DEO Development Effectiveness Overview 2015

what worked (and didn’t)

Lessons on Development 2012–2015

summary
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what worked
(and didn’t)

Lessons on Development
2012–2015
As stated in the Agreement establishing the Inter-American Development Bank (IDB) in 1959, the Bank’s mandate is “to contribute to the acceleration of the process of economic and social development of the regional developing member countries, individually and collectively.” With the approval of the Ninth General Capital Increase of the Resources of the Inter-American Development Bank (IDB-9) in 2010, the Board of Governors endorsed the IDB-9 Institutional Strategy that would serve as the Bank’s “core strategic guidance” to fulfill its mission for the next decade. With the approval of the Institutional Strategy, two overarching objectives to guide the Bank’s work were set: sustainable growth and the reduction of poverty and inequality.

Measuring Results and Performance 2012–2015

IDB-9 also called for the development of a Corporate Results Framework (CRF) that would serve as the key instrument to measure progress in implementing the Strategy and that these results, among others, would be reported annually in the Development Effectiveness Overview (DEO). The first CRF covered the period 2012-2015 since Governors also stipulated that the Bank’s Institutional Strategy and CRF would be reviewed every four years and updated in the context of emerging challenges in the Region. This document presents the progress achieved in implementing the Institutional Strategy for the period 2012-2015 measured by the Bank’s CRF.

The CRF 2012–2015, is comprised of four levels that provide key information about the IDB’s organization performance as well as its main contributions in the five sector priority areas set forth in the Institutional Strategy:

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

The first level, Regional Development Goals, shows the Region’s progress in addressing long-term development challenges. Indicators at this level are intended to provide context and cannot be directly attributed to the IDB because they are the result of a combination of actions, policies and measures implemented or funded by countries and other development partners. A total of 23 indicators comprise this...
CRF level, many of which match or align closely to the Millennium Development Goals. Progress was made in most of the five sector priorities, although no targets are included at this level of the CRF. Of particular note, all indicators in the sector priorities of Social Policy for Equity and Productivity and Institutions for Growth and Social Welfare showed improvement.

The second level, **Output Contributions to Regional Development Goals**, summarizes how IDB-financed operations are contributing to the Region’s development by measuring progress in achieving key outputs. Two-thirds (18 out of 27) of the targets at this level were met or surpassed, while two indicators achieved between 85 and 99 percent of their respective targets and the remaining seven indicators reached 85% or less of the target.

The third level, **Lending Program**, shows the distribution of the Bank’s financing based on the demand of the borrowing member countries. The Lending Program is expressed as a percentage of total sovereign-guaranteed and non-sovereign guaranteed lending approved in 2015. The Bank met all four targets at this level, which included lending to (i) small and vulnerable countries; (ii) for poverty reduction and equity enhancement; (iii) to support climate change initiatives, sustainable energy (including renewable) and environmental sustainability; and to (iv) support regional cooperation and integration.

The fourth level, **Operational Effectiveness and Efficiency**, captures dimensions related to the Bank’s performance in terms of effectiveness of its interventions, its efficiency, and its management of human resources, particularly with regard to gender equality and technical presence in the field. Overall, the Bank met 57 percent of the targets set for the 30 indicators that make up this level of the CRF.

The establishment of the CRF 2012-2015 was an important advancement in the Bank’s corporate results reporting and many lessons were learned through the successes and challenges during its implementation. Despite broad successes in achieving many of the targets, progress fell short in a number of areas due to such factors as changes in demand for specific types of project interventions, and limitations in the original indicator selection and target-setting process. This Executive Summary explores some of these factors in each of the sections of the Bank’s sector priorities. A more detailed discussion on why the Bank didn’t meet some of the CRF targets can be found in the full version of this report.
Social Policy for Equity and Productivity

In this sector priority, the CRF Regional Development Goal indicators are linked to long-run measures of human capital accumulation, poverty reduction and productivity improvements. Considerable progress was made in all six indicators over the period (Figure A.1). Extreme poverty, as measured by the percentage of population living below US$3.10 per day, fell from 13 percent to 12 percent. The Gini coefficient used to measure income distribution fell from 0.55 to 0.50, where 0 reflects perfect equality and 1 perfect inequality.

