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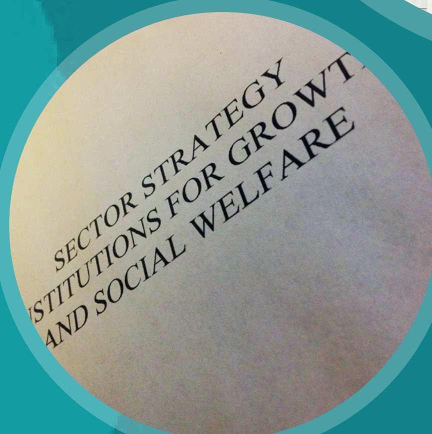

Mid-term Evaluation of IDB-9 Commitments

Review of the IDB's Institutions for Growth and Social Welfare Strategy

Background Paper

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ABSTRACT

This paper reviews the 2011 Sector Strategy on Institutions for Growth and Social Welfare (SIGS) of the Inter-American Development Bank (IDB, or Bank). The Strategy was produced as a requirement of the IDB-9 agreement.

The review finds that the Strategy replicates a number of patterns observed in prior sector strategies. SIGS represents the first time that the Bank uses a modern definition of institutions; however, the concept of institutions is not incorporated as a guiding principle for setting priorities. Like other strategies, SIGS largely reflects the current work of the Bank, and also reflects the most common ideas and thinking of the time. This said, SIGS also emphasizes areas of work that had not been central to the Bank before, such as work with transparency and work in formalizing firms.

The Strategy document itself has strengths but also a number of deficiencies. SIGS is more specific than prior strategies, although it still proposes quite a broad spectrum of activities. It contains a good diagnostic of the needs facing small and medium-sized enterprises and of innovation, although diagnostics in most other areas are relatively weak. Although SIGS maintains the IDB-9's focus on the Bank's comparative advantage, it does not analytically assess that comparative advantage, and it presents no evidence that the sectors prioritized reflect any particular operational or structural advantage of the Bank—except that they mostly represent sectors in which the Bank already works. SIGS's results framework is very poor, largely reflecting the inadequacies of the IDB-9 results framework, as applied to institutions. SIGS was not designed as an operational strategy, so it does not assess the Bank's operational capabilities to respond to the Region's needs in priority areas.

SIGS has had little impact on the way the Bank works. Bank staff is generally unaware of the Strategy, and those who are aware of it do not report using it as a main input in country dialogue or project preparation. The Institutions for Development Department (IFD) is an exception: its staff do report using SIGS. However, the review of IFD's portfolio does not show clear evidence that project selection has changed in favor of SIGS priorities. IFD has produced a significant body of analytical work, which in some cases addresses institutional issues. Nonetheless, IFD's approach to implementing "inter-sector alliances" has not included directly working across Bank departments to strengthen institutions broadly in the Bank's work. However, SIGS has served a useful purpose as a mechanism to reemphasize the importance of the issue of institutions for the IDB, and, to some degree, to consolidate and demarcate the areas of work within IFD.

PREFACE

The Inter-American Development Bank (IDB) is in a period of rapid change, responding to both the economic dynamism of the Region it serves and the increasing competition in the international financial marketplace. Over the past decade, countries in Latin America and the Caribbean have gained greater access to alternative sources of finance and an increasing ability to generate and share knowledge among themselves. Like other multilateral development banks, IDB is seeking to adapt to this changing international landscape by ensuring that it is responsive to borrowing countries' needs and putting strong emphasis on effectiveness in its use of scarce resources.

In 2010 the IDB's Board of Governors approved the 9th General Capital Increase of the IDB (IDB-9). The IDB-9 Agreement laid out a series of reforms intended to strengthen the strategic focus, development effectiveness, and efficiency of the IDB to help it remain competitive and relevant in the years ahead. As part of that Report, IDB's Office of Evaluation and Oversight (OVE) was charged with conducting a midterm evaluation—to be presented to the Board of Governors in March 2013—to assess IDB's progress in implementing those reforms. The full evaluation is available at www.iadb.org/evaluation.

