷

JMMARY OF PERFORMANCE INDICATORS FROM THE Performance Ratings and Degree of Achievement **Ex-post Assessment Conducted with** Project cost (millions of U.S. dollars) dollars) Team size (number of members) Cost and time over-run analysis Duration of execution (years)³ inancing (millions of U.S. Cost-effectiveness analysis Outputs achieved Results achieved⁵ **General Information** Cost-benefit analysis Effectiveness⁵ Core Criteria5, Starting year² Relevance⁵ Project Classified by IDB Institutional Priority 0.7 CH-L1014 109.9 38 2001 11.4 0.5 Yes Yes No Yes 0.80 0.7 0.8 0.6 0.8 1 0.6 Orígenes CO-L1059 220 2007 6 1.3 15 Yes No Yes No 0.75 0.7 0.7 0.7 0.7 0.8 **CCT Familias** CO-L1010 90 60 2006 15 Yes No No 0.62 0.4 0.3 0.7 0.7 0.5 Yes Educaction HA-L1062 20 15 2010 2.8 1.2 18 No No No No 0.92 0.9 0.8 1 1.07 1 0.7 Cholera ME-L1080 800 800 2010 2.6 0.82 0.8 0.8 0.7 0.1 11 No No No No 0.7 1 1 CCT Oportunidades Infrastructure for competitiveness and social welfare - Aggregate⁸ 0.72 0.7 0.6 0.8 0.5 1.0 0.9 AR0202 Yes 400 200 2000 12.2 4.2 12 No No No 0.50 0.4 0.2 0.8 0.2 1 1 Andean Highway HO-L1007 31 30 2004 7.3 1.6 12 No No No Yes 0.70 0.7 0.7 0.8 0.5 1 0.7 Housing NI-L1006 No No 0.81 0.8 0.8 0.7 60.7 49 2006 6.5 0 11 Yes Yes 0.7 1 1 Acoyapa-Costa Rica Border integration PE-L1121 0 0.90 0.9 0.8 0.8 1 30 30 2009 4.9 11 No Yes Nο Nο 1 1 Sustainable energy matrix Institutions for growth and social welfare - Aggregate⁸ 0.60 0.6 0.5 0.9 0.4 0.9 0.6 AR-L1008 4.8 2004 8.9 3.5 10 No No No No 0.56 0.5 0.3 0.8 0.3 1 0.7 Senate BR-L1104 2008 6.4 38.8 19 2 12 Yes No Yes 0.87 0.9 0.8 0.8 0.7 Yes 1 1 Campo Grande

The classification of the projects by IDB institutional priorities is based on the alignment of the projects (at entry) with regard to the regional development goals of the Bank's results framework (see Annex I "IDB Results Framework 2012-2015" in AB-2764). The other two institutional priorities in the Bank's results framework that are not included here are Competitive Regional and Global International Integration, and Protecting the Environment, Responding to Climate Change, Promoting Renewable Energy and Enhancing Food

PR-L1032

Financiera

50

50

2009 4.4

1. Multi-phase projects labels correspond to the code assigned to the last operation in the series (CH-L1014, CO-L1059 and PE-L1121). PE-L1121 is the only PBL among the piloted projects.

Nο

Nο

Nο

Nο

0 5

- In the case of multi-phase operations, this year corresponds to the year of approval of the first
- Calculated as the elapsed time from the approval date (approval date of the first operation in the series) to the current date of expiration (current date of expiration of the last operation in the series).
- 4. For multi-series projects, only the delay of the last operation in the series is reported.
- The scale for the score goes from O (worst) to 1

6. The Core Criteria score is a weighted average of the scores for Effectiveness (0.4), Efficiency (0.3), Relevance (0.2) and Sustainability (0.1).

0.3

0.8 0.0^9 0.7 0.5

0.38 0.5

- This score is an outlier that cannot be supported by either cost-benefit, cost-effectiveness nor cost and time overrun analysis. This score was assigned because even when taking into account all overhead and administrative costs of the implementing agency, the project was able to save lives with an investment of US\$107 per life during the cholera epidemic in Haiti.
- The aggregate values correspond to the simple average recorded for the group.
- 9. No ex-post cost benefit analysis was performed.

SOCIAL POLICY FOR EQUITY & PRODUCTIVITY

ive PCRs conducted under the pilot program examined projects classified under this institutional priority: two for projects to improve conditional cash transfers (Expansion of the Familias en Acción Conditional Cash Transfer Program Phase II in Colombia, and Strengthening the Oportunidades Human Development Program III in Mexico); one to improve educational quality and results in Colombia (Educational Equity in Bogota); one to improve living conditions of indigenous communities in Chile (Integrated Development of Indigenous Peoples, Phase I & II – Orígenes); and one to contain the cholera epidemic in Haiti (Emergency Response to Contain Cholera).

Most of these projects achieved all their intended goals, but there is room for learning. The CCT programs in both Mexico and Colombia had major accomplishments. The Mexican beneficiaries showed higher secondary school completion rates, and improved childhood nutritional levels. The Colombian CCT program improved school attendance and enrollment, but could not improve dropout rates or reverse the worsened student's performance. The

number of health center visits also fell short of the project's targets.

In the case of the Colombian education project in Bogota, dropout and repetition rates were successfully reduced, but challenges remain in the improvement of students' learning rates. Furthermore, there was a low participation rate for its teacher-training program.

The IDB had considerable success in several of the other social policy programs evaluated under the pilot run. Through the *Orígenes* project, the welfare and living conditions of Chilean indigenous communities was improved by creating tailor-made governmental structures to serve this population, including mechanisms to supply specific public services. These public services include the bilingual intercultural education program provided in 301 public schools, the intercultural medicine services provided in 10 public health centers, and the support to the use of indigenous medicine through 376 sub-projects. The quick response and effectiveness of the cholera abatement operation in Haiti was also a great success (see Box 4.4).

WHY WERE SOME OF THE GOALS ONLY PARTIALLY ACHIEVED?

Drawbacks in this group of projects most commonly stemmed from political and institutional challenges. In a few cases, design flaws, weak monitoring plans, and inertia also caused difficulties.

Political and institutional issues could have affected both the education program in Colombia and the indigenous peoples' support program in Chile. In Colombia, several changes in the administration of Bogota's city hall and national administration occurred during the lifespan of the education project. A change in government and the corresponding loss of political support also affected the Chilean program.

Land acquisition and the bidding process also proved challenging for Colombia's education project in Bogota and resulted in fewer schools being built. The project built 16 of the 20 targeted schools. An additional 4 schools were built with local funding, but not with the loan as originally intended.

Both the Mexican and Colombian CCT programs built on prior and successful program rounds. Lessons captured from these projects point to a certain inertia as a result of this "follow-on" circumstance. The programs did not adequately coordinate the multisectoral components of the interventions, and it was a challenge to implement timely adjustments in the supply of services (such as health and education) upon which the programs are based.²⁶

Orígenes in Chile, which was approved years before the IDB adopted the DEF, encountered difficulties in properly defining measurement strategies for what was a unique intervention. In turn, this affected the monitoring of progress during execution. In large part, this was due to the fact that the program was atypical. It had an unconventional design so that it could be tailored to address the interests of the indigenous communities it served. However, some needs were not apparent during design, such as the ancestral organizational structure of the indigenous population, and this created delays and difficulties during implementation, making corrective action necessary. The Bank financed a tailormade monitoring system for the project, which has allowed monitoring of more than 1,000 individual sub-projects of the program.

WHAT DID WE LEARN FROM THESE PILOT PROJECTS?

 The pros and cons of a big brother: Operations built on the successes of previous phases can benefit from experience and in some cases demonstrable effectiveness. Nonetheless, this may generate resistance to adapting the status quo to ever-evolving contexts. Such was the experience of the Colombian and Mexican CCT programs evaluated under the PCR pilot. Operations based on past successes should be thorough

²⁶ See Chapter 6 for more details on the supply-side challenges of

in making a proper diagnosis of the specific program context in order to guide potential adaptations of the pre-established model. This will be helpful in determining what the new operation wants to achieve and how it may differ from the preceding interventions.

- Monitoring in less conventional contexts:

 When innovating new approaches and working in unconventional contexts, more attention should be given to properly designing a monitoring and evaluation system that is sufficiently tailored to capture the specific circumstances. Such is a lesson from the Chile project. When possible, the IDB should also promote the involvement of the administrative and statistics divisions of the executing agencies at national and subnational levels.
- Minding the context and collateral ef**fects:** It is crucial to thoroughly assess the context and collateral effects that could influence a project's implementation. For example, for education projects, beyond establishing the physical need for schools, it is necessary to be aware of the social context. As shown by the education project in Colombia (see Box 4.2), issues can arise when a large number of students from resettled and poor families are placed together in a megaschool. In such a context, unrest may ensue and with it bullying; when this does happen it can undermine some of the project's achievements. For its part, the Chilean project showed that when working with indigenous communities it is advisable to consider the multimodal definition of some indigenous economies that are not only based on land cultivation.
- Beneficiaries and benefactors: Active beneficiary involvement is helpful to achieve a project's results. Projects such as the one in Chile designed

to respond to the needs of indigenous communities need to take into account ancestral local authorities in the decision-making process. It is their opinion that will ensure communities' cooperation with the program's objectives. In addition, when possible a program should involve local communities in the fiduciary and procurement processes. In such cases, it is important to assure the consistency of these processes with the corresponding national systems and their requirements.

Hope for the best, plan for the worst:

Strengthening the planning capacity within a program is critical for its success. All the loans in the PCR pilot under the social protection pillar (with the exception of the emergency loan to Haiti) experienced problems during implementation that might have been avoided with better planning. Hence, it is important to prioritize this capacity and provide the resources needed to build it. For projects with multiple executing agencies, it is necessary to clearly define the decision-making process and the sequence of the planned activities from project inception. This can help to avoid delays and ensure effective inter-agency coordination. Changes in authorities, counterparts, and priorities are day-to-day realities that public sector operations cannot control. Thus, the IDB's project implementation plans need to be cautious in programming and take into consideration the contingencies and adverse circumstances that could affect execution.

 Flexibility in Emergency Responses: The success of the IDB's flash operation in Haiti shows that emergency grants crucially depend on flexibility and speed to accommodate alternative procurement networks managed by international aid partners.

our PCRs conducted under the pilot program examined projects classified under this institutional priority. They included two transport programs: the Acoyapa-Costa Rica Border Road Integration Program to link border areas with continuous, safer, faster, and cheaper transportation; and the Andean Highway Program to reduce transport costs and travel time and provide alternative routes for export and import traffic to Atlantic and Pacific seaports. The other two projects were an energy program and a social housing program. The first was Development of a New Sustainable Energy Matrix, a four-phase program in Peru to consolidate energy growth. The second was the Social Interest Housing Program in Honduras, which financed individual subsidies for new houses and housing improvements, as well as collective subsidies to build basic infrastructure in urban poor neighborhoods.

These projects varied considerably in their overall performance, but all achieved some level of success. The Andean Highway program had some successes beyond those that were captured by the indicators and targets of its original evaluation plan. Therefore, a proper effectiveness analysis of the project could not be conducted. The Acoyapa–Costa Rica road project successfully reduced transport costs and increased transport speeds. The housing program in Honduras delivered most of its intended outputs, although the sustainability of its achievements was jeopardized by the public institutional weakness of the country's housing sector. Peru's energy project achieved most of the proposed policy changes and serves as a successful model to guide similar projects in other countries.

WHY WERE SOME OF THE GOALS ONLY PARTIALLY ACHIEVED?

There are a variety of reasons for the project shortcomings among this group, including a lack of definition of clear indicators to adequately capture successes and difficulties on the ground that resulted in cost and time overruns. Other weaknesses were context-driven, such as the degree of violence in the intervened area.

The Andean Highway Program was approved in 2000, prior to implementation of the IDB's Development Effectiveness Framework, and so some indicators lacked targets and means of verification. Cost and time overruns were significant, and

an inadequate assessment of land conditions resulted in design errors that required corrective action during implementation. Taken together, these problems translated into significant increases in the project workload and costs, as well as delays in execution.

The performance of the housing project in Honduras was affected by high levels of violence in the area where collective subsidies were provided. In addition, the collective subsidies component was the only project component that collected relevant ex-ante and ex-post information that allowed for a before-after comparison for evaluation. When the project was approved in 2006, the IDB's risk analysis tool had not yet been revamped. Perhaps the project would have benefited from the new risk assessment modality. Under the new Risk Tool, which was implemented in 2010, in addition to identifying risks and corresponding mitigating actions, project teams proceed to monitor indicators related to the implementation of these mitigating actions.

Peru's energy project exemplified good performance all around. It was the only programmatic policy-based loan evaluated in the pilot, and its satisfactory achievement of results drew on the flexibility built into the design of such loans that allows for adjustments of the agreed-upon policy conditions upon disbursement of each of the four tranches. The main result of the program was a long-term national energy policy built upon the new energy matrix. There were three other achievements thanks to the new energy matrix. First, there was a reduction of the use of fossil fuel based energy. Second, the project resulted in the approval (at the feasibility level) of public projects of gas supply outside the capital city. Third, renewable non-conventional energy projects (ethanol, biodiesel) were promoted and there were definitive concessions for wind energy projects and hydropower plants. All of these accomplishments benefited from the strong institutional capacity and coordinated work of the involved agencies (Ministries of Finance, Energy, Agriculture and Environment), which led to an integral approach during the design and implementation of reforms.

WHAT DID WE LEARN FROM THESE PILOT PROJECTS?

- Diagnosing conditions on the ground matters for preemptive measures that circumvent risk and foster success. This is a key element in heading off potential conflicts that can be an obstacle to achieving results. The success of infrastructure projects requires early identification and corresponding mitigation measures to address any conflicts that might arise in the intervened area.
- Supervision is essential. Cost overruns are common to infrastructure programs, so continuous supervision of the equilibrium between cost, times, scope, and quality is important. Such supervision allows for corrective and timely actions that guarantee timely completion of the works.
- Institutional strengthening matters for infrastructure programs. Infrastructure programs tend to prioritize works over institutional strengthening. In the Acoyapa–Costa Rica, Andean Highway and Honduras projects, institutional strengthening components were overlooked, making adequate management of complex processes such as compensating resettled dwellers even more challenging. Institutional strengthening components need to be measurable and to define clear action plans and corresponding indicators and targets.
- The higher the quality of the results matrix design, the more evaluable the project at closure. Most of the evaluated projects under this institutional priority were designed before the new DEF. Their resulting lack of clear standards for measuring results had a clear impact on the ability to measure the performance of these projects. The new PCR evaluation system will only be applicable to projects with a Development Effectiveness Matrix, that is, projects approved after 2008. These projects more clearly identify the monitoring and evaluation instruments up-front, and they have pre-set verification methods with executing agencies (see Chapter 2 for more details).

INSTITUTIONS FOR GROWTH SOCIAI WEI FARE

hree PCRs conducted under the pilot program examined projects classified under this institutional priority. The objective of the Integrated Development Program for Campo Grande-Procidades in Brazil was to revitalize the city center and provide institutional strengthening of the municipality. The second program provided financing to Agencia Financiera de Desarrollo in Paraguay and supported the productive sector by facilitating medium-to-long-term funding for small and medium-sized enterprises (SMEs). The Institutional Strengthening Program for the National Senate aimed to improve the parliamentary, administrative, and human resources management capacity of the Argentine Senate, with an emphasis on transparency.

The success of these interventions varied. The program in Paraguay successfully increased the maturity of loans to private sector beneficiaries from 2 to 10 years, but evidence was incomplete regarding the project's effects on SME productivity. This evidence will be captured by an ex-post evaluation subsequent to the third project in the series. The Argentine Senate program showed modest success, but that might have been due to a lack of appropriate indicators to measure its results. Three of the

five results indicators were actually products, and the indicator selected to measure the intervention's impact was inadequate because it referred to an index with a much broader scope than the intervention's targeted development goals.²⁷ The program in Brazil achieved and surpassed both its output and results targets and successfully orchestrated public consultation forums to benefit project decisionmaking, increased the value of downtown residential properties, reduced travel time in the city areas were interventions took place, and brought down Campo Grande's communications costs.

WHY WERE SOME OF THE GOALS ONLY PARTIALLY ACHIEVED?