Educational attainment, as measured by the share of youth aged 15 to 19 that complete ninth grade, rose from 47 percent to 65 percent over the period. Maternal mortality and infant mortality both declined. The observed increase in survival rates represents considerable progress in health. Finally, the improvements in the share of formal jobs out of total jobs from 46 percent to 55 percent demonstrates progress in an outcome identified as central to productivity by the IDB’s 2010 research flagship report, “The Age of Productivity: Transforming Economies from the Bottom Up”.

Targets were met for four out of six output indicators in this sector priority (3.1.1, 3.1.3, 3.1.4, 3.1.5). A total of more than 180 projects in 25 of the Bank’s 26 borrowing member countries contributed to progress achieved.

The Bank fell short in meeting two of the targets in this sector priority by 27 percent for Indicator 3.1.2 (teachers trained), and 41 percent for Indicator 3.1.6 (jobs added to the formal sector). Although 31 different projects in 18 countries contributed to progress on Indicator 3.1.2, lower-than-expected demand affected achievement of this target because many education projects active during this period focused on school infrastructure rather than teacher training.

In the case of jobs added to the formal sector (Indicator 3.1.6) the target set for 2012-2015 turned out to be unrealistic. The Bank based this target on a small number of projects that were not representative of current projects. When this target was set the Bank only had a small number of projects with data on expected employment, and there was no systematic tracking of actual employment data within Bank-funded projects. Thus the target was extrapolated based on a small sample of projects that was not representative of current projects. Despite not having achieved the target, more than 75 projects in 19 countries contributed to progress on this indicator.
2.1.1 Extreme poverty rate
12% down from 13%

2.1.2 Gini coefficient of per capita household income inequality
0.50 down from 0.55

2.1.3 Share of youth ages 15 to 19 who complete ninth grade
65% up from 47%

2.1.4 Maternal mortality ratio per 100,000 live births
85 down from 100

2.1.5 Infant mortality rate per 1,000 live births
16 down from 21

2.1.6 Share of formal employment in total employment
55% up from 46%

3.1.1 Students benefited by education projects
18,562,077 girls 9,098,794 boys 9,463,283

3.1.2 Teachers trained
387,814

3.1.3 Individuals receiving a basic package of health services
29,047,141 indigenous 3,088,176 Afro-descendants 4,569,482

3.1.4 Individuals receiving targeted anti-poverty program
21,001,684 indigenous 2,589,082

3.1.5 Individuals benefited from programs to promote higher labor productivity
1,274,728 women 871,976 men 402,752

3.1.6 Jobs added to formal sector
94,037
Infrastructure for Competitiveness and Social Welfare

The Region has made considerable progress with respect to access to basic services such as water and sanitation and electricity. Between 1995 and 2015, 220 million people gained access to water and sanitation. During this period the percentage of the population using improved drinking water increased from 93 percent to 95 percent (see Figure A.2). Challenges remain, however, with 34 million people continuing to lack drinking water, 106 million lacking adequate sanitation, and 19 million still practicing open defecation.

The Region is also very close to achieving universal access to electricity. By 2014, the proportion of households with electricity was 96 percent, a 3 percentage-point increase since 2007. However, the percentage of people with access to electricity varies widely from country to country and between areas within a country. The challenge of connecting 26 million people who still lack access to electricity, and 87 million people that do not have access to clean and modern cooking fuels, requires a combination of off-grid and on-grid solutions.

By building and maintaining key infrastructure for connectivity and logistics, Latin America and the Caribbean is enhancing its competitiveness. Still, by the end of 2015, only 38 percent of the total road network was paved. The quality of the Region’s overall transport infrastructure lags behind with a score of 3.5 out of 7, when compared with countries from the Organisation for Economic Co-operation and Development (OECD), whose average ranking was 5.5. Road safety also represents an important challenge, where 17.2 per 100,000 population in the Region are victims of road traffic fatalities. Moreover, access to efficient transportation systems that are resilient to climate change is critical for the future development of urban areas.