This paper is one of 22 background papers prepared by OVE as input to the IDB-9 evaluation. It seeks to determine whether one portion of the IDB-9 requirements has been implemented fully and effectively and to offer suggestions to strengthen implementation going forward. The overarching goal of this paper and the entire evaluation is to provide insights to the Governors, the Board, and IDB Management to help make IDB as strong and effective as possible in promoting economic growth and poverty reduction in Latin America and the Caribbean.

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This background paper was prepared by Yuri Soares, Agustina Schijman, Chloe Fevre, and Ronald Myers. The assistance of Carlos Morales in setting up and helping to analyze the project team composition data is also appreciated. All background papers were thoroughly reviewed and discussed within OVE and shared with IDB Management for comments. The other background papers and the full IDB-9 evaluation can be found at www.iadb.org/evaluation.

ABBREVIATIONS AND ACRONYMS

FMM	Fiscal and Municipal Management Division
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IDB-9	Ninth General Capital Increase
IFD	Institutions for Development Sector
LAC	Latin America and the Caribbean
MDB	Multilateral development bank
MIF	Multilateral Investment Fund
MOS	Modernization of the State Strategy
OVE	Office of Evaluation and Oversight
PFM	Portfolio Monitoring Unit
R&D	Research and Development
RES	Department of Research and Chief Economist
SIGS	Sector Strategy on Institutions for Growth and Social Welfare
SMEs	Small and Medium Enterprises
SPD	Office of Strategic Planning and Development Effectiveness
VPC	Vice Presidency for Countries
VPS	Vice Presidency for Sectors and Knowledge

EXECUTIVE SUMMARY

The trajectory of the involvement of the Inter-American Development Bank (IDB, or Bank) in public sector modernization and reform programs is similar to that of the broader development community. Latin America and the Caribbean (LAC) experienced a the debt crisis in the 1980s and a return to democracy in the 1980s and 1990s, both of which provided the Bank and other development agencies with an opening to work on topics related to the quality and nature of the provision of state services, as well as the workings and effectiveness of state and non-state institutions more broadly. The ongoing process of fiscal and administrative decentralization, together with various initiatives to liberalize credit, product, and labor markets, also provided an opening for the Bank to work on the changing nature of the institutions of the state.

For the IDB, this opening translated into an expansion of thematic areas of work and the generation of a new portfolio supporting institutions. Initially, this work focused on the process of privatizing former state enterprises and liberalizing different markets and, shortly after, institutions related to economic governance. This work was complemented over time with work on subnational development, driven by the process of decentralization and fiscal federalism in LAC. Most of the early IDB work was through ministers of finance at both the national and subnational levels, but IDB also increasingly developed lines of work at the line ministry level. A limited agenda working with branches outside the executive also emerged.

The Bank's two first attempts to provide strategic guidance on modernization of the state helped to frame the concept at the Bank: the Frame of Reference (approved in 1996) and Modernization of the State Strategy (approved in 2003) reflected the thinking on the nature of institutions at the time, and both also served to define the work the Bank was doing. Nonetheless, neither was a useful instrument to guide Bank programming; operations continued to reflect other factors such as country requests, macroeconomic developments, and line management decisions.

In the early 2000s the demand for Bank lending began to sag, and in 2006 the Bank reacted by undertaking an institutional realignment. The realignment maintained the institution's commitment to modernization of the state, but provided no conceptual or practical guidance on how to work with institutions or support reform of the state. The realignment also created a Vice-Presidency of Sectors and Knowledge (VPS), and within it the Institutions for Development department, (IFD). IFD included all the main lines of work related to institutional reform, as well as lines of work associated with finance and subnational development, and other areas of work that did not fit into other IDB departments.

Less than four years after the realignment, the Bank approved the Ninth General Increase in Capital, or IDB-9. IDB-9 maintained the emphasis on working with the state and called for the development of a strategy on institutions of the state as one of its five priority areas. In response to this mandate, in March of 2011 the Bank approved its Sector Strategy on Institutions for Growth and Social Welfare, or SIGS.