The shortcomings and failures of these projects largely stem from political changes, complex execution mechanisms, insufficient experience of the executing agencies, and the lack of effort to quantify key indicators for the problems diagnosed. The

 $^{^{27}}$ The impact of the intervention was measured by an indicator of perception from Latinobarómetro. The indicator measures the population's confidence in the nation's legislative body, and in the Argentine evaluation its variation surpassed the target. However, the indicator is too broad, as the referred perception involves not only the perception of the Senate but of the members of Parliament.

THE EDUCATIONAL EQUITY PROGRAM IN BOGOTA

A US\$60 million loan was designed to improve the equity and quality of education in the Colombian capital. In response to rapid demographic growth and migration to the city by rural populations victimized by violence in the countryside, the Secretariat of Education of Bogota set a goal of expanding the capital school district to accommodate 200,000 new students between 2004 and 2008.

In this context, the IDB loan was approved to contribute toward closing part of this gap by expanding public educational infrastructure and revamping the school system to improve educational quality for primary and secondary students. The project built 20 new schools, reaching the target of 61,100 new students enrolled, and contributed to higher completion rates as well as lower repetition and dropout rates.

Despite these gains, evidence on improved learning rates among students was rather thin. This can be related to the fact that although the program succeeded in improving several student results, it had very modest

effects on improving the quality of teachers. In fact, the project trained only about a fifth of the teachers who had been expected to enroll in training. Another negative was the unexpected increase in bullying and violence among students attending the new mega-schools built under the project.

Two important lessons useful for the design of future operations stem from this project. First, improving education requires appropriate incentives to secure the participation of teachers. For example, such incentives could link teachers' participation in training to career advancement. Second, appropriate management of the learning environment is necessary, especially in schools serving children from low-income homes, as in the case of households with families displaced by violence known in Colombia as desplazados. Future projects of this nature should include the teaching and application of civic, social and conflict resolution skills from inception.

Paraguay program had great success in expanding loan maturities, but it will only be able to capture evidence on beneficiary productivity after the third project in the series. The Argentine program was not designed with proper results indicators, rendering the measurement of results nearly impossible. This project also suffered three administration changes in the Senate that affected and ultimately delayed its implementation. It was also affected by a four-level executing mechanism (strategy, direction, operations, and coordination) that introduced too many complexities in decision making and execution.

The Brazilian program's success reflected a good alignment between the activities financed with the urban transportation master plan of the executing agency. This allowed for ample project support not only from local authorities but also from the private

sector and civil society. The activities carried out within the program were opened for consultation in public opinion forums, ensuring that final decisions included the views of beneficiaries.

WHAT DID WE LEARN FROM THESE PILOT PROJECTS?

- It can be beneficial for executing agencies to be more familiar with the IDB's projects. In the case of the Argentine Senate Program, a lack of such familiarity resulted in differences in interpretation between the decision-makers of the executing agency and its coordinating unit. When familiarity is lacking, complementary training is
- To the extent possible, complexities in execution should be avoided. The complexity of the execution mechanism for the Argentine

necessary for the executing agencies.

STRENGTHENING OF THE OPORTUNIDADES HUMAN **DEVELOPMENT PROGRAM III**

A US\$800 million loan was the third in a series of operations in Mexico whose total financing was \$2 billion. The initial operation helped to consolidate the Mexican flaghuman capital by making cash transfers conditional on the recipient complying with certain education or health the generational transmission of poverty. The program

its success beyond rural areas by expanding CCTs to out, mostly because they did not meet their co-responsi-

assistance they provide to the poor, remains a challenge.

Among the program findings is that **preventing** school dropouts requires that CCT operations carefully profile potential beneficiaries and consider providing an incentive-compatible bundle of benefits and an accessible network of care/education providers. The find-

Senate Program resulted in implementation delays and hindered execution dynamics. Decision levels are important for the purpose of checks-and-balances, but should also be flexible enough to avoid causing delays during implementation.

- · Defining measurable and relevant indicators for results is key for the measurement of results as well as for the proper evaluation of impact. The Argentina program was approved before the IDB's new DEF was in place. The Paraguay program was approved six months after DEF implementation, which might not have been long enough for teams to overcome the learning curve associated to such an institutional change. Thus these program designs did not fully benefit from the DEF, and in fact
- their shortcomings evidence the need for a welldefined results matrix with indicators that can measure the goals that an intervention aims to achieve.
- · A clear identification of the intervention **area is critical.** Bringing interventions together in specific geographic areas and clearly identifying the area of intervention at the time of design can avoid resources being diverted to activities that do not have a clear effect on welfare. This can also facilitate the task of selecting a rigorous control group for impact evaluations. The Brazilian program showed that putting in place a clear urban planning framework can help coordinate and articulate tasks and avoid duplicity.

THE EMERGENCY RESPONSE TO CONTAIN CHOLERA PROGRAM

A US\$20 million grant to Haiti, provided support to the government to abate the cholera outbreak in late 2010. This epidemic hit only 10 months after a devastating earthquake, when much of the damaged and destroyed health, sanitation, and transport infrastructure around Port-au-Prince and Leogane had yet to be rebuilt. Within a month of the cholera outbreak there were over 11,000 confirmed cases and 180 casualties, and the numbers were growing exponentially.

Given the extremely virulent nature of cholera and its capacity to kill a healthy adult within hours of infection, this emergency required immediate attention. The IDB responded with this program within six weeks. In the face of the fast-spreading epidemic, the most important aim of the intervention was to reduce mortality through timely case management and improved access to safe water. For the most part, the cholera epidemic was successfully contained.

The project excelled not only in its timely responsiveness but also in its capacity to reinforce the stewardship

of the Ministry of Health in ensuring rapid, effective, and transparent execution of its duties, while at the same time using the country's own planning, project financial management, and procurement capabilities. This was achieved thanks to the integration of UNICEF as the executing agency in charge of the deployment of the aid. Over 50 percent of the grant was disbursed via UNICEF. Indeed, a significant factor in the success of the project was UNICEF's ability to build on the strengths of its implementing partners. Upon the project's approval, UNICEF was granted an exception to use its own procurement guidelines and processes, and this resulted in significant time savings for delivering emergency care.

The IDB's ability to adapt and react quickly in an emergency will serve as a point of reference for the design of future emergency response operations. Among the recommendations for such operations is that they include simplified and expedited approval processes, and that they establish protocols and conditions for partnering deployment through international aid agencies.

Assessing Non-Sovereign Guaranteed Projects at Closure

As discussed in Chapter 2, the development effectiveness score rates projects according to their expected (at entry) and achieved (at implementation) development results (financial and economic performance), profitability, additionality, and IDB's work quality. The development effectiveness project score is also updated during the self-evaluation conducted once during the life of NSG projects when projects are mature, fully disbursed and in operation. Self-evaluation of each project has been in place for NSG

operations since 2005 and has followed the ECG-GPS²⁸ standards for private sector operations.

During 2014, the independent Office of Evaluation and Oversight (OVE) and the IDB Group private sector windows worked together to redesign the self-evaluation guidelines in order to embrace a higher standard, and to allow for greater harmonization between NSG and SG methodologies. It is expected that the new guidelines will focus on the areas of Achievement of Project Objective, Relevance, Effectiveness, Efficiency and Sustainability. The new evaluation framework is expected to be operational by mid-2015 (hence, self-evaluation ratings are not reported for 2014).

²⁸ ECG-GPS stands for the Evaluation Cooperation Group's Good Practice Standards. The ECG is a group established by the heads of evaluation of multilateral development banks.





LEARNING FROM FAILURE

he Inter-American Development Bank (IDB) places innovation and knowledge at the center of its work. Innovation at the IDB means designing and piloting new impactful projects to meet the specific needs of our clients and adapting successful ones across the region as much as possible. It also means improving the rigor and relevance of applied technical knowledge and translating it into the answers our clients are looking for.

AS AN INPUT FOR WORKING

MORE INNOVATIVELY AT THE IDB.

WE ARE MAKING A CONSCIOUS EFFORT TO PAUSE, REFLECT, AND LEARN FROM WHAT HAS WORKED, AND WHAT HASN'T,

THROUGHOUT THE YEARS.
LEARNING FROM WHAT HASN'T
WORKED OFFERS AN ARRAY OF
OPPORTUNITIES TO IMPROVE
PRODUCTS, PROCESSES, AND
SERVICES, OR TO SIMPLY THINK
OUTSIDE THE BOX AND CREATE
NEW SOLUTIONS TO DEAL WITH
THE REGION'S CHALLENGES.

However, talking about what hasn't worked means having to navigate uncomfortable conversations about failure; even if there is agreement about its usefulness in generating knowledge and serving as a platform for innovation. Embracing failure is not easy because it often involves pointing out your own mistakes as well as the mistakes of others. It also requires time, especially in an organization like the IDB whose projects involve a great number of actors. The scope of our work involves many stakeholders and partners, ranging from governments to development institutions and civil organizations.

Nonetheless, the IDB is not afraid of a challenge. Learning from failure has been a crucial vehicle to reach greater development effectiveness. With 55 years of experience, the Bank understands there are no recipes for development as every country and situation is unique. Improving lives requires working hand in hand with government authorities and a willingness from stakeholders, partners, and Bank employees to experiment; even if we fail at times. The key to this process is learning from our mistakes and the mistakes of others and sharing our lessons with IDB's borrowing member countries and the development community.

In 2014, for the first time, the Development Effectiveness Overview documented a series of failures in six areas of the Bank's operational work and how we are learning from them. This year, we continue on this path and report the insights and recommendations in five other areas of the Bank: access to financial markets; conditional cash transfers; gender and diversity; innovation, science and technology; and tourism. Each area identifies the challenge, the approach followed by IDB projects to deal with the challenge, what did not work as expected, and how we are avoiding making the same mistake in the future. We hope these lessons are useful not just for the operational work of the Bank, but for governments in the region and other development institutions as well.

ACCESS TO FINANCE FOR THE PRODUCTIVE SECTOR

THE CHALLENGE

inancial depth and access to finance in Latin American and the Caribbean are, on average, below the levels of other regions such as Asia and Europe. For example, bank credit to the private sector in the region has grown by a mere one percentage point since the 1980s, and currently amounts to only about 30 percent of GDP. This level is significantly below that in advanced economies (100 percent), Southeast Asia (71 percent), and other emerging economies such as China (117 percent) and India (40 percent). What's more, the

level of access to finance is below what would be expected given the per capita GDP levels of the countries in the region. Access to finance in itself is not the goal. Rather, it is an essential ingredient to increasing firm productivity, promoting growth, enhancing equality and reducing poverty.

In this context, the region faces three challenges: (1) improving the efficacy and depth of financial intermediation, (2) developing capital markets and risk management instruments, and (3) strengthening financial supervision.

OUR FOCUS

The IDB has been a strategic partner in the region for a number of years in the design of policies and programs to improve access to finance for the productive sector. Through its sovereign-guaranteed public sector window, the Bank directed more than US\$245 million to finance projects in this area between 2008 and 2013. Most of the interventions designed in this area consist in channeling funds or designing mechanisms to channel funds through

second tier development Banks in our borrowing countries. A typical operation would design a way to increase the funding of a development Bank, which in turn would deliver these funds to firms or individuals through a first-tier financial institution in the country. Firms would then use these funds to invest in technology, equipment, production facilities, training, and energy conversion, among other uses. As a result of these investments, firms could

improve their productivity or expand their activity, in areas that would generate positive externalities to the rest of the economy.

WHAT DIDN'T WORK AS WE EXPECTED?

Failing and Fixing It: Combining Access to **Finance and Training.** In the past, many of the programs supported by the IDB focused on improving access to finance by increasing the supply of credit available to firms. Some of the programs failed to use the total amount of funds allocated for the provision of private sector credit. By examining closely what had not worked in such cases, the IDB found that the level of credit rejections by first-tier banks had been outstandingly high and that there was some unmet demand from firms that did not even apply for credit. This was due to the fact that a group of targeted beneficiaries—mainly small-sized firms—did not have strong financial skills to develop sound credit proposals, or even to comply with the financial management requirements set by firsttier banks. Hence, either they did not submit credit proposals, or the proposals submitted were not of the quality required by commercial banks.

From these experiences, the lesson learnt by the IDB was that an effective access-to-finance program required focusing on both the supply and the demand sides of credit. Therefore, the solution developed by the IDB was to combine, whenever plausible, access to finance with the provision of technical assistance for potential beneficiaries of the programs. Technical assistance included training meant to enhance firms' financial skills to, for example, develop strong business plans and credit proposals, and improve financial management to comply with banks' requirements. The "Lending Program for Productive and Job Development in the Province of San Juan (Argentina)" was one of the first programs to adopt the combined supply-demand approach. It has achieved exceptional results in terms of use of

credit funds (100 percent of total allocated amount), as well as business results (15 percent more export growth and 75 percent more sales growth for participants, in comparison to firms that did not take part in the program). Having realized the benefits of combining financial and nonfinancial instruments, the IDB's portfolio today includes a number of such interventions.

Failing and Fixing It: Measuring Beyond the Numbers. When the IDB channels funding to individuals or individual firms through second-floor lending, the objective is usually to raise the productivity of particular types of firms (small and medium sized enterprises, micro firms, firms in the rural sector, etc.) or foster their productive development. On-lending to firms does not automatically imply gains to their productivity. Some firms are more adept than others at channeling funds toward becoming more efficient. For instance, larger firms might be better equipped toward using funds to improve operational procedures in such way that benefits productivity. On the other hand, it could be the case that smaller firms only use credit to increase the scale of production. Thus, results on productivity should be evaluated. Historically, the primary measure on which the Bank relied to measure project performance was the number of projects approved under the second-tier credit lines and the aggregate amount of credit extended. However, this approach ignored whether that credit successfully increased the productivity of the borrowers and thus failed to truly measure impact.

With the strengthening of the Development Effectiveness Framework the Bank is focused on strengthening the capacity of financial intermediaries to design effective monitoring plans and track indicators that measure impact at the level of the ultimate borrower. Using these improved indicators, the IDB can ensure that its resources are reaching the intended borrowers and capture the impact of

these resources. Indicators used to measure increases in productivity at the borrower level include sales per worker in labor intensive sectors; agricultural yield per hectare when on-lending to farmers; or sales per assets when lending to capital intensive sectors.²⁹ In addition to productivity measures, other indicators used to track benefits for end-borrowers can include additional funding leveraged; increases in export volumes; and average loan maturities. Beyond this, the Bank has also used information in diverse databases to reconstruct historical results and undertake quasi-experimental impact evaluations on older operations with second tier financial institutions. Evidence from Colombia's development bank, Bancoldex, has shown that benefitting firms receive lower interest rate loans with longer maturities and enjoy better credit conditions from other financial intermediaries well after the program. Furthermore, there is evidence of increased output, employment, and investment in the manufacturing sector.

The knowledge gap persists in terms of measuring the effectiveness of second-tier lending through development banks, and continued efforts in this area are still needed. But the IDB's awareness of the problem, and the mechanisms it has put in place to address it, augurs well for more realistic and comprehensive measurement of financial deepening projects going forward.

HOW TO AVOID THE PITFALLS OF IMPLEMENTATION

Enhance capacity and create networks

Second-tier banks—usually National Development Banks—play a critical role for IDB access-to-finance programs. It is with their key input and guidance that IDB programs are designed. Moreover, in most of the programs second-tier banks act as the executing agency, being responsible for program implementation and the achievement of program expected results. To

ensure success in program implementation, IDB has been assisting second-tier banks in two ways. First, IDB has provided technical assistance to these institutions so as to strengthen their technical, supervisory and managerial abilities. Second, IDB has supported the creation of second-tier-bank networks in the region with the purpose of exchanging experiences and best practices in the design and implementation of access-to-finance programs. These networks are an effective mechanism for information-sharing. Additionally, the networks serve as a training platform through which leading banks can provide coaching to other banks in the region, in areas such as guarantee schemes, risk management, corporate governance and impact evaluation.

Conduct institutional analysis of the executing agency

The critical role that second-tier banks have when acting as the executing agency in access-to-finance programs requires an in-depth analysis on the bank's institutional capacity. In that way, IDB can ensure the necessary capacity is in place for program implementation, and when this is not the case, the Bank can provide technical assistance to strengthen underperforming areas. While the IDB's system to evaluate the institutional capacity of second-tier banks includes a precise fiduciary analysis, it may not provide a comprehensive analysis on the managerial and financial abilities of these institutions. As a result, several projects have needed to complement this analysis with studies on topics specific to the sector, such as eligibility procedures, evaluation of risk and commercial management, analysis of technical capacity for supervision and execution, and development of additional institutional strengthening programs to improve impact evaluation capacity. These complementary analyses have provided useful information in order to identify whether there were underperforming areas in the executing agency, their magnitude, and the technical support that IDB could provide in order to improve them.