Infrastructure projects represented a sizable portion of the IDB’s work with the Region in 2012-2015, with investments in infrastructure comprising 39 percent of the total amount approved for SG loan operations in that period. More than 200 projects in 24 countries contributed to this sector priority. Only two of the five targets in this sector priority were met (Indicators 3.2.4 and 3.2.5 in Figure B.2). Indicators 3.2.1 and 3.2.2 didn’t meet their targets mainly because of unforeseen delays associated with land acquisition, bidding processes, negotiations, and in obtaining local counterpart resources—often due to budget constraints. These two indicators achieved 34 percent and 45 percent of their targets, respectively.

Indicator 3.2.3 didn’t meet its target because the nature of IDB’s road transport portfolio shifted from maintenance and rehabilitation interventions of rural and secondary roads towards interventions of a larger scale and complexity (e.g., highway rehabilitation), which require longer timeframes and higher costs to be completed. These types of transportation projects typically generate results in a longer period of time, with execution periods of seven years, from approval until they exit the portfolio. A total of 75 projects contributed to Indicator 3.2.3, for which 53 percent of the target was achieved.
Figure A.2
2012–2015 Regional Development Goals

2.2.1
Incidence of waterborne diseases (per 100,000 inhabitants)
Proxy\(^B\): Proportion of population using improved drinking water source\(^C\)

2.2.2
Paved road coverage (km/km\(^2\))

2.2.3
Percent of households with electricity

2.2.4
Proportion of urban population living in dwellings with hard floors
Proxy\(^B\): Proportion of urban population living in slums

B A proxy is reported due to the unavailability of data for the original indicator.
C The value for this indicator has increased during the period indicated; nonetheless, it is important to recognize that an increase in water access does not necessarily imply that the service provided is adequate in terms of continuity, quantity and quality.

Figure B.2
2012–2015 Contribution of Outputs to Regional Goals

3.2.1
Households with new or upgraded water supply

3.2.2
Households with new or upgraded sanitary connections

3.2.3
Km of inter-urban roads built or maintained/upgraded

3.2.4
Km of electricity transmission and distribution lines installed or upgraded

3.2.5
Households with new or upgraded dwellings

B A proxy is reported due to the unavailability of data for the original indicator.
C The value for this indicator has increased during the period indicated; nonetheless, it is important to recognize that an increase in water access does not necessarily imply that the service provided is adequate in terms of continuity, quantity and quality.
Institutions for Growth and Social Welfare

The Region has progressed significantly in this sector priority with respect to improved tax collection, decentralized public expenditure, and credit access, and relatively less so in reducing the number of homicides and expanding the percentage of children registered at birth (Figure A.3).

Led by a large increase in social security contributions, the ratio of total tax revenues to gross domestic product (GDP) has risen significantly. This is particularly important given that for many years, a number of countries relied heavily on an ongoing commodity price boom to finance relevant public spending. As the boom comes to an end, countries need to rely on internal sources of funding (mostly taxes) to maintain a funding stream for their development projects.

Though the percentage of children under five whose births were registered has changed little, innovative initiatives are underway to reach the marginalized communities in which these children tend to be located, for example in Guatemala and Ecuador. In Guatemala, a system of early warning of births was introduced and several municipalities have been declared free of under-registration.

Policy innovations in crime and violence prevention have been insufficient to curb the Region’s homicide rate, which remains the highest in the world, according to the IDB’s latest study on the topic *The Welfare Costs of Crime and Violence in Latin America and the Caribbean*. However, investments made by the Bank and other development partners during 2012–2015 in developing common definitions of crime statistics and the creation of crime “observatories” to collect these statistics have laid the groundwork for a better understanding of the magnitude and characteristics of crime and violence in Latin America and the Caribbean and in turn allows for future improvement in how the Region tackles this problem.

The use of banks to finance investments was another goal within this sector priority. To achieve this goal, the Bank expanded its support to programs that reduce the risks to banks for lending to small and medium sized firms, including partial credit guarantees and value chain financing, and promoted new technology and business models, such as alternative credit scoring models, to reach the unbanked population.