SIGS preparation

The preparation of the SIGS included a two-stage consultation with external clients, regional experts, and policymakers, but for the most part did not include an extensive consultation within the institution. Staff interviewed as part of this evaluation overwhelmingly stated that they were not involved in this process, and that there was no significant attempt to use SIGS as an occasion for a deeper institutional reflection about how to approach reform of the state.

SIGS was prepared in a short period of time, reflecting the need to fulfill a mandate by Governors. SIGS did not reflect an in-depth stocktaking and strategic planning exercise. SIGS did not consider the strengths and weaknesses of past experiences, nor did it assess the current technical and human capacity of the IDB.

Strengths and weaknesses

The SIGS document presents both strengths and limitations. SIGS is the first Bank document to adopt a modern definition of institutions that is in line with current academic thinking. Nonetheless, it does not use the definition to develop a broader framework that would drive the Strategy's diagnostic or its priority components. This may be partly due to the inability of the current theoretical treatment of institutions to provide compelling, specific, and implementable policy recommendations. In any case, the Strategy departs from the definition of institutions in its identification of priorities and formulation of policy proposals.

SIGS presents an uneven diagnostic of the Region's challenges. In some instances, such as small and medium-sized enterprises (SMEs) and innovation, the diagnostic largely reflects the main challenges documented in the literature. However, in other areas—such as fiscal reform and transparency—SIGS does not identify the main challenges. Moreover, it does not adequately reflect the heterogeneity of institutional capabilities and challenges in LAC, thus limiting the usefulness of the priority areas it identifies.

Although SIGS objectives are not always clear or time-bound, SIGS is a more specific strategy than its predecessor. SIGS's seven priority areas of intervention or components mainly identify lines of work that largely reflect the current work of the divisions in the newly created IFD department, and the Multilateral Investment Fund (MIF).

SIGS has a poor results framework. Indicators identified are not consistent with SIGS components or objectives, contain no baseline or target information, and on the whole do not constitute an adequate basis for assessing the Strategy. This deficiency reflects the overall poor quality of the IDB-9 results framework, as applied to institutions, which SIGS endorses.

Early implementation evidence does not show a significant impact of SIGS on programming or country dialogue. Bank staff are generally unaware of the document and report not using it. The only department to report significant knowledge of SIGS is IFD. However, portfolio analysis shows that IFD operations have not changed fundamentally since SIGS was approved; indeed, they are remarkably similar, in terms of sector composition, to operations approved in 2006. Some priorities identified in SIGS, such as work with transparency and with registries, have yet to materialize in programming.

It is also likely that one of the Bank's main strengths—its focus on clients and willingness to respond to their needs—may condition the extent to which the institution can identify its own set of priorities and limit its program to projects that fall within the confines of those priorities. This fundamental demand-driven nature of the institution calls for a redefinition of the role of sector strategies and the way they are used in programming.

SIGS also proposes that the Bank should develop "inter-sector alliances," with IFD serving as a resource for the Bank on topics related to institutional strengthening. IFD participates in project teams with divisions in other departments and also works across departments in the production of knowledge products. But these activities focus on collaborating in areas that cut across departments, such as access to finance and housing, and not on developing institutions in sectors outside IFD. Interviews with Management corroborate the notion that an effort to develop "inter-sector alliances" through participation in other departments' programming was not pursued, given the expectation that it would meet with little or no demand from other VPS departments.

These limitations notwithstanding, the process by which SIGS was prepared had a value for the newly created IFD department itself. It served to consolidate an ongoing process of assignment of responsibilities within the department; but more importantly, it served to restate the importance of reform of state institutions, an area that was conspicuously absent from the lending targets of IDB-9.

The SIGS analysis restates the long struggle the institution has been facing to find the appropriate role for sector strategies. Sector strategies live the tension generated by the Bank's dual objectives of flexibility to respond to country demands and the selectivity required to be aligned with priorities identified by the Bank's stakeholders. It is unlikely that strategies can fulfill their potential for guiding the Bank's activities and affording flexibility for experimentation and disparate client needs, unless this tension is explicitly recognized and addressed.