²⁹ Assests refers to machinery and equipment. They are measured through investment via the perpetual inventory system.

CONDITIONAL CASH CASH TRANSFERS

THE CHALLENGE

n Latin America and the Caribbean, 55 million people moved out of poverty between 2000 and 2011.³⁰ However, most of them have still not attained the income levels or financial security of the middle class and, as a result, they remain vulnerable to falling back below the poverty line. Today in the region, an estimated 207 million people find themselves in this vulnerable situa-

tion. In addition, 169 million people are still living in poverty, and of those, 92 million live in extreme poverty. These challenges are set in the context of a demographic transition that offers an enormous opportunity and risk for economic growth, as young people of productive ages constitute a relatively large proportion of the population in most countries in the region.

OUR FOCUS

Since the mid-1990s, the IDB has supported the design, implementation, and evaluation of leading social protection programs; including conditional cash transfer (CCT) programs. The Bank has been a pioneer and strategic partner in developing CCT programs in the region that require participating families to meet certain conditions such as health check-ups and school attendance in order to receive benefits. The IDB has shown particular flexibility

and creativity in working to adapt CCTs to fit the particular situations of each country. The Bank has also supported reforms to increase the efficiency of social expenditures and avoid duplication of programs, with an emphasis on following up on results and improving the delivery of services.

³⁰ Levy, S. and N. Schady (2013). "Latin America's Social Policy Challenge: Education, Social Insurance, Redistribution." Journal of Economic Perspectives 27 (2): 193-218.

WHAT DIDN'T WORK AS WE EXPECTED?

Failing and Fixing It: Improving Social

Services. CCT programs have been very successful throughout the region in reducing a variety of dimensions of poverty, such as increasing consumption, school attendance, the use of health services, and reducing child labor. However, for participants to fully benefit in terms of human capital accumulation, it is important to focus on the quality of the services, such as education and health, that the beneficiaries receive. The great majority of conditional cash transfer programs initially focused on creating incentives to stimulate demand for social services without taking commensurate steps to improve the quality of those services. The intent was to change the behavior of beneficiary households by requiring them to take certain steps (school attendance, vaccinations, pre- and post-natal check-ups, etc.) in order to receive the cash transfers, but not enough focus was placed on improving the quality of the very health and education services we were requiring beneficiaries to use. As a result of these lessons learned, the Bank has supported processes in Ministries of Education and Health to establish priorities, focusing on ensuring that target populations receive quality services, and put in place specific incentives to adjust supply to demand, allowing for adequate and appropriate service delivery.

In addition, the IDB has been helping to strengthen information systems to improve the verification of beneficiaries' fulfillment of their coresponsibilities.

Failing and Fixing It: Financial Education.

Many of the programs financed by the IDB were designed to pay out subsidies through the financial system in order to simplify the transfer process, reduce administrative costs, and facilitate financial inclusion of the poor. While this was aimed at increasing financial inclusion this was not fully achieved since in many cases the households gave no use to the account. Funds were withdrawn immediately and the debit cards associated with the accounts were not even used for transactional purposes. The transfer was provided through the financial system, but financial inclusion was not really increased. This led to the need of accompanying this type of delivery with financial education. This was particularly important in the case of women, for whom the lack of financial education resulted in a loss of control over the CCT's resources. As a result, some of the objectives of the CCTs (for example, empowerment of women and an increase in household expenditure) have been diminished.31

To confront this challenge, the Bank has supported the development of national financial inclusion strategies that among other aspects aim to serve the same populations that receive the CCTs. This includes assuring the provision of financial products and services that are shaped to the needs of the CCT beneficiary population, accompanied by financial education components. CCT specific programs have also incorporated a dimension of financial education that complements the national financial inclusion strategy. Particular emphasis has been given to providing such products at the lowest possible costs. In some cases, governments are covering the cost of minimum banking fees and encouraging the saving

³¹ In particular, as women are the recipients of cash transfers, loss of control of a household's resources can result when they share passwords with their husbands. A full discussion can be found at: Duryea, S. and Schargrodsky, E. 2007 Financial Services for the Poor: Welfare, Savings, and Consumption. Inter-American Development Bank: Washington, D.C.

of transfers when possible by helping beneficiaries open bank accounts. In order to fully reap the benefits of financial inclusion through this mechanism, there is still a long road ahead. In some countries many areas still lack systems that allow digital financial transactions and a wide network of cash in/cash out points, among other key elements.

HOW TO AVOID THE PITFALLS OF IMPLEMENTATION

Coordination between national and municipal authorities

Coordination between institutions at the national and municipal levels is fundamental for implementing redistribution programs that promote demand for services typically offered by health and education ministries or, in decentralized countries, by subnational governments. In some IDB-financed projects, facilitating these synergies has been a challenge to project implementation, generating delays of up to one year for signing the project contract and making it necessary to extend deadlines during implementation. These difficulties arise due to a lack of clarity regarding the responsibilities of the different parties in program design, implementation, and follow-up. To resolve this problem, the Bank has supported such initiatives as inter-institutional agreements and the establishment of "coordination cabinets" that have facilitated dialogue as well as efforts that allow for the development of integrated strategies for poverty reduction. Setting concrete goals for each of the parties, allocating specific budgets to each geographic region, and having in place information systems and

accountability mechanisms are vital tools for promoting synergies between institutions.

Fragmentation and problems of linkages between institutions

The IDB's Institutional Capacity Evaluation System makes it possible to carry out a precise fiduciary analysis, but it must be complemented with other studies to produce a comprehensive overview of organizations. The quality and availability of human resources, as well as the decision-making process of the cooperating Ministry (number of committees, subcommittees, decision-making instances), must be analyzed in order to set realistic goals for social policy.

Monitoring and evaluation

Evaluations of conditional cash transfer programs have been fundamental for corroborating their effectiveness, applying lessons learned, and supporting transparency and responsibility in program design. In addition, evaluations serve to verify the benefits of the intervention and promote program improvements by providing robust information about the results. The IDB has supported comprehensive evaluation agendas that complement impact evaluations with operational and process evaluations. The comprehensive agenda allows for making adjustments and improving programs that are under way. Technical forums can also be used to discuss how to apply alternative methods of impact evaluation over the long term, for example based on national surveys, administrative data, and heterogeneous characteristics of areas where the programs are implemented.

GENDER & DIVFRSIT

THE CHALLENGE

he labor force participation gap between men and women in Latin America and the Caribbean is more than 26 percentage points—one of the largest absolute gaps in same time, Latin America and the Caribbean has in the world, with 69 births per 1,000 teenagers in 2012, and secondary school completion rates,

Other challenges include high rates of maternal mortality and violence against women;

peoples and Afro-descendants and threats to their lands and cultures; limited access to key services such as water and electricity for indigenous peoples; and significant gaps in labor marlack a strong voice to defend their rights. These are just a few of the many pressing challenges to attaining gender equality, empowering women, and providing support for indigenous peoples and Afro-descendants in a context of "development

OUR APPROACH

The Bank has focused on three areas: promoting and mainstreaming gender equality and "development with identity" across all Bank operations; generating loans and technical cooperation operations whose principal objective is to implement those principles; and conducting analytical work to gain a better

understanding of the challenges related to gender and diversity as well as to identify new areas for intervention.

In the 1990s and 2000s, the Bank's focus was largely on technical cooperation and analytical products, which broke new ground in social areas in the region. Since 2011, loans in the area of gender have



concentrated on providing integrated services for women and supporting private banks to better serve women-owned businesses. In the area of diversity, the focus has been on supporting sustainable agricultural for indigenous smallholders and the mitigation of challenges faced by indigenous peoples in the face of climate change.

WHAT DIDN'T WORK AS WE EXPECTED?

Failing and Fixing It: Providing Complete Financial Services for Women. When we talk about access to finance for women entrepreneurs, what immediately comes to mind is microcredit. The IDB, and particularly the MIF, have provided steadfast support for the expansion of microfinance in Latin America and the Caribbean. However, while women represent about 57 percent of the region's microcredit borrowers, the Bank has failed to help them access enough credit and financial products to grow their businesses. Promising approaches to break through this "glass ceiling" include making the business case for such access to commercial banks; developing gender-neutral risk analysis methods such as psychometric credit scoring; and strengthening the skills of loan officers. Simply gaining access to finance is important, but women also need a more comprehensive suite of services. The MIF first started expanding services for women entrepreneurs by providing business training. Since then, the IDB and

MIF have begun to provide a more complete set of financial products and services that businesswomen need, including skills development, mentoring, and the creation of business networks to expand their access to markets.

Failing and Fixing It: Legal Identification
Documents for Women. Starting around 2000, a
new generation of land titling projects incorporated
measures to ensure women's access to land titles.
The projects included training for staff handling
the transactions, campaigns targeting women to
increase their awareness of the importance of having a property title, and joint operations with rural
women's organizations.

However, a crucial issue for gender equality was neglected. The projects did not consider that many rural women lacked national identity documents (such as a social security card in the United States), particularly in indigenous areas. If they could not establish their legal identity, women could not be registered in legal titles, which amounted to their losing their de facto rights to the property. The same problem came up for women in other projects that involve titling, such as resettlement and housing services projects.

Projects must now include measures to facilitate the ability of women to obtain the documents they need to access those rights, which can be done by engaging the participation of national civil registration institutions, as was the case with the Social Housing National Program in Ecuador. Moreover, to help with the costs involved, the Canadian Fund for Civil Registration in Latin America and the Caribbean, created in 2014, gives priority to supporting legal identification for women in projects identified by the Bank's safeguard policies as having a risk of excluding women from project-derived benefits because of their lack of such identification.

Failing and Fixing It: Working Locally with Indigenous Communities. "Development with identity" for indigenous peoples in Latin America and the Caribbean envisions the development process as integrated and interconnected. This approach works well for governing indigenous territories, managing ecosystems, and conserving natural resources. However, it often conflicts with how services are provided by governments, which sometimes prefer to execute programs through ministries using top-down design strategies. In the past, we failed to take into account the difference in perspectives between indigenous peoples and governments, and as a result projects were difficult to execute and monitor. In this context, the IDB now promotes "development with identity".

This motto encompasses the lessons IDB has learned about the importance of working directly with indigenous peoples on community-level planning. Bank projects now finance territory-based, social, cultural, and economic development plans based on participatory methodologies that incorporate the perspectives of indigenous organizations and leaders; sometimes these can be funded

by public grants managed by local communities. Depending on the type of projects selected, ministries play a supporting role with technical assistance and cultural adaptations to existing programs. The application of this model through the Chilean Orígenes program yielded promising results. From 2003 to 2011 the average monthly family income of indigenous households in participating rural areas increased by 35 percent in real terms compared to an increase of only 21 percent for non-indigenous rural households. From 2006 to 2011 the test score achievement gap between indigenous students' scores and the regional average was lowered from 11 points to 1 point.

The current approach recognizes that incentives and measures that prioritize indigenous perspectives in program design and implementation lead to better service delivery and improved trust. In Chile, this participatory approach is being taken a step further and is being replicated in the private sector through joint ventures—designed by indigenous peoples in cooperation with businesses—that preserve indigenous territories while promoting the conservation of biodiversity.

HOW TO AVOID THE PITFALLS OF IMPLEMENTATION

Embed gender expertise within executing agencies

When it comes to gender issues, project experience has shown the value of embedding specialized knowledge in executing agencies. Such expertise is helpful in translating gender-specific designs into effective project execution and in carefully moni-



toring gender-related indicators in accordance with a project's results matrix. Capacity building and technical assistance in areas such as gender-neutral risk analyses—including early identification of constraints to participation by project beneficiaries, financial service offerings, and the development of networks—are critical in fomenting gender knowhow and strengthening its impact. Promoting such expertise is also helping to ensure that project indicators and evaluations go beyond data disaggregation and measure gender-related results and impacts. In turn, the lessons learned can serve as an example for mainstreaming work on projects for indigenous peoples and Afro-descendants.

Listen and learn

It is critical that consultations with indigenous and Afro-descendant communities take a "listen and learn" approach. This means direct participation by beneficiaries in the project's decision-making committees to build and maintain trust between communities and the government. It also means adjusting consultation methods to overcome potential cultural and language barriers. Particularly, consultations with indigenous people should be gender sensitive and include a separate dialogue with women and men when necessary.

Project design must be based on a thorough understanding of conditions on the ground. For instance, while climate change and the conservation of biodiversity are global challenges, working with indigenous and Afro-descendant peoples requires a local approach that addresses community-specific challenges and designs solutions suited to the com-

munity's needs. To cite just one example, sustainable land-use practices that communities have been using for centuries to conserve the forest should be recognized as a rich source of knowledge and experience for land management projects.

Conservation efforts used to consider people and nature as completely separate, which led to the view that all people are a threat to conservation.

This influenced the design and implementation of specific IDB climate change and conservation programs. Current studies actually show that well preserved ecosystems and areas with the lowest rates of deforestation are located in indigenous territories. Indigenous peoples contribute to the conservation of biodiversity by providing ecosystem services to mitigate the impact of climate change and limit deforestation.

A study developed in Mexico found that indigenous people's sustainable attitudes towards nature are linked to the multiple goods and ecosystem services that they obtain from their forests as well as the desire to protect land for future generations. This realization only came about by engaging indigenous peoples and hearing their perspective. Current IDB programs now recognize the role of indigenous peoples and their traditional practices as a vital aspect of conservation. The key to this learning was not to simply translate words. Instead, language needed to be adapted in order to become relevant for local contexts. Practical examples were used to illustrate the implications of climate change on specific communities. Community-level conservation plans were reviewed and local consultative processes and communication channels were respected.

INNOVATION. **SCIENCE &** TECHNOLOGY

THE CHALLENGE

oday's economies are increasingly in need of knowledge to foster innovation. Beyond the accumulation of labor and physical capital, innovation constitutes the critical ingredient for economic growth in countries that are increasing their return with the same level of productive factors. "Innovation" is understood as the process of transforming new ideas and knowledge into economic and social solutions. It translates at a company level into economic advantages that increase competitiveness, productivity growth, and entry into new markets. Greater business productivity in

the aggregate turns into national economic growth and social benefits. The problem in Latin America and the Caribbean is that a series of obstacles have slowed the dissemination of new ideas and their application to productive processes, so it has taken a long time for this innovative dynamic to reach companies in the region. The result has been an increasing productivity gap between the region and emerging economies like China and India and the advanced economies of member countries of the Organization for Economic Cooperation and Development (OECD).

OUR FOCUS

Since 2007, the IDB has increased support to its member countries in the areas of science, technology, and innovation through projects that strengthen national innovation, institutional capacity, and training of human resources. The Bank has encouraged the private sector to become more actively involved in issues of innovation and modernization, while helping governments develop alliances between research institutes, universities, and the private sector for research and development. The IDB has also supported the upgrading and development of technological infrastructure. In support of these programs, the Bank provided more than US\$1 billion in financing from 2008–13 to more than 30 projects in the region.



WHAT DIDN'T WORK AS WE EXPECTED?

Failing and Fixing It: A Missed Opportunity.

IDB's work in innovation, science, and technology on a project-by-project case basis has had high impact.³² However, when economies in Latin America and the Caribbean are gauged by their competitiveness, there is an overall limited effect that such work has produced. The productivity growth, knowledge intensity, and sophistication of the productive structure of these economies are lagging. The Bank missed the opportunity to champion policies to secure investments in the innovation sector to a level that would have taken the region closer to the technological performance of their peers in Asia and the less developed regions of Europe. Instead, the wide productivity gap between the region and the advanced economies has increased. This critical element has been incorporated into the recently approved Sector Framework Document in Innovation, Science and Technology. In response to this, the Bank will proactively engage borrowing countries

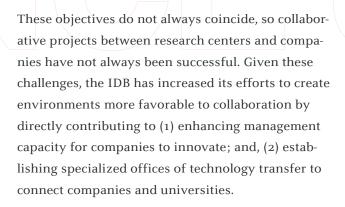
Failing and Fixing It: Matching Innovation and Infrastructure. Some projects supporting technological development and business innovation have neglected critical complementary factors. For example, there were project designs that did not foresee the need to match an increase in the quantity of qualified human resources with a proportional increase in scientific infrastructure. Examples of this include laboratories and equipment as well as adequate research facilities. Recognizing this lack of complementarity in previous investment programs, the IDB has focused more recently on financing innovation projects with integrated components that take into account the importance of matching infrastructure and human resources.