The CRF 2012–2015 established five output indicators for this sector priority and all corresponding targets were met (Figure B.3). Indicator 3.3.3 shows remarkable progress in the provision of civil or identification registry to minorities groups such as indigenous and Afro-descendant populations. More than 130 projects in 21 countries contributed to achieving the targets in this sector priority.
2.3.1 Percent of firms using banks to finance investments

32.2%  
up from 19.6%

2.3.2 Ratio of actual to potential tax revenues

ProxyB: Actual tax revenue collected (% of GDP)

22.2%  
up from 17.7%

2.3.3 Percent of children under five whose birth was registered

92%  
up from 89%

2.3.4 Public expenditure managed at the decentralized level as percent of total public expenditure

25%  
up from 20%

2.3.5 Homicides per 100,000 inhabitants

23.1%  
down from 25.1%

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

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3.3.1 Micro / Small / Medium productive enterprises financed

2,624,754

3.3.2 Public Financial systems implemented or upgraded (budget, treasury, accounting, debt, and revenues)

47

3.3.3 Persons incorporated into a civil or identification registry

14,094,170
  women 6,867,401
  men 7,226,769
  indigenous 1,028,580
  Afro-descendants 541,978

3.3.4 Municipal and other sub-national governments supported

1,023

3.3.5 Cities benefited with citizen security projects

72
Competitive Regional and Global International Integration

After the collapse of world trade in 2009 and a brief period of recovery in 2010 and 2011, countries in Latin America and the Caribbean, have faced a severe negative shock in their terms of trade, especially the commodity exporting countries.

Meanwhile, sluggish growth is also slowing in the Region’s trade partners: a modest 2.1 percent GDP growth in 2015 for the OECD countries, which has been low since 2011, has been joined by a sharp slowdown in developing countries, particularly China. These factors are behind the deterioration in trade openness ratios (see Indicator 2.4.1 in Figure A.4). In order to counter the economic headwinds coming from the global economy, the Region needs to keep advancing a modern trade and integration agenda to lower trade and transportation costs. Against this adverse external scenario, trade within the Region has remained relatively stable (see Indicator 2.4.2 in Figure A.4). Latin American and Caribbean exports to partners within the Region have been more diverse, more stable in their composition, and more concentrated in manufactures than Latin America and the Caribbean’s exports to other regions. While the decline in the prices of minerals has affected the foreign direct investment (FDI) inflows in this sector recently; in general, FDI inflows remain very important for the Region, and their pace that has remained relatively stable (see Indicator 2.4.3 in Figure A.4).

Targets were met for four of the five output indicators for this sector priority (Figure B.4), thanks to contributions from more than 200 projects in all 26 borrowing member countries. Only Indicator 3.4.5 (“Mobilization volume by NSG financed projects and companies”) did not meet its target in 2015. During the last four years, this indicator was tracked in terms of “total project cost minus IDB financing” at financial closing (totaling US$17.9 billion in 2015) to better reflect the amount of funds eventually committed to the Region. However, because this indicator target was originally defined in terms of approval this year the DEO reports the “total project cost minus IDB financing” at approval, (totaling US$26.9 billion) to more accurately measure progress towards the original final target of 31.2 billion. The observed gap between approvals and commitments (i.e closings) is mostly attributable to various transactions not expected to close until after December 31, 2015.
2.4.1 Trade openness (trade as percent of GDP)

76.7% down from 84.9%

2.4.2 Intraregional trade in Latin America and the Caribbean as percent of total merchandise trade

Exports: 27.3% up from 24.2%
Imports: 31.8% down from 33.1%

2.4.3 Foreign direct investment net inflows as percent of GDP

4.6% up from 4.2%

3.4.1 Public trade officials and private entrepreneurs trained in trade and investment

79,533 women 23,294 men 56,239

3.4.4 International trade transactions financed

4,762

3.4.5 Mobilization volume by NSG financed projects/companies (Billions US dollars)

$26.9
Protecting the Environment, Responding to Climate Change, Promoting Renewable Energy, and Enhancing Food Security