I. INTRODUCTION

1.1 The Report on the Ninth General Capital Increase (IDB-9 Report) adopted in 2010 by the Board of Governors of the Inter-American Development Bank (IDB, or Bank), called for "a new institutional strategy that makes effective use of additional resources to support social safety net programs, poverty and inequality reduction, infrastructure investment and climate change." As part of this instruction, the IDB-9 report identifies five corporate priorities and calls for the development of sector strategies in these areas, including the development of a "strategy for institutions for growth and social welfare with a special focus on access to financial markets, particularly for SMEs [small and medium-sized enterprises]." The IDB-9 Report also calls for a midterm evaluation by the Office of Evaluation and Oversight (OVE) to assess the "full and effective implementation" of the IDB-9 commitments, including the implementation of sector strategies.

1.2 The Bank complied with the instruction to prepare a new strategy for institutions, by preparing the *Sector Strategy for Institutions for Growth and Social Welfare* (termed SIGS, GN-2587-2), which the IDB's Executive Board of Directors approved in March 2011. In addition, the Bank prepared an action plan for justice and guidelines for SMEs, to complement existing guidelines on citizen security.

1.3 In compliance with the Governors' instructions, this paper presents OVE's evaluation of the "full and effective" implementation of the SIGS. OVE assessed compliance regarding "full" implementation by looking at the characteristics of the Strategy itself and the process by which it was prepared, assessing the Strategy document on five dimensions: diagnostic, clarity of objectives and intervention models, risks, identification of indicators and metrics, and implementation.[1] OVE assessed the "effective" implementation by looking at the early evidence of the impact of the Strategy, and of the process by which it was prepared, on the way the institution works. (It should be noted that the evaluation can only look at early evidence of implementation, since the Bank is less than two years into the implementation of IDB-9.) This was complemented by a reflexive review of the sectors in which the Bank has worked, to test the hypothesis that the Bank's priorities changed over time, and changed in a manner consistent with the Strategy. Lastly, OVE also looked at the role of the Institutions for Development Department (IFD) in developing "inter-sector alliances" to promote the treatment of institutions inside the Bank.

1.4 The evaluation relies on a portfolio analysis of the loans and grants approved by IFD, a survey fielded by OVE to look at staff familiarity with and use of SIGS, and interview data collected through consultations with Management between July and October 2012.

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[1] The desk review methodology is further detailed in Section III.

II. THE BANK'S EXPERIENCE WITH INSTITUTIONS AND THE PATH TO SIGS

A. Background

2.1 For five decades the Bank has been engaged in promoting reform of the institutions of the state in Latin America and the Caribbean (LAC). In the Bank's early years, its focus was on infrastructure, trade facilitation, and other tangible productive investments. But its focus evolved over time, as did that of the development community more broadly. In the 1980s, the Bank began working on social issues and developed lending portfolios in both investment in and reform of the provision of social services. Over time the Bank also increasingly developed lines of work promoting broader reforms of the state. In particular, both the LAC debt crisis of the 1980s and the return to democracy in the 1980s and 1990s provided the Bank and other development agencies with an opening to work on topics related to the quality and nature of the provision of state services, as well as the workings and effectiveness of state and non-state institutions more broadly. In this regard, the Bank's Eighth Capital Replenishment in 1994 stated, "In order for the countries of the Region to be internationally competitive and address social needs, it is essential that they modernize their production structures and their public sectors; they must also have appropriate financial and legal institutions."

2.2 The ongoing process of fiscal and administrative decentralization, together with various initiatives to liberalize credit and product and labor markets also provided an opening for the Bank to work on the changing nature of the institutions of the state. As the state moved away from the direct provision of services and sought ways to engage the private sector in this provision, new needs emerged, such as the need for proper strategic, regulatory, and oversight mechanisms. At the same time, opportunities for direct lending in such areas as water and electricity were reduced. Likewise, the liberalization of markets and of trade generated the need to strengthen the state's role as a regulator. As part of the liberalization of capital markets, the closing of development banks in some member countries reduced the Bank's activities that were associated with second-tier lending. In other countries, however, the reform of these banks created new demands for the Bank, both at the technical level and to support these Banks in disposing of their contingent portfolio liabilities.