Failing and Fixing It: Research and Business Cooperation. Joint research projects between research centers (such as those at universities) and companies present special challenges, including the time needed to build trust, the need to design plans to administer resources and establish leadership, and the search for a common agenda that incorporates both academic accomplishment and the application of knowledge toward business goals.

to assign priority to policy reforms and investments in innovation, science and technology through an active regional policy dialogue, and the formulation of country strategies.³³

³² Previous editions of the DEO reference impact evaluations of a number of innovation, science and technology projects, which have been found to have measurable positive impacts in several countries. See, in particular, evidence mentioned in DEO 2013 (pages, 22, 11 and 121), and DEO 2012 (page 53).

³³ For an extensive discussion of issues raised in this section see the recently approved Sector Framework Document on Innovation Science and Technology, particularly section IV. Also, see Investing in Ideas: Policies to Foster Innovation, in: Development in the Americas (2014), Washington, D.C.



HOW TO AVOID THE PITFALLS OF IMPLEMENTATION

Prepare companies to access competitive funding

Individually supporting businesses by providing them with innovation instruments can be effective in generating the capacity to innovate and foster technological modernization. However, this support sometimes fails to reach many potentially innovative companies and may favor those with prior experience or those that already belong to certain networks. In many cases, it is necessary to support firms in project preparation and raise technological awareness. This support helps firms develop basic skills to fully take advantage of the opportunities offered by public programs. In order to improve the outreach of business innovation instruments, the most recent IDB programs include specific support for marketing and communication to benefit more firms than before. Furthermore, it is now common

practice that IDB programs provide support in early stages of innovation projects. This way, instead of taking for granted that firms know how to design a project to be considered by an innovation fund, these firms receive support for project preparation and also for the development of an innovation and technology agenda within the firm.

Improve the management of information systems of innovation agencies

Investing in the upgrade of information and management systems of innovation agencies is highly complex. This requires exceptional planning and management capabilities when compared with other activities contemplated to benefit the sector. Implementing the same upgrades within public institutions has also proven to be highly complex. This calls for exceptional planning and management capacity that IDB-financed projects must take into account. Areas in which these projects need to focus include (1) information systems of public entities charged with promoting research and investigation in order to improve the efficacy of project management; (2) information systems for evaluation and monitoring of programs; and (3) the creation of updated databases (and platforms for data exchange) that can subsequently facilitate analysis of the efficacy and impact of programs, generating virtuous circles of learning and improvement.

TOURISM

THE CHALLENGE

espite the growth of tourism in Latin
America and the Caribbean drawing on
the region's rich and diverse natural
and cultural resources, the sector's potential
contribution to sustainable growth and poverty
reduction can only be fully realized if economic
activities linked to the sector are competitive,
socially inclusive, and environmentally sustain-

able. In that context, the tourism sector needs to address three critical development challenges: (1) an economic impact of tourism that is falling short of its potential; (2) a limited distributive impact of the benefits of tourism at the local level; and, (3) the unsustainability of the benefits of tourism because of the degradation of natural and cultural resources.

OUR FOCUS

Since 2009, IDB financing for the tourism sector has focused on the three challenges described above through operations consistent with the institutional priorities of environmental protection, poverty reduction, and greater social equity. To that end, activities supported by the Bank have aimed to (1) enhance public goods that allow the private sector to innovate and develop tourism products to satisfy demand; (2) eliminate the barriers to entry for new service providers that offer high-quality products that are competitive and socially-inclusive; (3) strengthen the governance of tourism destina-

tions; and (4) ensure comprehensive protection of the environment at tourism destinations, including mitigating their vulnerability to natural disasters and climate change.

WHAT DIDN'T WORK AS WE EXPECTED?

Failing and Fixing It: Beyond Infrastruc-

ture. Developing the tourism sector exclusively around the provision of infrastructure (highways, ports, airports, etc.), which was the focus of the funding provided by the Bank until the late 2000s,



is not enough to develop a sustainable tourism industry. Infrastructure needs to be accompanied by nearby and competitive tourism services and experiences. In the past, various Bank projects failed to take this dimension into account. In that context, projects have been redefined with a focus on developing additional tourism services in destinations that have an inherent touristic attraction. This is now done by more actively involving the private sector and local communities. Tourism companies and the associations that bring them together are the link to both national and international demand. The creation of technical and financial public-private alliances between companies, communities, and local governments to develop demonstration projects, often in remote areas, has also been a novel and useful option in several projects.

Failing and Fixing It: Focus On the User.

Some Bank and Multilateral Investment Fund (MIF) supported programs to develop tourism went down what could be called a "romantic" view. Projects were designed in very scenic destinations regardless of the logistical difficulties inherent to their location or its marketing potential. Recently, the focus has shifted to capture a better balance between the picturesque and the marketable; working in locations supported by technical demand assessments. This has had a large and positive effect not only

on the number of visitors, but also, on the amount of money visitors spend. By focusing on the user's interests, the IDB, is for example, promoting the rehabilitation and sustainable use of natural and cultural heritage for tourism purposes, especially in places that have been declared as World Heritage Sites by the United Nations Educational, Scientific and Cultural Organization (UNESCO).

Failing and Fixing It: Target the Right

Scale. Several projects were developed as satellites of large touristic hubs with the purpose of allowing neighboring communities to benefit from the inflow of tourists. In some cases the demand generated exceeded the logistical capacity of the community to serve large numbers of tourists. This had long term scarring effects on future demand of such services. In order to avoid this, recent projects have adopted a more structured methodology to develop tourism. Based on an integral analysis of the touristic destination, new projects not only include a market analysis of the location (as pointed out in the preceding discussion) but also have a deeper understanding of the scale and capacity to offer tourism services of the communities around the principal location. As a result, these new developments are expected to be more attractive and sustainable with a broader, more equitable sharing of tourism's benefits.



HOW TO AVOID THE PITFALLS OF IMPLEMENTATION

Strengthening tourism administration and incorporating effective coordination mechanisms

Successful tourism development requires the involvement of many sectors (e.g. transport, public works, culture, water and sanitation, and the environment); different levels of public administration (national, subnational, and local); and actors from the private sector and civil society with diverse interests (e.g. nongovernmental organizations and community groups). The complexity of involving all of these stakeholders has sometimes generated delays in project implementation, especially when specific interventions and responsibilities were not defined and coordinated during the design phase. In addition, public tourism institutions in the region are generally new and in many cases still limited in their sectoral planning and management capacity. For all those reasons, IDB-financed programs now include interventions to strengthen both tourism entities as well as strategies and mechanisms that

promote coordination within the public sector, and between the public and private sectors and civil society. Programs that have employed such an inclusive approach have proved to be successful. Putting together inclusive committees and advisory councils early in the project cycle have generally resulted in successful multisectoral coordination that draws on the positive synergies between the different actors involved. These measures do not always ensure agility in decision-making, but they do often end up facilitating the achievement of expected results. Community consultation and participation regarding how the investments, public works, and services respond to local circumstances, culture, and interests increase community identification, ownership, and support for a project. This in turn improves project implementation and, more importantly, helps communities reap tourism's benefits.

INSEARCHOF ATTRIBUTION:

OUR IMPACT EVALUATIONS

ith the approval of the Development Effectiveness
Framework (DEF) in 2008, the IDB set high standards
for measuring results. To ensure that we are choosing
to do the right things, the IDB uses a Development Effectiveness
Matrix from the outset of a project to assess the problems being
addressed and make sure the proposed solution is both evidencebased and the right fit (see Chapter 2). Once this strategic analysis
has ensured the suitability of the intervention, the IDB's Project
Monitoring and Project Closure Reporting Systems track the
project's outputs and results to make sure its intended outputs and
value is delivered (Chapters 3 and 4).

The IDB uses result indicators as part of project monitoring to determine before-and-after trends. For example, if a project was designed to upgrade a school's curriculum in order to improve the teaching of pre-math skills, do we see an upward trend in test scores of students enrolled in the program? If so, we can get a sense that we are doing things right.

Of course, there are a multiplicity of factors beyond changing how pre-math skills are taught that could affect students' scores.

For example, the children's nutritional intake may have improved, allowing for improved academic performance. To really distinguish whether an IDBsupported intervention is the reason for a positive trend, we need a rigorous impact evaluation. Such evaluations allow us to verify that indeed we have selected to do the right things and are doing them right. Impact evaluations show that observed positive trends or development results are because of, or attributable to, the IDB-supported project. There are various methodologies for conducting impact evaluations, including the randomized evaluation in which potential beneficiaries are randomly assigned to a treatment or control group, and only the former group participates in the program. Assigning participants randomly ensures that the groups are the same on average. Thus, any positive effects due to factors that are external to the program would be true across the treatment-control divide, and can therefore be disentangled from the true program effects.

While randomization is the most rigorous in evaluating attribution, sometimes it is not appropriate due to design constraints. Therefore, choosing

the right impact evaluation methodology involves considering conditions on the ground, the project's size and budget, and the nature of the intervention itself. Fortunately, quasi-experimental methodologies can be employed to construct a control group in alternative ways that do not involve randomizing. Propensity score matching and discontinuity in regression designs are two examples of quasi-experimental methodologies.

In propensity score matching, beneficiaries are matched into the control group based on observable characteristics such that in the end the control group is very similar to the treatment group. The shortcoming of this methodology compared with randomization is that unobservable or unrecorded characteristics will not necessarily be the same on average across groups. For example, in an education program evaluation, student IQ might still differ in the absence of randomization.

Similarly in a regression discontinuity design, a control group is constructed in the absence of randomization. In this case, there is always some discrete program requirement for receiving the treatment. For example, it could be an age threshold of 70 and a maximum income for receiving a pension benefit. A control group can then be selected from those individuals that meet the income requirement but are marginally ineligible to receive the program as they are not quite yet 70 years old.

The section that follows presents 12 stories about impact evaluations completed by the IDB in 2014 that show whether projects have accomplished the desired development results. These evaluations increase the transparency and accountability of Bank-financed projects and serve to disseminate the knowledge that stems from them. In addition, substantiating that the project's results correspond to its design is critical for designing future project interventions.

Since the DEF was put in place, the number of impact evaluations of components of IDB sovereign guaranteed (SG) projects has steadily increased (refer to Figure 6.1 below). Amongst the portfolio of IDB evaluations related to an IDB SG project, 48

were approved in 2014, compared with only 9 such evaluations approved over the nine-year period preceding the implementation of the DEF. In other words, the DEF has effectively institutionalized project impact evaluations at the IDB. In all, 274 impact evaluations of IDB projects have been conducted since the DEF was implemented in 2008. Since 2010, an average of 49 projects with a programmed impact evaluation are approved per year, this trend is expected to continue.

Notably, not all projects approved by the IDB's Board of Directors require impact evaluations. Moreover, since evaluations are costly, it is important to direct those resources toward where they are most productive. Large projects where accountability is critical merit evaluations, as do projects in which substantial knowledge gaps have been identified, since the effectiveness of those projects depends upon determining the extent to which those gaps have been reduced. Pilot projects that could eventually be scaled up also require evaluations.

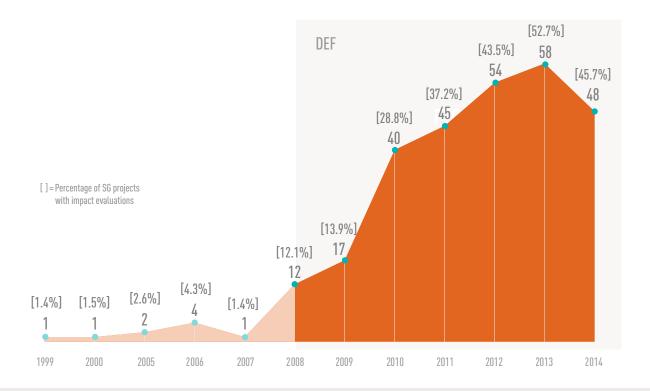


Fig. 6.1: Number and Percentage of Impact Evaluations Related to IDB SG Projects, 1999-2014 Source: IDB Impact evalution inventory as of December 2014.

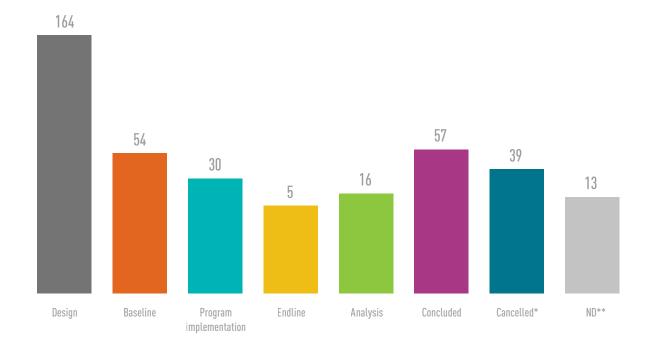


Fig. 6.2: Number of Impact Evaluations at IDB by stage, 1999-2014

- * It includes evaluations that were designed as impact evaluations but changed to other methodologies.
- ** Data not available as of December 2014.

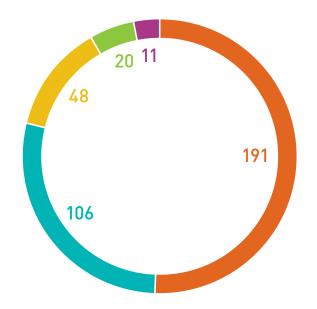
Source: IDB Impact evalution inventory as of December 2014.

However, if the approved project is based on an intervention that has been amply analyzed and evaluated, and if knowledge gaps have not been identified, an impact evaluation is not necessary unless there is some new approach that is being tested. That's not to say that these projects go unevaluated. In these cases, other mechanisms are used to track project results and verify project achievements, and those findings are then included in the Project Completion Report.

In addition to evaluating the impact of its own projects, the IDB is often approached for its evaluation expertise to evaluate interventions of our strategic partners. Nearly a quarter of the IDB's impact evaluation portfolio is devoted to such external evaluations. If we include these outside evaluations where the IDB has served as a knowledge partner, the IDB has an impact evaluation portfolio of 378 evaluations to date. To give just one example, the Inter-American Partnership for Education Program

asked the IDB to evaluate its training program to make its English-language educators more effective (read the story "Opening the English World for Native Spanish Speakers").

In terms of the status of the IDB's entire impact evaluation portfolio, Figure 6.2 shows that as of December 2014, 43 percent of all evaluations were in the design stage and 15 percent had been concluded. About 10 percent of the total (39 evaluations), have been cancelled. Difficulties and unforeseen circumstances throughout program implementation have been the main reasons for cancellation. For example, some projects were delayed in implementation or significantly restructured. Other projects were cancelled prior to implementation. In some cases a decision was taken not to perform a project impact evaluation, but rather to use an alternative evaluation such as a before-and-after comparison or an ex-post cost-benefit analysis to report on a project's results.



Social policy for equity and productivity
Institutions for growth and social welfare
Environment and enhancing food security
Infrastructure for competitiveness and social welfare
Competitive, regional and global integration

Fig. 6.3: Impact Evaluations by Strategic Pillar as of December 2014 Source: IDB Impact evaluation inventory as of December 2014.

Traditionally, it is the social sector that better lends itself to impact evaluations because with social interventions it is usually possible to put together a treatment group of beneficiaries and a control group of non-beneficiaries who are the same on average. Thus, as of December 2014 half of the impact evaluations of IDB projects were classified under the Bank's sector priority of Social Policy for Equity and Productivity (Figure 6.3).

However, in its efforts to push forward the knowledge of what works for development, the IDB has increasingly engaged in recent years in evaluations in more challenging sectors. Figure 6.4 shows that, as a proportion of the total number of impact evaluations, evaluations of the IDB's social interventions are declining and those of other sectors are increasing. In large part this is due to more impact evaluations of projects approved under the sector priority of Institutions for Growth and Social Welfare. Two of the stories below are about impact evaluations in sectors where they are not traditional. Moreover, Box 6.1 highlights advances toward evaluating private sector work in the Opportunities for the Majority Sector.