The year 2014 was the first in decades that witnessed worldwide economic growth as well as a reduction of energy-related greenhouse gas (GHG) emissions (which make up 72 percent of worldwide GHGs). Similarly, Latin America and the Caribbean effectively reduced the emissions intensity of its economy, from 776 metric tons of CO$_2$-equivalent GHGs per US$1 million GDP in 2000 to 607 metric tons in 2012, with decreases in the energy sector and agriculture, forestry and other land-use sector which combined make up nearly 90 percent of the Region’s emissions. If continued, this “decoupling” of economic growth from GHG emissions would signal a transformation of growth patterns and make feasible a global climate stabilization strategy. The Region has also improved its planning and investment capacity to align with the low-emissions and climate-derisking development pathways which are now signaled by the 2015 Paris Agreement on Climate Change. Such increased capacity is due to a better understanding of current and anticipated climate change impacts, clearer policy and investment options, and stronger leadership and coordination among key public and private sector actors. Figure A.5 shows the evolution of the indicators for this sector priority.

More than 100 projects in 22 countries contributed to this sector priority during the 2012-2015 CRF period. Out of the six CRF Output Indicators corresponding to this priority, targets were met for three (3.5.3, 3.5.4, and 3.5.5 in Figure B.5). However, progress fell short for Indicators 3.5.1, 3.5.2, and 3.5.6, for which 91 percent, 38 percent, and 63 percent of the target was met respectively. The target for Indicator 3.5.2 was not met due, in large part, to the long timeframe needed to complete public transport projects. In the case of Indicator 3.5.6, a few large projects experienced longer than expected loan preparation periods and execution was slow to start for a few large projects.
2.5.1 CO₂ emissions (kilograms) per $1 GDP (purchasing power parity)
0.28 down from 0.29

2.5.2 Countries with planning capacity in mitigation and adaptation of climate change
18 up from 3

2.5.3 Annual reported economic damages from natural disasters (billion US dollars)
$8.2 up from $7.7

2.5.4 Proportion of terrestrial and marine areas protected to total territorial area (%)
13.3% down from 19.3%

2.5.5 Annual growth rate of agricultural GDP (%)
2.1% down from 3.7%

3.5.1 Power generation capacity from low-carbon sources over total generation capacity funded by IDB
85%

3.5.2 People given access to improved public low-carbon transportation systems
3,224,415

3.5.3 National frameworks for climate change mitigation supported
7

3.5.4 Climate change pilot projects in agriculture, energy, health, water and sanitation, transport, and housing
12

3.5.5 Number of projects with components contributing to improved management of terrestrial & marine protected areas
35

3.5.6 Farmers given access to improved agricultural services and investments
3,166,562
- women 607,678
- men 2,558,884
- indigenous 720,424

Figure A.5
2012–2015 Regional Development Goals

Figure B.5
2012–2015 Contribution of Outputs to Regional Goals
2012–2015 Lending Program Targets

The CRF 2012–2015 Lending Program targets reflect each of the highest-level strategic priorities for IDB lending over this period, expressed as a percentage of total sovereign-guaranteed and non-sovereign guaranteed lending approved in 2015. The four lending targets, as shown in Figure C, are for: small and vulnerable countries; poverty reduction and equity enhancement; climate change, sustainable energy (including renewable) and environmental sustainability; and, regional cooperation and integration.

The Bank exceeded all four lending targets for 2015 (see Figure C). Notably, the Bank made remarkable progress in its support to address climate change and foster sustainability in the Region. In 2012, only 5 percent of lending was oriented toward this area. By 2015, about one third of the Bank's total lending volume was in line with the Region’s efforts directed toward climate change adaptation and mitigation, and sustainable energy and environmental practices.¹

Effectiveness and Efficiency

The indicators in the fourth level of the CRF 2012-2015 provide insights into how the IDB performs across three important dimensions: effectiveness, efficiency, and human resource management. Effectiveness indicators illustrate how well the Bank is doing in meeting evaluability and performance standards for country strategies, loans and technical cooperation (TCs) operations, and how satisfied partners are with the IDB's work. Efficiency indicators show how well the IDB performs in the use of its budgetary resources and in terms of the speed of its main operational processes, such as loan approvals and disbursements. Human resource indicators shed light on how much progress the Bank has made toward becoming a more decentralized and gender-balanced institution, as mandated by IDB-9. In this level an overall of 57 percent of targets were met (see Table D in the Appendix of the full report). Three main conclusions can be drawn based on the IDB's performance as measured by these indicators from 2012 to 2015.