2.3 For the IDB, this opening translated into an expansion of thematic areas of work and the generation of a new portfolio supporting institutions. The Bank's work first focused on the needs brought about by the economic liberalization efforts of the 1990s, through support for institutions related to the process of privatizing former state enterprises and liberalizing different markets. This included a series of operations, usually in cooperation with the broader development community, supporting policy reform. Shortly after, the Bank started to work on economic governance—developing a portfolio on fiscal issues, working to develop systems of financial administration and to improve the models of both internal revenue and customs, and later also working to improve the quality of public spending. This work was complemented over time with the process of decentralization, which generated a demand for addressing similar fiscal challenges at the subnational level, as well as strengthening the planning and accounting capabilities of subnational entities. Starting in the 1990s, the Bank also developed operations aimed at strengthening the institutions of the rule of law.

2.4 Although most of the Bank's work focused on operations negotiated and implemented with ministries of finance, it also developed lines of work at the line ministry level and a limited agenda working with branches outside the executive branch—for example, projects dealing with court administration and lending associated with the implementation of new criminal procedure codes and the process of restructuring the attributions and organizations of the main entities associated with the execution of justice. The Bank also worked, initially, in processes of civil service reform and improving the transparency and quality of the legislative branch. The IDB was the first multilateral development bank (MDB) working in areas of criminal justice issues; other MDBs developed portfolios in the area a decade later.

2.5 The Bank's initial work on modernizing the state was done without specific normative guidance. However, as the Bank's work took shape, a series of documents were approved.

- The first main Bank document to highlight the importance of the reform of the state was the IDB-8 agreement. IDB-8 established state modernization as a clear priority and validated the Bank's initial work in the area, but provided little guidance on specific objectives, possible interventions, or indicators.
- The *Frame of Reference* (GN-2235-1, 1996) took a formalistic approach to institutions by creating a typology of work based on the branches of government. It noted that deep market-based economic reforms, together with the establishment of democratic regimes, implied a substantial change in the role of the state, and proposed that Bank operations focus on the executive, legislative, and judicial branches of government plus civil society. Within these areas of action, the paper listed an extensive set of possible interventions, which accounted for nearly all possible topics. As a preliminary approach paper, the framework reflected an important step in outlining a conceptual justification for state modernization efforts, possible outlines of Bank operations, and authorization for meeting an expanding demand from member countries. However, it did not include an action plan, clear objectives, or a results framework.
- With the objective of updating the Frame of Reference, in 2003 the Bank adopted a formal *Modernization of the State Strategy* (MOS, GN-2235-1). The MOS largely reflected current thought in the development community on institutions. It highlighted the importance of both formal and informal institutions, embracing a broader view of institutions than the Frame of Reference. It also moved from a focus on the branches of government toward cross-cutting thematic objectives requiring a more systematic and integrated

logic and long-term vision. In particular, the MOS reorganized the components of state modernization into four priority areas: (i) democratic system; (ii) rule of law and justice reform; (iii) state, market, and society; and (iv) public management. The MOS then spelled out a long and ambitious agenda for institutional reform in the Region, but with little discussion of the appropriate role of the Bank.[2] To monitor implementation, the MOS identified nine output indicators, but without establishing baselines, targets, or outcome indicators.

2.6 Even though the Frame of Reference and the MOS contributed to the Bank's understanding of public sector issues, neither was a useful instrument to guide its programming. In the case of the Frame of Reference, the lack of a compelling theoretical foundation, along with an artificial organization of interventions based on branches of the government, made it a difficult instrument to implement.[3] This was particularly true of the interventions with sectors outside the executive, given that the Bank's main interlocutor and natural counterpart was the executive branch. And in the case of MOS, its unbounded nature, with objectives that were clearly outside the possibilities of a development Bank, generated little operative guidance. In retrospect, therefore, it is difficult to discern a precise impact of each strategy. The interviews conducted for this evaluation suggest that the Bank's programming continued to reflect other factors such as country requests, macroeconomic developments, project gestation, country strategy idiosyncrasies, and line management decisions. In other words, the Frame of Reference and the MOS were not operating guideposts or documents routinely consulted by staff.