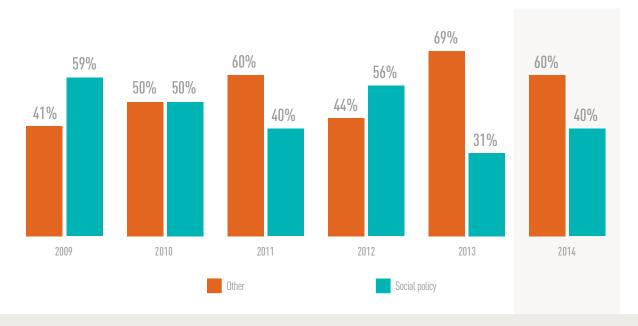


Fig. 6.4: Social Policy Impact Evaluations and Other Sector Impact Evaluations, 2009-14 Source: IDB Impact evaluation inventory as of December 2014.

Evaluating projects across the full range of sectors, including those where impact evaluations are non-traditional, is important because it allows us to learn what works for development, including in areas where the most effective approaches are less understood. It is also important that the IDB, in partnership with our borrowing countries, continue to promote the evaluation of areas where there is already some consensus and expertise, but where still more knowledge can be gained. For example, one of the stories featured below is about the evaluation of a conditional cash transfer program in Honduras. Despite a large number of evaluations focusing on different dimensions of conditional

cash transfer programs since the inception of Mexico's Oportunidades, the project team realized that the necessity of incurring large costs to verify conditionalities in order to trigger changes in human capital investment had not been analyzed and could provide valuable lessons for a better design of these types of programs. It is just that type of knowledge gained from impact evaluations—in sectors both old and new—that will continue to foster better development results in the years ahead. Such evaluations are the most rigorous way for the IDB to ensure that our interventions are having the desired development results and that these are indeed attributable to the IDB project.

ADVANCING IMPACT EVALUATIONS FOR THE PRIVATE SECTOR

Despite the implementation of operationally successful base of the pyramid (BoP) business models globally over the last decade, there is still scarce empirical evidence to support a causal relationship between these private sector interventions and enhanced living standards. There is, therefore, a need for undertaking rigorous evidencebased evaluations to capture the development effectiveness of private sector interventions and disseminate their lessons learned among the general public and private sector actors.

The Opportunities for the Majority (OMJ) sector projects reach people at the BoP through the provision of quality goods and services that allow them to overcome the market failures that have excluded them from the formal system, thus imposing a costly poverty penalty.

In 2013, OMJ obtained a Technical Cooperation grant to carry out a series of impact evaluations studies to determine the development effectiveness of a sample of its projects. These evaluations will contribute to learning about the impact of the operations on enhanced living standards of target beneficiaries.

The results derived from the impact evaluations will guide OMJ in the design of its future operations and will help the sector in making better-informed strategic decisions. The results will also help position BoP business models as an effective, sustainable alternative for development among businesses and financial institutions already serving the BoP in Latin America and the Caribbean and those who are starting to get interested in serving this segment.

The sample of projects is diverse in terms of countries of origin, type of services provided, and businesses models. Furthermore the projects were selected based on the willingness of the clients to conduct an impact study, the availability of baseline data and a reliable control group and the feasibility of a robust methodological approach.

OMJ has three ongoing impact evaluation studies in the areas of education (Colegios Peruanos: Quality Private Education for Emerging Social Classes in Peru—PE-L1120); access to housing and home improvement financing (Visión Banco: Habitat for Humanity's Improved Housing Program for Low-Income Families in Paraguay—PR-L1057); as well as access to productive and consumption credit (Social Financing Program: Empresas Públicas de Medellín-Unidad de Negocios Estratégicos (EPM-UNE)—CO-L1080).

1

ATOURISM REFORM

WITHOUT A TIME MACHINE?

ndowed with rich and diverse natural and cultural resources, Argentina's Salta Province has long been known to have tremendous but untapped tourism potential.

Located at the intersection of such natural attractions as the Andean highland plateau (the *Puna*), the Chaco forests, and the subtropical forest in the Yungas Biosphere Reserve, Salta's landscape is graced with everything from colorful hillsides to sparkling ravines, mountain peaks, volcanoes, and salt flats.

Salta also boasts significant cultural wealth, including Indigenous and aboriginal communities, colonial heritage, archaeological sites, and even cave paintings from the precolonial period. The monumental *Tren a las Nubes* (Train to the Clouds) is one of the highest railways in the world.

Despite its attributes, Salta remained one of Argentina's least developed provinces well into the early 2000s, with GDP per capita about half the national average (US\$4,000 versus US\$7,500 in 2001). Salta's tourism industry lagged behind the rest of the country, as well.

The devaluation of the peso in 2001 presented an opportunity to boost tourism because it lowered the cost of visiting Argentina relative to other international destinations. Salta's provincial government moved to take advantage by implementing a Tourism Development Policy (TDP), with coordinated interventions to boost the province's tourism industry, and in so doing create new employment opportunities for the local population. The TDP measures included:

- Building and modernizing tourism and transport infrastructure, including highways to access the city of Salta, the international airport, and bus terminals
- Restoration of historical and cultural heritage sites
- Tax credits for building, expanding, and remodeling hotels and other tourism facilities
- An increased budget for the Tourism Secretariat, which was eventually elevated to the status of a ministry, allowing for the creation of a public-private Provincial Tourism Council, and the launch of an integrated promotion campaign at the national and international levels.

The Inter-American Development Bank (IDB) supported the TDP with a loan to the province of Salta specifically directed toward supporting the tourism industry. The TDP had all the ingredients to turn around Salta's flagging tourism industry, but measuring the effectiveness of structural interventions



How to Evaluate a Tourism Reform

of the Salta's Tourism <u>Development Policy</u>

policy from 2003 to 2010 to boost the implemented a tourism development The Government of Salta, Argentina province s economy.

THIS EVALUATION?

tourism development policy boosted the First, to test rigorously whether Salta's province's economy.

have assumed that tourism policies are Secondly, for decades, governments important instruments to boost job creation and growth.

NEW?

First study that:

- · Rigorously evaluates the impact of a large scale tourism policy
- development policy using SC Method Evaluates the impact of an economic
- can count on multiple synthetic control for the same treatment case by taking · First application of the SC Method that evaluated policy (one specific sector advantage of the dual focus of the

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Synthetic Control Method of



Synthetic Control Tourism Sector

(using 48 sectors from Salta as donor pool)

17 years of monthly economic sector

data (1996-2013) that allowed

creating 2 synthetic controls



(using 19 Argentine provinces as donor pool) within the same economic sector

data to analyze the counterfactual Almost 8 years of pre-treatment

RESULTS + CONCLUSIONS



employment increased

11% on average per year from 2003-13

750 employees were hired in the hospitality sector in that period

For each direct job created in the tourism industry almost one job was created in the rest of the provincial economy.





Highest impacts of the Policy after implementation, and decreasing over the last years of observation in this analysis

Policymaking Recommendations

Tourist development policies work when there is a comprehensive plan that coordinates private and public efforts and:

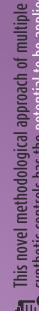






Provides fiscal incentives for private sector nvestment in tourism

• Has a strong promotional campaign at the national and international levels



to the evaluation of a variety of productive policy synthetic controls has the potential to be applied industry focus, such as for instance the rather instruments with simultaneous location and widespread Cluster Development Programs like this has long been a riddle for evaluators. In an ideal world, they would travel back in time, erase the intervention, and measure the difference in the result, which would become what is known as the "counterfactual" to what actually happened. In the absence of such a time machine, evaluators usually set up an artificial "control group" and then measure the results of the intervention against that comparator—not unlike a medical study that administers a drug to one group and a placebo to another and then compares the results to determine the effectiveness of the drug.

In the case of a broad policy such as the TDP, which involves a wide variety of economic agents across the tourism industry and a broad set of in-

terventions at different levels, constructing a control group to estimate a counterfactual is highly challenging. One possibility is to focus the evaluation only on those policy elements (such as tax credits) for which beneficiaries and comparable non-beneficiaries can be identified. This would produce rigor-

ous evidence on the effectiveness of such elements, but at the cost of missing the structural and complex nature of the policy.

Another possibility is to adopt a structural model approach, such as a computable general equilibrium model, in which most of the relationships between different parties would be simulated. This would better account for the comprehensive nature of the policy, but at the cost of less rigor in identifying the causal relationship between the policy and the observed effects.

To deal with this tradeoff between completeness and rigor, the IDB used a new measurement approach developed by Harvard University's Alberto Abadie and his co-authors, called the Synthetic Control Method (SCM). The SCM statistically combines other Argentine provinces to construct its fictional comparator—a sort of "clone province" that approximates the characteristics of Salta as closely as

possible. If only a single province were selected as a comparator, it might be very similar to Salta in terms of its tourism potential, but perhaps very different in terms of per capita income levels or other characteristics. Using the SCM enabled evaluators to construct a comparator similar to Salta across the board.

Using the SCM and drawing on data from Argentina's Observatory of Employment and Entrepreneurial Dynamics, evaluators created not only one, but two "synthetic clones"—one for the province as described above, based on a weighted combination of other Argentinean provinces that in the seven years before the TDP's launch had trends similar to Salta, and another for the Argentine tourism sector

> in general, based on a combination of different industries within the province. This evaluation has been the first to use two separate clones.

> The evaluation found that Salta's TDP increased employment in the hotel industry by an average of 11 percent per year, for an overall impact of around

110 percent between 2003 and 2013. Over the same period, the TDP doubled employment in the core sector of the tourism industry, which likely generated other positive employment effects on sectors upstream and downstream along the tourism value chain. Importantly, the evaluation results were consistent in the comparisons with both synthetic clones.

The IDB's rigorous evaluation of Salta's TDP shows that integrated efforts to produce structural change across a number of areas in a specific industry can effectively boost the growth of that industry. The evaluation also shows that complex structural programs can indeed be evaluated in a much more rigorous manner than the traditionally used case study approach. This also opens the door to using the same approach with the creation of multiple synthetic control units to evaluate programs with a dual industry-location focus, such as the widely diffused cluster development programs.

IMPROVING LIVES OF PREGNANT WOMEN + CHILDREN

IN BOLIVIA

didn't go to the health center because it took a long time, and on top of that they treated me badly," recounted a Quechua woman in the town of Oruro, Bolivia. "We have our own customs for childbirth".

> She is not alone in those views. According to a recent national survey, the main reason why women avoid prenatal care is distrust of health personnel (26 percent). Other reasons include the distance they must travel to reach the health facility (21 percent), lack of time because they are busy with children or work (12 percent), and opposition from their spouse or family (6 percent).

In 2009, the Bolivian government initiated a conditional cash transfer program, known as the Juana Azurduy Voucher Program, designed exclusively to encourage the use of preventive health services by pregnant women for themselves and their children aged under two.

The program uses conditional cash transfers (CCTs), delivered through a voucher, which have proven effective in increasing the demand for

health services. However, as with many countries, the program's weak spot is access to and quality of health services, which affects the program's potential impact in terms of development. Experience has shown that ultimate improvement in maternal, neonatal, and child health can be achieved only if incentives to increase demand, are accompanied by policies and investments that bolster the supply of these services.

The Inter-American Development Bank (IDB) played an important role in supporting the operational implementation and improvement of the Juana Azurduy Voucher Program investing \$5.1 million between 2010 and 2013. Investments were also made in primary care supply services, infrastructure, equipment, and the training of health personnel.

THE RESULTS

The IDB program repaired and equipped 29 centers and health clinics in selected rural areas, including birthing rooms adapted to the local culture and a solar-powered hot water supply. Eight maternity houses were built, which allow pregnant women



EVALUATION

of the Juana Azurduy Voucher Program in Bolivia

A conditional cash transfer program use of preventive health services by designed exclusively to encourage the pregnant women or their kids aged

THIS ASSESSMENT?

- To determine if the Juana Azurduy preventive health services. Voucher increases the use of
- To identify the impact on final indicators of maternal health, neonatal health, and child health and nutrition.
- To measure the cost-effectiveness of the voucher.
- To improve the technical and operato further enhance its impact. tional design of the voucher scheme

WHAT'S

- This is the first impact evaluation of the Juana Azurduy Voucher.
- It takes into account final health and mortality indicators.
- It includes the voucher's costeffectiveness calculations.

More Healthy Women and Children in Bolivia

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Fixed-effects, discontinuous regression 8,480 URBAN & RURAL ot a nationwide sample o

ELIGIBLE PREGNANCIES 8,477

not enrolled 4,942

ELIGIBLE CHILDREN

and 10,032

enrolled

health services

not enrolled enrollec

5,090

NTERVENTION

women & mothers with childrer payments to pregnant in Bolivia offer **cash** Conditional cash transfers

of preventive concerning the use younger than two years of age, for fulfilling responsibilities

RESULTS + CONCLUSIONS

Impact on pregnant women and newborns:



First pre-natal checkup

2.3 weeks earlier at 11.3weeks



Women with four pre-natal check link went in to 84% (from 74%) ups went up to 84% (from 74%)



increased to 63% (from 60%) Rural women having



in urban areas (from 10%)



21.7 per 1000 average prior to program Rate of stillbirths decreased by 11% from

Incentives for greater fertility not detected



High cost-effectiveness of the voucher system: US\$/46 for each Disability-adjusted Life Year avoided

Impact on children up to 2 years of age:

83% (from 71%) nized went up to Kids fully immu-

(from 57%) Intrients nb to 6/%

Kids suffering (from 74% rrom anemia n rural areas

checkups (9.3 total) complete health months to 2 years Children aged 6

Recommendations Policymaking

- Identify strategies to increase scheme among women and the coverage of the voucher
- Review the technical design of the payment system and the on service utilization. composition of transfers of the voucher to enhance its impact
- Improve the quality and supply of health services, in order to health and nutrition of women increase its impact on the

to stay near the health center in the days leading up to birth.

To improve the responsiveness of health personnel and quality of care, six departmental classroom training centers were created, equipped with modern technology for practical teaching. An online platform was created to train personnel through online courses. Some 1,516 people have trained at a primary care level.

IDB's support to the Juana Azurduy Vouchers program funded cash transfers to 69,258 women and children, and supplied identity documents or birth certificates for 3,861 women and children—a requirement to register for a voucher. Today, 33 percent of pregnant women and 50 percent of children under age two are enrolled in the program, although many of those eligible have yet to enroll.

DID THE PROGRAM WORK?

To evaluate the impact of the voucher scheme on demand for health services two methodologies were used. The first was a discontinuous regression based on the child's age. The second was a model of fixed effects at the sibling level. The findings show that pregnant women receiving the vouchers visit a health center at an earlier stage in their pregnancy than those who do not, which promotes proper nutrition for the mother and fetus. Women who do not participate in the voucher program wait on average until the 13.6 week of pregnancy to have their first prenatal check-up, while those using the voucher visit the health center at week 11.3.

The probability of completing four prenatal visits increased from 74 percent to 84 percent. In rural areas, 60 percent of women allow their delivery to be attended by trained health personnel; this average increased to 63 percent for women participating in the voucher program.

Due to the increase in prenatal visits, children in urban areas have had higher birth-weight. In turn, the likelihood of being born with a low birth-weight decreased from 10 percent to 2 percent.

The voucher program has achieved the objective of a conditional cash transfer: it has increased the use of health services!

The estimated rate of stillbirths among women enrolled in the voucher program decreased by 11 percent, indicating a possible reduction of child mortality during birth.

Children who receive a voucher undergo 9 checkups for growth and development, while children without the voucher have only 6 checkups. Consequently, 83 percent of children using the voucher system are fully vaccinated, versus 71 percent of children not using a voucher. Also, 67 percent of participants consume micronutrients as part of their diet, compared with 57 percent of children not using a voucher. Anemia is less prevalent in children from rural areas participating in the voucher scheme.

Evaluators were unable to detect positive results in other final indicators, which indicate that the quality of services, and the correct application of protocols by health personnel, remains a challenge for the sector in Bolivia.

The voucher program has a long way to go to increase its coverage of pregnant women and children under age two; and to improve the technical elements of the final payments, the composition of transfers, and the operational design of the payment system.

However, the voucher program has achieved the objective of a conditional cash transfer: it has increased the use of health services! Furthermore, the country is making valuable public policy decisions based on evidence, allowing for a thorough evaluation of the program's effects. The impact assessment can be used to enhance the voucher system, which is already improving the lives and health of hard-toreach women and young children.