First, the Bank and its partners have raised the bar in ensuring the evaluability and effectiveness of country strategies, loans, and TC products. This reflects their commitment to rigorously demonstrate development results in all the key interventions supported by the IDB. Furthermore, continuous feedback from a diverse set of in-country counterparts (government officials, civil society, and private sector) demonstrates that the IDB enjoys high levels of partner satisfaction and at the same time has allowed for the identification of important areas for improvement going forward.

¹ In April 2016, the Board of Governors mandated the IDB Group (IDBG) to double its efforts, specifically on climate change mitigation and adaptation initiatives, to 30 percent of IDBG approvals by 2020. The baseline for this target is 14 percent (the average lending volume of new approvals over 2012–2014). The Updated CRF 2016–2019 (covered in Chapter 5 of the full report) calls for the Bank to apply the joint Multilateral Development Bank (MDB) methodology on climate finance tracking, which considers operational components (not necessarily the operation’s full cost), and includes loans, guarantees, equity and technical assistance funded by external resources managed by the IDBG.
Second, defining meaningful indicators that reflect and can be used to drive performance is challenging. Specifically, measuring the cost dimension of corporate efficiency has proven complex. The Bank recognized that these types of indicators needed to be refined to better capture those performance elements. As such, the Bank introduced new efficiency indicators in the CRF 2016–2019 to help respond to this issue.

Lastly, in the area of human resources, having clear and ambitious targets was instrumental to bringing more diversity to the Bank’s management team and having a stronger presence in the field. For the next four-year period, the CRF 2016–2019 set an even more ambitious target of 43 percent for mid- to senior level staff who are women.
Development programs and policies are intended to improve people’s quality of life in order to do so the IDB has institutionalized the practice of evaluating IDB-financed operations. Since impact evaluations tend to be resource-intensive, the Bank has concentrated its efforts on evaluating projects that present: i) substantial knowledge gaps, and ii) potential for eventually being scaled up. Since the IDB established its Development Effectiveness Framework (DEF) in 2008, the percentage of approved public sector projects that have been or will be subject to an impact evaluation has increased considerably (Figure 1).

To date, 351 impact evaluations of IDB-funded projects have been designed, completed, or are under way. Of the 83 sovereign-guaranteed (SG) loan operations approved by the IDB in 2015, 36 (43 percent) planned an impact evaluation, compared to only nine projects (9 percent) approved during the first year of the DEF in 2008. In the past two years, the percentage (and number) of approved projects that are subject to an impact evaluation has decreased.

Figure 1
Percentage of and Number* of SG Approved Projects with Impact Evaluations

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* Number of operations with impact evaluations in parenthesis.
Looking Forward

Regularly monitoring and reporting on the Bank’s effectiveness and efficiency has been instrumental in allowing it to continuously learn what works and what doesn’t and improving how we work. This includes understanding whether the intended impacts of the interventions the Bank supports were achieved. This learning culture also extends to how we measure our own performance. Lessons learned from the CRF 2012–2015—such as the importance of ownership throughout the institution, using the CRF for decision-making, and maintaining flexibility—were explicitly used in the design of the CRF 2016–2019 that will track the results and performance of the Update to the Institutional Strategy 2016–2019.

Implementing the Bank’s overarching objectives of sustainable growth and reduction of poverty and inequality in the Region requires having a clear vision for the future. It also entails constantly monitoring signals, having the willingness and institutional capacity to quickly adapt to changing landscapes, and rethinking strategies as often as needed. As the Region faces an uncertain future, the Bank reaffirms its commitment to work closely with each of its borrowing member countries, providing the needed financial resources, technical assistance, and policy advice to meet their unique and evolving needs and fine tune its strategic direction when necessary. The work is far from finished. It is just the beginning of a new chapter on improving lives in Latin America and the Caribbean.