TECHNOLOGY ADOPTION IN BOLIVIA

SHORT-TERM TRIGGERS OF AGRICULTURAL PRODUCTIVITY IN BOLIVIA

arlos Pacheco is one of 17,000 beneficiaries of the CRIAR program in Bolivia. The program provides financial support to small-scale farmers to buy low-cost agricultural technologies, along with technical assistance to use and apply them. CRIAR organizes technology fairs in rural areas of Bolivia so that small-scale farmers like Mr. Pacheco can obtain information regarding various agricultural technologies and purchase those that best fit their needs.

Farmers have purchased an assortment of technologies that range from greenhouses, irriga-

tion systems, and metal ploughs to small barns and milling equipment.

"When I heard people talk about the fair, I thought that with these kind of technologies I could find my way out of poverty," said Mr. Pacheco.

The adoption of low-cost technologies can generate important changes in production patterns and productivity, resulting in higher incomes and improved well-being for families. Nonetheless, many short-term mechanisms are required to create a virtuous circle in which the adoption of technologies results in an increase in productivity. What are these mechanisms?

Many factors can generate this virtuous circle in agricultural production, including greater use of



Fig. 6.5: Mechanisms of Agricultural Productivity that Generate Long-term Impact



Technological Adoption & Productivity: Opening the Black Box

CRIAR Project in Bolivia MPAC

adoption of agricultural-and-livestock Program of direct support for the technologies aimed at increasing income and food security through improvements in productivity

greenhouses, mills, silos, fruit dryers Technologies offered are: irrigation,

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Propensity Score Matching of



Non-refundable vouchers given that finance 90%

of the cost of an agriculturaland-livestock technology chosen by the producer

beneficiares

control

THIS EVALUATION?

To identify and measure the shortand income are generated for the long-term impacts in productivity term mechanisms through which beneficiary producers.

manner the impacts associated with attempts to measure in a rigorous the adoption of agricultural-andlivestock technologies in Bolivia. This is the first evaluation that

RESULTS + CONCLUSIONS

<u>The beneficiaries:</u>

Commit a greater area of land to high-value crops Spend more in inputs, labor and agricultural machinery



Have a greater proportion of their sold product on the market

Improve food security





Train producers in how to access new markets, use inputs efficiently, and diversify crops

Folicymaking Recommendations

Programs of technological adoption should:

component of technical assistance Be accompanied by a strong



inputs; increased sales; and increased production of high-value crops. Despite the importance of these factors, there have been no rigorous studies that analyze the mechanisms through which this process is triggered. There was a black box to open.

OPENING THE BLACK BOX

IDB researchers embarked on the task of opening this black box to understand what short-term mechanisms generate a long-term impact. The researchers analyzed the impact of the CRIAR program using a *Propensity Score Matching* methodology. This econometric approach, along with a careful data collection strategy, allowed the identification of a proper control group of farmers comparable to the beneficiary group.

Specifically, the researchers aimed to answer the following questions: Is the CRIAR program generating the initial impacts that were expected? Are short-term mechanisms being triggered so that long-term increase in productivity and income of the beneficiary households will take place? And, most importantly, what are these mechanisms and how do they work?

The researchers show that the most important short-term impacts of the CRIAR program are greater crop diversification, increased input expenditure, and higher sales of agricultural production.

Specifically, the program decreased the allocation of land to traditional crops such as potatoes and corn and increased the area allocated to modern crops with higher value added like peas and green beans. The CRIAR beneficiary households increased the production of modern crops by 11 percent compared to nonbeneficiaries. In addition, input expenditures on fertilizers, insecticides, and fungicides increased by 56 percent. Finally, production allocated for household consumption fell by 10 percent, while agricultural sales rose by the same proportion.

What are the initial mechanisms that take place among the beneficiary households that receive the new agricultural technology? The researchers suggest that beneficiary households diversify their crop Many short-term mechanisms are required to create a virtuous circle in which the adoption of technologies results in an increase in productivity.

portfolio, producing nontraditional crops with greater value added in larger areas. At the same time, the increase in agricultural production for sale, together with the decrease in the proportion allocated to household consumption, indicates that beneficiary households are modifying their household economy, moving from self-sustainment toward a more market-oriented structure. Finally, the greater use and expenditure on agricultural inputs indicates that the household productive structure has changed.

The importance of understanding and assessing the short-term mechanisms that take place with this type of agricultural programs is essential for achieving long-term effectiveness. In other words, to identify, measure, and determine how these initial mechanisms trigger productivity increases is essential for policymaking decisions.

In particular, in the case of the CRIAR program, the importance of providing technical assistance, together with the delivery of technologies, was crucial to achieving program's impact. The mere delivery of a technology is insufficient to obtain sustainable results in the long run.

Also, it is important to provide training to farmers in the management of higher value-added crops and the efficient use of inputs, while providing them with information on access to new markets. This will ensure that initial impacts of the program are sustainable over time and will ultimately result in improvements in both productivity and income of small-scale farmers like Mr. Pacheco.

USING JOB TRAINING TOPREVENT TEEN PREGNANC

reater self-esteem and opportunities can reduce the risk of teenage pregnancy. That is a lesson of a job training program advanced by the Youth and Employment Program in the Dominican Republic. The country has the highest rate of teenage pregnancy in Latin America and the Caribbean, with 104 births per 1,000 people between the ages of 15 and 19, almost equal to that of the Sub-Saharan Africa (110 per 1000 inhabitants).

The women who participated in the job training program reduced their chances of becoming pregnant by 20 percent. That is a significant reduction,

bringing the rate more in line with the median for the region (74 per 1000 inhabitants).

IN THE DOMINICAN REPUBLIC

Why were almost half of the young participants in the program able to avoid pregnancy? Was it because they got a job that forced them to postpone motherhood? Or was it because they were left with less time to seek a partner?

The results of the impact evaluation point to a change in the participants' expectations, thanks to a strengthening of their socio-emotional abilities: greater self-esteem, improved ability to plan and take control of their future, and a better capacity for organization both outside and within their jobs.

The program boosted the young women's capacity for leadership and their ability to set goals and persevere in attaining them. Most importantly, it



EVALUATION: MPACT

on teenage pregnancy in the Dominican Republic Youth and Employment Program

emotional skills such as self-esteem, offers technical training geared to the leadership and planning goals. needs of employers with training in The Youth and Employment Program

THIS EVALUATION?

- The Dominican Republic has a high level of teenage pregnancies: to 19 years in 2011. 104 births per 1,000 girls aged 15
- Several studies illustrate the expectations about the tuture relationship between teenage pregnancy and a lack of

WHAT'S

which this impact is achieved for identifies possible channels through on the likelihood of young women Ibarraran et al (2011) showed that the program has a significant impact becoming pregnant. This study

More Employment Readiness, Fewer Teenage Pregnancies

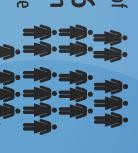
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NTERVENTION

An experimental design of

4,036 young women

between 16-29 years of age



technical training





skills development socio-emotional **15 hours** of



3 months of internships

control **1,407** RESULTS + CONCLUSIONS 2,629 treatment



pregnancies

20% reduced among 16 – 19 years olds*



) non-cognitive skills between 0.08^{**} and 0.16^{**} standard deviations IMPIOVEMENT in the scores of

with respect to: Improved expectations



Leading a in 20 years better lite



employment desired Achieving



business 0wning a

better life Offering their

education

Acquiring a



Policymaking Recommendations

Support programs that strengthen expectations about the future of young women to prevent motherhood and improve their premature decisions regarding socio-emotional skills

The program boosted young women's capacity for leadership, ability to set goals and persevere in attaining them. Most importantly, it had a clear impact on how they envisioned their future and how optimistic they were in their ability to change it.

had a clear impact on how they envisioned their future and how optimistic they were in their ability to change it.

When teenagers can't get a job and thus can't imagine a prosperous future, or when they don't want to keep studying, they often opt for motherhood as a means to escape their circumstances. Pregnancy allows them in a sense to leave behind their adolescence and become "adult women."

Strengthening socio-emotional abilities is a main component of the job training program. One of every three hours of training (75 hours of a total of 225) is dedicated to providing the participants with tools that not only help them get a good job but also to handle decisions beyond the workplace, like avoiding pregnancy at an early age.

From the beginning, the program included a rigorous experimental evaluation aimed at measuring

the impacts of the program. The program selected its beneficiaries randomly from a group of young people who were eligible and were interested in the program. The program followed both participants and nonparticipants. In this way both groups were basically the same (on average), except for the fact that one group was trained by the Program and the other group was not.

The Youth and Employment Program reduced pregnancies in young women by 20 percent among those aged between 16 and 19. But it is also noteworthy that the impact is a result of strengthening young women's socio-emotional abilities and improving their expectations. It is proof that increasing opportunities for young women through more and better training is a good formula for promoting positive behavior.

GOOD TEACHERS MATTER FOR KINDERGARTEN SUCCESS

hat makes a teacher a good teacher? Although teachers are mostly selected according to what is showcased in their curriculum vitae, those credentials are not what matters most, according to Cerrando Brechas (Closing Gaps), a multi-year study to measure the effects of better teachers on child learning in the first years of elementary school carried out by the government of Ecuador who requested support from the Inter-American Development Bank (IDB).

Identifying the effects of teachers on learning is difficult for two reasons. First, children are generally not assigned to teachers at random, meaning that groups in different classes are not necessarily homogenous. For example if a teacher is assigned the best students of a group, these naturally will have a better performance regardless of his or her

efforts and bias the results of studies that attempt to measure the contributions of teachers to learning. Second, it is hard to distinguish good teachers. The characteristics of teachers commonly found in administrative data, which largely determine teacher pay and promotion, generally explain very little of their effectiveness.

To address these concerns, for the first time in a developing country, *Cerrando Brechas* randomly assigned an entering cohort of approximately 15,000 kindergarten children to teachers within schools, and collected unusually rich data on teachers, including filming teachers in the classroom for a full day. With these data, researchers were able to distinguish better teachers.

At the end of the academic year, researchers measured the performance of children through 12 different tests ranging from math to early literacy, and a variety of cognitive processes known as "executive function." Executive function tests measure the ability of children to exercise self-control, pay



What Makes a Good Teacher?

MPACT of Closing Gaps

teacher quality on learning during the Closing Gaps evaluates the impact of first years of schooling

THIS EVALUATION?

eachers are the most important input or learning in schools, however until Closing Gaps, there has been no data collected in Latin America and the

- How important is teacher quality for learning?
- What are the characteristics and practices of the most effective

ċM≡

This is the first rigorous evaluation of improving the quality of education in its kind in a developing country and training are of great importance for the policy implications in terms of selection, evaluation and teacher

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An experimental design of

451 teachers 15,753 children



Randomly allocated to designated kindergarten sections at 204 schools

INTERVENTION



Randomly assigned kindergarten teachers to estimate the in-class "teacher effect"

RESULTS + CONCLUSIONS



to a better teacher Students assigned earn more



in the classroom explains The practice of teachers **their** effectiiveness



evaluating and compensating teachers The basic characteristics traditionally do not determine their effectiveness taken into account in selecting



The type of contract, executive function, easons why a teacher is more effective personality and IQ do not explain the



is associated with 0.59 standard deviations of increased learning the quality of teacher practices an instrument that measures An increase of one point on





Policymaking Recommendations

measure learning Regularly and consistently

effective teachers Reward the most

 Take measures with regard to teachers who are ineffective (retirement or training)

practices to improve teacher effective- Create training modules for classroom ness and evaluate them periodically Policymakers could experiment with pilots of innovative ways of providing in-service training to teachers as a way of improving their effectiveness, and carefully evaluate them.

attention in class, and switch between tasks, and have been shown to be highly predictive of a child's capacity to learn in school and succeed in life.

Results from the study show that teachers matter a great deal. Kindergarten children randomly assigned to better teachers learn, on average, 0.11 standard deviations more in math, early literacy, and executive function.

What does an effect size of 0.11 standard deviations mean? Consider two children, one who has a mother who completed secondary schooling (or more), and another who has a mother with incomplete primary schooling (or less). If both children are assigned to the same teacher then, at the end of kindergarten, the child of the more educated mother will on average have learning results that are 0.8 standard deviations higher. If, on the other hand, the child of a mother with less schooling is assigned to an "outstanding" teacher (a teacher at the 95th percentile), while the child of the mother with more schooling is assigned to an "average" teacher (a teacher at the mean), then the difference in learning results between the two children at the end of kindergarten will be substantially smaller—o.6 standard deviations. In other words, within a single year, being assigned to an outstanding teacher, rather than an average teacher, allowed the child from a more disadvantaged background to close one-quarter of

the gap that separated her from a child with a more advantaged background. This is a sizeable effect.

"Rookie" teachers (those with three years of experience or less) produce significantly less learning than more experienced teachers, but none of the other *characteristics* of teachers, including whether a teacher is tenured or works on a contract basis, her IQ, and her personality, consistently predict child learning. On the other hand, teacher behaviors determine how much a child learns in school—in particular the extent to which a teacher provides emotional support and instructional support, and manages the classroom well.

The study has some important policy implications. First, it is hard to measure the effectiveness of teachers before they enter the teaching profession; screening tests for teachers therefore have only limited value. Second, because some teachers are consistently more effective than others, as measured by the amount of learning that takes place in their classrooms, policymakers could consider programs to reward the most effective teachers, and to separate teachers who are consistently very ineffective from the teaching profession. Third, many of the teacher behaviors that affect student learning have been shown to be malleable. Policymakers could therefore experiment with pilots of innovative ways of providing in-service training to teachers as a way of improving their effectiveness, and carefully evaluate them.

Cerrando Brechas is an ongoing study. Researchers are following the original cohort of children into first and second grade to assess whether the impacts of having a better teacher in kindergarten are sustained through time, and how these impacts interact with the quality of teachers children are exposed to in later years.

IMPROVING THE **QUALITY OF LIFE** OF SENIOR CITIZENS

he risk of falling into poverty increases substantially with age, not only because the ability to perform a job and ensure an income falls, but also because expenses mount as health deteriorates and disabilities increase.

Pension policies don't just alleviate poverty; they also provide security for the elderly who are in danger of falling into poverty. However, pension systems in developing countries have a limited potential, as their coverage level is low. Such is the case of El Salvador, where only 20 percent of the elderly population is covered by the pension system.

Aiming to compensate for the decline in opportunities and increased vulnerability that comes with age, the government of El Salvador implemented Our Elder's Rights Program (Nuestros Mayores Derechos, in Spanish). One of its main components is the Universal Basic Pension or UBP, a noncontributory scheme that distributes \$50 a month to each person who is 70 years old or more and resides in the poorest municipalities of the country. The government of El Salvador asked the Inter-American Development Bank (IDB) for technical support to evaluate the impact of the program. The methodology employed was instrumental variables, utilizing age as the instrument.

Six years after its implementation, this transfer doubled the participants' household income, from \$43 to \$84. However, the pension crowded-out remittances from family and friends by almost \$5. Nevertheless, the net effect of the transfer (\$45) has been significant enough to further reduce the probability of elderly participants being extremely poor by 13 percentage points.

The evaluation found that the most important use that elderly participants report for their pension is buying food and beverages (54 percent), followed by paying for doctor consultations, medications,



EVALUATION:

of Our Elder's Rights Program

A Salvadorian non-contributory citizens in the country. vulnerability of poor senior opportunities and increased compensating the decline in pension system that aims at

THIS EVALUATION?

- To evaluate whether the Our Elder's Rights Program was the vulnerability of senior citizens fulfilling its goal of decreasing
- To assess whether the elders' other sources of income. was simply a displacement of lives improved, or if the effect

WHAT'S ZWEW?

Elder's Rights Program using an instrumental variables approach First rigorous study of the Our

Improving the Quality of Life of Senior Citizens

UNIVERSE

Instrumental variables with the age as the instrument



to each 70 year-old nands out USŞ50 a month **pension system** that) A non-contributory

control beneficiaries and older

RESULTS + CONCLUSIONS

Income Doubled the participants'















Probability of being extremely poor



points reduction 13 percentage









expenses **Participants**





doctor consultations, medications, vitamins



No effects in terms of health or empowerment

Recommendations Policymaking

population participating in the program still remains an open question. in El Salvador's 32 poorest areas. Whether these effects apply to the rest of the Non-contributory pension systems seem to reduce vulnerability of the elderly vitamins, and supplements (21 percent). The ability to spend more money on food reduced food insecurity by 17 percent. As a participant of the program declared, the pension not only allowed her to add some eggs and meat to her daily diet of tortillas, beans, rice, and coffee, but also made it possible for her to take her disabled sister to her monthly health check-ups by being able to pay for a taxi.

The UBP also has an effect on decreasing senior formal labor. The program reduced by half the probability of the elderly working for remuneration. The pension allows early retirement of those who never contributed to the formal pension system. The pension also has had some impacts on other household members. Young people aged 11 to 18 years living with a UBP participants increased their probability of enrolling in school by 8 percent.

Nevertheless, no effects were found in terms of health, empowerment, or credit. The Family Health Community Teams, another component of Our Elder's Rights Program, attend UBP participants and nonparticipants alike, making it impossible to differentiate any particular impact coming from the pension. UBP participants, nonetheless, are more likely to seek medical attention. The UBP seems to have only small effects on the empowerment of beneficiaries. Most of the participants report that the pension does not modify the dynamics within the family or the community, and it rarely increases the respect that other household or community members show to them.

In summary, the UBP shows very positive effects in helping the elderly cope with their increased vulnerability. These results, however, measure the program outreach only for participants in El Salvador's 32 poorest areas. Whether these effects apply to the rest of the population participating in the program remains an open question. In any case, given the current level of program current coverage, there is an opportunity to achieve similar effects among the population with similarly low incomes that has not yet benefited from this program. The program, which has been implemented in stages, now reaches the 82 poorest municipalities in the country.

> **Pension policies** don't iust alleviate poverty; they also provide security for the elderly who are in danger of falling into poverty.

LESSONS FROM HONDURAS' CCT PROGRAM: CONDITIONALITIES MATTER

successful strategy to reduce poverty in developing nations has been the use of conditional cash transfer (CCT) programs. CCTs attempt to reduce poverty while also changing behavior and building human capital by providing families with cash in exchange for certain requirements, such as enrolling their children in school. These incentives have been employed effectively to boost school enrollment and attendance, decrease child labor, and encourage the use of preventive health services.

In Honduras, the Inter-American Development Bank (IDB) has been the main financial and technical partner of a CCT known as Bono Vida Mejor (formerly Bono 10,000). Since its inception in 2010, Bono Vida Mejor has benefited 350,000 households. It has contributed to reducing the poverty rate in Honduras and moderately improved school

attendance and the rate of health clinic visits for children under 3.

Notwithstanding its achievements, Bono Vida Mejor, like many other CCT programs, spends considerable resources in order to guarantee the compliance of beneficiaries. For program managers, ensuring that each and every family receiving cash actually sends their children to school and to a health clinic is administratively and financially burdensome. This has led to a vigorous policy debate. Is it really necessary to monitor and enforce compliance of conditions to achieve results? Or is there a better way?

A complexity of Bono Vida Mejor, common to all CCTs, has to do with its heterogenous impact on families. A cash transfer may be more than enough to change the behavior of some families who want to enroll their children in school or send them to a health clinic; however, other families may have different constraints or priorities. Even the extra cash may not be enough to convince them of the importance of educational and health opportunities. For this second group, verifying requirements for



Lessons from "Bono Vida Mejor": Conditionalities matter

EVALUATION: of "Bono Vida Mejor" N N

cash transfer program that promotes Honduran children living in poverty. human capital investments among 'Bono Vida Mejor'' is a conditional

UNIVERSE

Randomized evaluation of:

VILLAGES

147

control

2,195 control households

term poverty and promote investments program to alleviate shortn human capital (education, health and Conditional cash transfer

nutrition) for the younger generations. beneficiaries

villages selected for the treatment sample Poorest households within treatment

households treatment

RESULTS + CONCLUSIONS

8 percentage points

Only single-child households

≯ ▼ **₹**

This evaluation assesses the impact program and provides evidence on the importance of conditionalities, requirements to include one child of the Honduran cash transfer as the program relaxed these



of contidionalities and their

Were on average:

THIS EVALUATION?

New insights about the importance

more likely to be enrolled in school 6 percentage points less likely to be working with children aged between 6 & 18 Only single-child households with children

Recommendations

Policymaking



under 6 were:

7 percentage points more likely to have completed their latest health checkup

school enrolling, child labor No significant impact in and health checkups

enforce conditionalities

data to verify and

Conditionalities should be

evel, and not just for one

child per household.

verified at the individual

should be strengthened

o produce timely and

eliable administrative

capital investments Secto

nformation Systems

generate impact in human

In Honduras in order to



more than one child

showed:





diminished when conditionalities

are not verified for each child

Education & health impacts are



the cash transfer is important to achieve the desired change in behavior.

Bono Vida Mejor reduced the cost of monitoring compliance by loosening some of the conditionalities. They preserved the original idea of the CCT, but required verification of the conditionalities for only one child per household. Households were given a transfer of \$500 per year if at least one child between

6 and 18 enrolled in and regularly attended school. Meanwhile, households that had children only under 6 were paid \$250 per year if only one of them regularly visited a health center. The hope was that beneficiary households would not reduce human capital investments in siblings.

The approach made the verification process easier. It reduced the number of children for which conditionalities had to be monitored—and it did so in a context in which monitoring and reporting systems still face multiple challenges and are only starting to become fully functional.

The IDB implemented a randomized evaluation at the village level. In all, 2,221 of the poorest households within treatment villages that received the cash transfer were selected for the treatment sample. Unfortunately, the evaluation found that the decreased monitoring also diminished the program's impact on the use of education and health services. In beneficiary households with only one child, children between 6 to 18 years old were, on average, 8 percentage points more likely to be enrolled

in school and 6 percentage points less likely to be working. In contrast, in those with more than one child in that age group, the program had no significant impact on school enrollment or child labor. Similarly, in households with only one child, children under 6 were 7 percentage points more likely to have complied with the latest required check-up. However, in those with an older sibling, the program

had no significant impact on health center visits.

The implications are clear—at least for the Honduran context. Requirements or conditionalities matter. So does the rigor with which verification is conducted. That may mean that sizable human and financial resources and complex operational

arrangements may have to be imposed to make a CCT work. It also may mean that the education and health sectors must invest more in their information systems so that they can automatically and reliably produce data on compliance.

The Honduran government is currently working to redesign its payment transfer system so that conditionalities are monitored separately for each child in a household and payment is disbursed according to individual behaviors. If it can do that in tandem with improved information systems, it might just realize the enormous benefits in education and health to which the program aspires. With such systems in place, CCT managers may find that enforcing conditionalities is easier and cheaper.

The implications are clear—at least for the Honduran context.

Requirements or conditionalities matter.

So does the rigor with which verification is conducted.

CLOSING GAPS IN MEXICO'S FORMAL **NEIGHBORHOODS**

magine living in a neighborhood where some families have water and others don't. Where half the streets are paved, and only some have sidewalks. Where street lighting exists only in certain areas, making it dangerous to return home at night or go out before dawn. Or where you have to walk very far to find a park, a football field, a health clinic, or a daycare center.

That is the reality of many Mexican neighborhoods. Although the national average for coverage of basic infrastructure services is above 90 percent, the statistic hides real levels of inequality within municipalities. Today there are around 3,200 neighborhoods, also called polígonos in Spanish, with deficient access to certain basic urban and social services. Specifically, 17 percent of these areas are deficient in their coverage of piped water, drainage, and electricity. Almost 60 percent lack public lighting, benches, sidewalks, or paved streets. Almost none of them have green spaces or meeting places where the community can get together to talk, celebrate special occasions, and spend time together in peace.

For more than 4 million families that live in these neighborhoods, residency in a formal city does not guarantee access to the services available in more consolidated urban areas. While all these families own their homes or rent them from the legal owner, 50 percent of them are still poor. And the absence of basic urban and social services makes them even more vulnerable.

In light of this problem, the Mexican government requested support from the Inter-American Development Bank (IDB) in 2003 to map the neighborhoods, identify deficiencies, determine priorities, and come up with a strategy for dealing with the most urgent areas. This is how Programa Hábitat was born. Its main goal is closing the gap in the provision of urban and social services so as to integrate these families fully into the city.

Ever since, the IDB and *Programa Hábitat* have worked hand in hand to confront the neighbor-



EVALUATION:

of The Habitat Program

The Habitat Program seeks to close the gap in the provision of urban and social services in marginalized neighborhoods.

THIS EVALUATION?

- To determine whether in the absence of the Program the neighborhoods would have received the same services.
- To find out how much the quality of life of the beneficiaries of the Program has improved.
- To determine whether the Program's interventions contributed to increased trust in relations between neighbors.

It was the first impact assessment of a neighborhood improvement program conducted in Latin America.

Neighborhood Upgrading Programs That Work

UNIVERSE

Experimental design:
Random Selection
8 Differences in Differences

3/0 neighborhoods (in 60 municipalities)

control

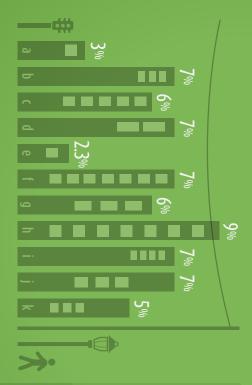


7 **5**

17 **-**

of infrastructure, and the construction and rehabilitation of community centers in neighborhoods with high levels of poverty and deficiencies in basic infrastructure.

RESULTS + CONCLUSIONS



There was a valuation made of each property, with an average value of US\$1,219

- a. infrastructure
- b. housing with paved streets and sidewalks
- c. housing with public lighting
- d. housing with a water connection in the sewage system
- e. housing with wood, concrete or tile floors
- i. paving in the streets of their area
- g, trust in their neighbors
- b. public lighting
- i streets and sidewalks in their neighborhood
- paving of the streets of their neighborhood
- k. conditions of the urban environment

* Results are significant between 0.01 and 0.001 levels.



- Avoid the dispersion of resources to other priorities in the municipality
- Improve quality of life & access to urban services
- Promote the creation of social networks & strengthen trust between neighbors

The main goal of **Programa Hábitat** is closing the gap in the provision of urban & social services so as to integrate more than 4 million families fully into the city.

hoods' challenges. They have done so through the simultaneous construction of basic urban infrastructure and community centers administered by the municipality. These centers are equipped with athletic courts and all-purpose spaces where numerous activities take place, ranging from classes for youth in computers, sports, and trades, to distance-learning workshops, and courses that help participants earn supplementary incomes in areas like hair dressing, sewing, and baking. For those cases in which coordination with other Secretariats has been possible, day-care centers and health centers also have been established.

How has this been achieved? Through joint efforts between the federal government, the municipalities and the communities. Each has its share of responsibility: the federal government identifies those neighborhoods that are both poor and lacking in infrastructure. The municipalities plan ways to close the gaps in each neighborhood, prioritizing investments and services while financing at least 50 percent of the initiatives themselves. Finally, the communities play a central role in planning public works and actions, bolstering them with social oversight committees composed of neighbors who supervise the programs' implementation.

Thanks to this joint effort, Programa Hábitat carried out initiatives in 350 municipalities and 1,400 neighborhoods while attending two million families from 2007 to 2013. During that time, 45 million meters of paving and road construction and 25 million meters of potable water networks, drainage, and electrification were completed. And 1,800 community development centers were built or put into service, where each year around 7,000 social, recreational, and educational activities are undertaken for adults and children.

In 2009 the Mexican government and the IDB started to evaluate the impact of the program to determine if neighborhoods with deficiencies would have gotten the necessary attention in the program's absence. The evaluation was relevant because the municipalities, independently of the program, already had resources to invest in the neighborhoods. Within a universe of eligible neighborhoods, where no intervention had yet taken place at the beginning of 2009, 176 were chosen randomly for the program starting in 2009 and 194 were selected for the control group—where the intervention would take place only after the evaluation had closed.

The evaluation, which was completed in 2012, found that greater progress indeed occurred in neighborhoods benefitting from the intervention. In the 166 neighborhoods affected by the program, gaps were closed in a greater percentage than in a group of neighborhoods with similar characteristics where intervention was restricted. The evaluation showed that the planning and focus fostered by the program resulted in the desired effect. Additionally, where Programa Hábitat was active, neighbors trusted one another more and had a greater sense of belonging, as they enjoyed community centers with a gamut of services and activities for adults and youth alike.

OPENING THE ENGLISH WORLD FOR NATIVE SPANISH SPEAKERS

ave you ever tried to learn to speak a foreign language? Did it make vou nervous the first time you had to speak it? Imagine having to teach it.

English is the most widely spoken language in the world. It is spoken by one quarter of the world's population and is the most published language. More people are learning English today than any other language.

English is the language of commerce, diplomacy, computers, and half of the internet. Unfortunately in Latin America, few students graduate from school with a command of the English language, limiting their opportunities to participate in a globalized economy.

Some of these countries are making changes to improve English education. Mexico recently reformed public schools, introducing English in preschool and primary education and increasing study time in English by an additional 50% in secondary education.

One of the key challenges is finding teachers who are up to the task. In some states in Mexico, many English teachers in public schools are not trained in English. In spite of their advanced grammar knowledge, most teachers struggle to speak and understand spoken English. As a result, teachers struggle with classes that allow students to acquire the competence to be fluent in English.

A LIGHT AT THE END OF THE TUNNEL

The good news is that Worldfund and Dartmouth College's Inter-American Partnership for Education Program (IAPE) is training a network of educators to provide teachers with the tools to learn and teach English efficiently. Using the Rassias method® students are immersed in fast-paced classes focused on speaking while using theatric techniques. The Rassias methodology seeks to substitute the "you learn, then you do" with "you do, then you learn" (check the video).

There was a desire to know if the IAPE program was having an impact in classrooms. The IAPE program was evaluated with a randomized control trial (RCT) in public secondary schools in the Mexican states of Puebla and Tlaxcala.

The study found that the students of teachers trained by IAPE in Rassias method improved their listening, reading, writing, and speaking in the English language. The study also explored the mechanisms that led to such changes.

Welcoming English teachers opened their classroom doors and allowed us to film their classes. Teachers and students were assessed by a standardized English test that included speaking and listening components.

IAPE improved the English levels of teachers, or subject knowledge as experts say, and the way they approached teaching (pedagogical knowledge).



English Teacher Training Works — If Done Correctly

N PAC

of the Inter-American Partnership for Education Program (IAPE)

network of innovative English language educators who work together to create APE trains, empowers, and supports a APE is a partnership of Worldfund and Dartmouth College's Rassias Center for classrooms throughout the country. asting and sustainable change in **World Languages and Cultures**

THIS EVALUATION?

- · To determine the best ways to improve teaching
- To effectively direct our efforts to provide students with a better **English level**
- To improve effectiveness of teacher training programs

NEW? WHAT'S

teacher training on student learning in First rigorous quantitative evaluation that isolates the effects of in-service Latin America and the Caribbean

SETUP

Randomized Control Trial of

treatment 77

+ control 67

= total **144**

with **718**



STUDENTS **TEACHERS**

INTERVENTION



80 hours English lessons 20 hours pedagogical practice



RESULTS + CONCLUSIONS

Confidence & command increases **9%** Teachers Speak english 74 %

additional weeks of normative progress

minutes more of English studying

Job at age 30 *** of students believe it is likely they **9** PERCENT will have a



using didactic 11% ***

🎜 materials

Students' increased expectations that they will attend university



practicing 14%***

Ristening 14%***

Conversation

dynamic activities

8 %*** engaged in

% of class time spent



Policymaking Recommendations Iraining must be

teachers monitoring 9%**

PSS

Tedciners means sitting & students sitting

using 7%*** textbooks

reading **8**%* pprox writing 8%

- Incentive aligned Teachers' pocket expenditure on language training decreases in 53%
- Related to the teaching practice
- Continuous training to ensure long-term gains

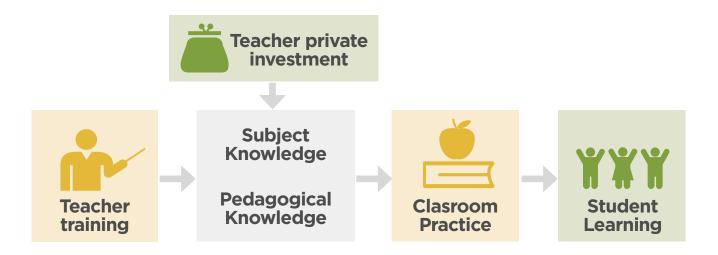


Fig. 6.6: Analysis of IAPE's English teaching training process.

These changes led to improved classroom practices. IAPE teachers replaced students' passive role in work, like seated writing and reading their notes or textbooks, to a more active role involving dynamic activities and using didactic materials.

Students spent more time practicing listening and conversation. IAPE teachers spent more time speaking English. Students not only improved their English but also their motivation to learn English on their own and future expectations.

THE RIGHT RECIPE MUST BE USED TO GET RESULTS

Effective teacher training is a very difficult cake to bake. The right recipe must be used to get results.

In order for teacher training to be effective, it must be pragmatic. Furthermore, intensive enough and continuous enough to be remembered thus ensuring long term gains.

Training on teaching English must result in giving students an active role into the learning process, which tends to be challenging. Teachers must be recognized for improving. If teacher incentives are ignored, then the effects of training are mitigated.

Most teachers that participated in the study spent out of pocket money to improve their English skills. Teachers that received training decreased their out of pocket expenditure by 54%.

english is the language of commerce, diplomacy, computers, and half of the internet.

Unfortunately in Latin America, few students graduate from school with a command of the English language.

As a result, gains by teachers trained in Rassias method compared to those who did not receive the training are understated because teachers without the training did not reduce their own out-of-pocket investment to improve their English skills.

Some cornerstone results are evident in teachers' confidence and command of English which increases by 9% and the fact that their students spend 17 more minutes studying English on their own.

Much work remains to be done to improve English in Latin America. Many other teachers and students are seeking a path to enter a globalized economy, and the IAPE program is an example of a good start.

PREMATH SKILLS

s part of a lesson on quantities, a group of five-year-olds in Huancavelica. Peru. was asked, "If you have three candies and I have six, what is that?" The expected answer was something along the lines of "more" or "less," but after a moment of contemplation, a student responded, "Unfair."

These preschoolers are part of a new bilingual preschool program called Mimate that helps children develop essential pre-math skills. Children need these skills as a basis for primary school mathematics, including number sequence, shape recognition, counting objects, and spatial relations (such as the difference between over and under).

In an effort to lay a foundation of pre-math skills that sets children up to succeed in primary school mathematics, the Ministry of Education decided to pilot the Mimate model in the departments of Huancavelica and Ayacucho with technical support from the Inter-American Development Bank (IDB) and financing from the IDB Japan Special Fund for Poverty Reduction. These two southern regions are some of the poorest performers in a country that, on the whole, does not perform well on international standardized tests.

The program starts with *number sequence* by singing a song that counts up and down, then teaches number structure by asking children to perform such tasks as circling groups of insects on a worksheet, or playing with dice. Geometric shapes are taught with small plastic tiles and wooden blocks, and fine motor skills are honed with balls of clay and drawing activities. Each student receives a personal set of cardboard circles, number cards, a small mirror, plastic tiles, wooden blocks, and dice. The toys and tools are kept available in a corner of the classroom for children to play with during free hours.

Each child advances at his or her own pace supported by Mimate's assessments and individualized instruction. Teachers conduct formative assessments of each student every two weeks with simple flash cards that guide instruction.

Formative assessment is the basis for individualized instruction. Its purpose is not to grade students (that would be summative assessment), but rather to get feedback that identifies each student's strengths and areas for additional support. Based on a fiveminute quiz, the teacher directs each student to an appropriate activity that challenges but does not overwhelm him or her. This flips the traditional role of teachers, having them respond to students instead of vice versa, which demands more precise attention and patience.

The individualized instruction and the sequencing of the curriculum keep students at the edge of their comfort zone, where learning is fastest. For



EVALUATION:

MiMate program in Peru

scaffolding approach. pre-mathematics skills of Peruvian preschoolers through an individualized The MiMate program aims to improve

THIS EVALUATION? ¥ ¥ ¥

- To explore what works in preschool
- To explore if a bilingual individual status, gender, language and area groups of students: socioeconomic scaffolding math approach can be learning gaps across different used to close pre-mathematics

WHAT'S ZMIN

pre-mathematics skills. program aimed to improve students' First rigorous evaluation in Peru of a

Premath Skills Add Up

CNIVERSE

Random Control Trial Type of evaluation:

treatment 54

+ control 53

= total 107

with 2,400

CHILDREN



SCHOOL: •



45 minute sessions



2-3 times a week in treatment group schools

RESULTS + CONCLUSIONS

MiMate students improved the equivalent to of instruction compared to the control group after six months of treatment *** 4 additional weeks



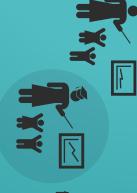


independent of class-size The MiMate approach worked equally well

> gaps persiste The gender & language







formal education continued to outperform the contro who had higher levels of group one year after the of MiMate teachers Only students program ended

Policymaking Recommendations

- Hands-on student-centered mathematics can strengthen pre-mathematics skills.
- Gender aspects should be incorporated into early between boys and girls. unintentionally strengthening) learning gaps mathematics models to help close (and avoic
- Bilingual early mathematics may not be enough to close learning gaps among ethnic groups.

example, kids first learn to write numbers as dots (•, ••, •••, and so on) and gradually transition to writing them as digits.

Teaching mentors visit classrooms to refine teaching techniques. Such a dramatic change in teaching methodology can be difficult for experienced teachers, so teaching mentors offer advice and ensure that teachers adapt to the new program faithfully. During the year-long pilot, each teacher received an average of six visits.

Innovation for Poverty Action tested over 2,400 children in 107 schools. The schools were randomly divided into two groups. The control group (53 schools) proceeded with their existing plans, while the treatment group (54 schools) adopted the Mimate program in their preschool classrooms for the 2012 school year. In the pilot baseline, only about half the children could count to ten and less than four in ten children could write their age. In 2013, the same students were tested after completing a regular year of first grade to measure if the effects persisted.

Learning gaps were found to hold back specific groups of students. In the pre-Mimate baseline tests, boys outperformed girls, students from better socioeconomic backgrounds outperformed those from lower socioeconomic strata, and Spanish speakers surpassed Quechua and bilingual speakers. Mimate was designed to give these struggling groups an opportunity to close the gap.

On average, Mimate students improved 6 percentage points more than the control group after one school year. This general positive effect was dispersed among many test subjects: comparing quantity, shape recognition, basic counting, number selection, number naming, additive composition, addition and subtraction problems, and geometric shapes.

The socioeconomic gap in math skills was reduced; the gender and language gaps persisted. Children of low socioeconomic status improved at a faster rate than their wealthier peers, as did rural students compared to their urban peers. However, the program was less successful in closing the gender and language gaps, where girls and Quechua speakers improved at a slower rate than boys and Spanish speakers.

Only students taught by teachers trained in the Mimate method who had higher levels of formal education continued to outperform the control group one year after the program ended. That better qualified, but not more experienced, teachers taught the program more effectively suggests that teacher flexibility and formal education are critical to the program's success.

The pilot has important policy implications. Perhaps most importantly, the results indicate that there is a need to amplify teacher training efforts with a focus on teachers with less formal education. The positive medium-term effects were not shared by students of teachers who only held a non-university teaching degree. Additional training efforts could equip these teachers with the improved student-interaction skills and classroom-management skills that are necessary for the program to thrive.

Finally, the message about gender and language gaps is loud and clear. The model needs to be revised to add exercises and messages that promote mathematics as a normal activity for girls. Also, continuing to train teachers (all female in the sample) to be confident in math may help girls ease their relationship with math. To close the language gap, making the model bilingual was an important but insufficient first step. Quechua-speaking students will need additional support. Anything else would be unfair.

Learning gaps were found to hold back specific groups of students. MiMate was designed to give these struggling groups an opportunity to close the gap.

TODAY MESTIZO, TOMORROW INDIGENOUS:

ARE YOU GOING TO TREAT ME DIFFERENTLY

en women prepare themselves: hair, makeup, clothes, and posture. They practice proper cadence for scripted answers to questions they will soon be asked. Each of them will say she arrived in Lima from an Andean town seeking a brighter future for her two children. Her partner is returning after being away for six months for work, and they do not want to have any more children at the moment. No, she does not have any health issues. Yes, her childbirths were normal. She does not trust natural family planning methods and lacks experience using modern contraceptives. Today, they will be indigenous. Tomorrow, their stories will change, and they will be mestizos.

For two weeks, these women trained to act as simulated patients in public family planning services in Lima and Callao, Peru. They are exploring whether quality of care varies if they present certain ethnic attributes of either mestizos or indigenous.

Years of contradictory policies discouraged Peruvian women from using contraception methods or

pressured doctors to conduct involuntary sterilizations, particularly to poor and indigenous women. In 2004, the Ministry of Health began developing regulatory frameworks and clinical guidelines that would define quality standards in family planning, specifically relating to sexual and reproductive rights and the promotion of gender equality and diversity.

In Peru, ethnic disparities in contraceptive use remain: Only 21.9 percent of indigenous women use contraceptives, compared to 34.7 percent of non-indigenous women. Meanwhile, 9.4 percent for the indigenous women have unmet contraceptive needs, compared to 6.5 percent, of non-indigenous women.

What is behind these statistics? Are these discrepancies arising from cultural differences between the two groups? Or are they due to factors related to the health system organization and the behavior of health care providers? Or both?

A study conducted by the Inter-American Development Bank (IDB) and Universidad Peruana Cayetano Heredia (UPCH), with support from the Ministry of Health, sought to answer these questions. For this purpose, an experiment was conducted that involved 10 women between 25 and 35 years old with higher education, most of whom are midwives, who would play the role of patients. They



Mestizo or Indigenous: Would you Treat Me Differently?

Family planning services in

Lima and Callao (Peru)

the integrated offerings of public The Ministry of Health in Peru is making great efforts to improve services for family planning

THIS ASSESSMENT?

tial quality of care for family planning To investigate if health care providers in Lima and Callao provide differenservices according to the ethnic characteristics of the users

CM=R

providers might contribute to creating experimentally testing how health The study is the first of its kind in ethnic disparities in healthcare in

UNIVERSE

In Lima and Callao:



INTERVENTION



10 simulated patients

visited Family Planning Services unannounced characterized as indigenous and mestizo

the consultation, and whether the provider fulfilled the tasks set out in After the consultation, they objectively evaluated the time and cost of the regulations of the Ministry of Health to ensure quality of care

RESULTS + CONCLUSIONS



tasks of health protocol Meeting technical

Mestizo Profile

New family planning users do not

Indigenous Profile

36.2% 37%

patients across the board received

ow-levels of quality care.

because they are indigenous or

mestizo. However, simulated

eceive differential treatmen

74.5%

Fulfilling socio-emotional

nealth protocol

Cost of consultation

4 soles 3.9 soles

121 min. 116 min.

Time in health center

13 min. 12 min.

Length of consultation

Recommendations Policymaking

- planning services in Lima and mprove the quality of family · Carry out interventions to Callao for all users.
- understand the low compliance determinants that help to Continue to explore other with quality standards.

Indigenous woman



Mestizo woman

The results of the study highlight the need to investigate other determinants of supply and demand that may affect compliance with quality family planning standards.

conducted unannounced visits to family planning services at 351 of the 408 public health facilities in Lima and Callao.

During the visits, the simulated patients followed standardized scripts, which described their personal information, the reason for consultation, and basic medical information or contraceptive experience. They all had exactly the same characteristics; the only difference was that sometimes they presented as indigenous and other times as mestizos.

The characterization was achieved by modifying clothing, hairstyle, makeup, accessories, posture, cadence, and patterns of movement and body language. Through various validation analyses, before and after the intervention, it was confirmed that health providers for family planning would clearly identify the patients as mestizo or indigenous based on the presenting characterization.

After exiting each consultation, the women completed surveys through georeferenced mobiles that objectively assessed the time and cost of the consultation, and if the health care provider who served them met quality standards established by Ministry of Health regulations.

The study results suggest that the new users of family planning services do not receive differential treatment for being indigenous or mestizo. Irrespective of ethnic profile, however, they all receive lower quality care. On average, only 37 percent of the technical tasks required by the Peruvian family planning guidelines were conducted, and compliance with key competencies, such as providing an appropriate range of contraceptive methods and explaining the method of choice, was even lower.

Patients paid an average of 4 soles (\$1.4) for services that should be free, and it took two hours from the moment they arrived at the facility until they left the family planning consultation. On average the consultations lasted 13 minutes; which means that 90 percent of the time was spent on waiting and paperwork.

The results of the study highlight the need to investigate other determinants of supply and demand (for example, availability of supplies, resources, and staff) that may affect compliance with quality family planning standards. The results also highlight the need for interventions that will improve the quality of these services in Metropolitan Lima.

The study also exemplifies how using innovative methodologies can produce rigorous evidence that could not be obtained otherwise. While an evaluation of this scope requires effort, time, and other resources, the benefits justify the investment, as this opens new ways to improve the public policies that reduce health inequalities.

CHORDS THAT TRANSFORM

n 2011, the Symphony Association of Peru, presided over by renowned Peruvian tenor Juan Diego Flórez, launched the "Symphony for Peru: Music and Social Inclusion" project with support from the Inter-American Development Bank (IDB). A social intervention inspired by the successful Youth and Child Orchestras of Venezuela.

The project established four musical centers in four very different areas in Peru: the marginalized, urban ghettos of Trujillo (coastal), Huancayo (mountain), Huánuco (rainforest), and Manchay-Lima (desert). Each center brings music to almost 200 children and adolescents living at or below the poverty level.

In addition to providing musical equipment and qualified instructors, the centers also developed a new methodology of music instruction that differs from the traditional pedagogy. Rather than learning individual pieces, students participate in group ensembles, beginning with the pre-orchestral phase (symphonic and big band). In addition, the Symphony Foundation of Peru developed an expansion strategy in which strategic partners will support and sustain the musical centers when the IDB's funding ends after two years.

Everyone believed that the project would have a positive impact on the nearly 800 beneficiaries. To verify this rigorously, a random selection process was used. This method is not commonly used by the Symphony Association of Peru when evaluating other centers, which are not funded by the IDB. However, this method was indispensable for experimental measurement, as it provided homogenous intervention groups (participating students) and control groups (nonparticipants).

The sampling consisted of 401 children from the musical center in Huánuco and 405 from Manchay. (Because of budget restrictions, only these



EVALUATION:

Music and Social Inclusion

and teenagers between 6 and 18 years teamwork, discipline, and leadership old, and to foster values such as self-esteem and identity of children The program aims to strengthen the

THIS EVALUATION?

children's lives impact of this intervention on To measure the actual, attributable

scope, duration and replicability). kind of intervention (because of its measuring ex post indicators of this First experimental design evaluation

Music That Improves Lives in Peru

UNIVERSE

Random Control Trial:

In Huanuco:

In Manchay-Lima:

Boys and girls between 6 and 18 years old

from poor urban neighborhoods

BOYS & GIRLS control The beneficiares

BOYS & GIRLS control The beneficiares

provide musical education for Musical Centers are created to between 6 and 18 years old poor children and teenagers

RESULTS + CONCLUSIONS

of themselves perception positive ncreased b





<u>laggressiveness</u> Boys reduced verbal & physical



selt-esteem and positive involving music education. through a novel intervention teenagers living in poverty behavior for children and promotes higher levels of Inclusion" program in Peru The "Music for Social

The setting of the program helps children build their self-esteem, encourages them to have goals in life and to achieve those goals, promotes improved school performance, strengthens family ties, and facilitates positive involvement in their community.

two of the four musical centers were evaluated.) The students' test results from cognitive and socioemotional tests were supplemented with interviews with the Center's directors, instructors, and heads of household.

Girls like Norka can testify as to how the program has influenced their lives. Norka is from Manchay, on the outskirts of the capital, Lima, where many families settled after having been displaced by terrorism. Norka now has a safe place where she can learn her favorite instrument, the violin. More importantly, children like her have a place where they can cultivate values like responsibility, discipline, and teamwork. This setting helps build their self-esteem, encourages them to have goals in life and to achieve those goals, promotes improved school performance, strengthens family ties, and facilitates positive involvement in their community.

The evaluation shows that the project has a positive impact on students' performance in school, their personal development, and in their homes.

In comparison to the control group, children who received the intervention experienced a 30 percent increase in positive self-perception, as well as a 34 percent increase in their enjoyment of schoolwork. Their average conduct rating at school increased, and was 5 percent higher than the control group. Specifically, the children reduced verbal and physical aggression by 29 percent when compared to the control group.

Families also reported that they feel more pride in their sons and daughters. There is also evidence that the project helps reduce the prevalence and intensity of child labor.

Clearly, the benefits have gone well beyond music. The program succeeded in transforming the lives of Peruvian children living in poverty.



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