2.7 In 2006, responding to sagging demand for Bank lending, the IDB undertook an institutional realignment, which fundamentally changed the way it was organized. The realignment emphasized the need for greater proximity to member countries, and faster response to client demands—or greater *country focus*. One of the main organizational changes was the centralization of project preparation and thematic knowledge under a Vice Presidency of Sectors and Knowledge (VPS). Within VP, the realignment created a department to house the Bank's main work with reform of the state, called Institutions for Development (IFD).[4] IFD includes all the main lines of work related to institutional reform and modernization of the state, plus areas of work that had not been traditional areas of reform of the state

[2] Probably because of the lack of clear parameters for prioritization, the paper cautioned that the strategy's implementation should not necessarily be simultaneous as it should take into account country characteristics and desires, sequencing needs, and Bank capacities. In addition, it emphasized the need for enhanced coordination with other development agencies and careful attention to the development of comprehensive country strategies and operational programming.

[3] Although there was no theory-based series of recommendations on institutional reform, after approval of the MOS the Bank did develop a Governance and Institutional Assessment Tool to guide programming and assist project preparation by identifying the institutional and development challenges of borrowing members. The Research Department (RES) also developed a line of work analyzing the role of institutions in development, particularly through the role of budgets in analyzing the policymaking framework.

[4] IFD was initially called Institutional Capacity and Finance, ICF. This was changed in 2011 to IFD.

but did not fit in other post-realignment departments[5]—housing and neighborhood improvement, and work with capital markets and lending to second-tier banks.[6] However, the realignment document itself did not identify a rationale for the grouping of such disparate sectors under IFD, nor did it develop the notion of institutions and its relevance for the Bank's organization or programming in a more rigorous manner.

2.8 The second main recent institutional change that defined the Bank's work with institutions came with the Ninth General Capital Increase (IDB-9). The process of preparing IDB-9 was relatively quick, compared to other replenishments. Although references to the need for capital replenishment emerged as early as 2007 in discussions with Bank Governors, it was not until 2009 that formal preparation began. Governors requested the Bank to study the possibility of an increase, by forming a working group and producing a working paper outlining the general parameters of a capital increase. Management prepared and presented to the Governors a proposal for a capital increase, which was approved in March 2010, in Cancún.

2.9 According to the documentation of the Bank's deliberations with Governors, two main events accelerated the capital increase process.

- *The global financial crisis of 2008-09.* In response to the crisis, the Bank accelerated its lending to the Region, rapidly depleting the Bank's capital, and thus rapidly reducing its ability to lend in the future. The decision to expand lending also had consequences for the Bank's total equity-to-loans ratio, which declined precipitously from levels in the 40% range to 30%. This, along with a market that increasingly demanded higher total equity-to-loans ratio to sustain a AAA bond rating, and an increase in the supply of AAA bond issuers in the market (and on shorter terms), generated concerns regarding the possibility of a Bank credit downgrade in the absence of a capital replenishment.
- *The Haiti earthquake.* The earthquake that hit Haiti early in 2010 introduced a sense of urgency for the replenishment, given that the Bank could only commit to investing large amounts in Haiti if these resources were to be made available through a replenishment process.

2.10 The IDB-9 document identified the Bank's priorities, which included maintaining an emphasis on working with the state. It was also the first central normative

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[5] Interviewees broadly agreed that following the realignment, there was initial uncertainty about what ICF would do, as it did not have a strong common thread among its divisions, as did such departments as Social and Infrastructure. Furthermore, there was also ambiguity regarding where to house operations that support SME innovation. Initially that division was part of the social division, but it was moved to IFD in 2012.

[6] According to the realignment document, IFD would include "development of public sector institutional capacity, support for modernization of the State, fiscal and budgetary management, support for results-based management, and strengthening fiduciary capacity, including activities backed by PRODEV, municipal development, and capital markets, financial systems, housing, investment climate, private sector development."

document of the IDB to discuss the concept of institutions—which had been developed somewhat in MOS but had been conspicuously absent from the realignment document. The IDB-9 document identified five priority areas and called for the development of a strategy in each of them. One of these areas was *institutions for development*, and the strategy prepared was SIGS. SIGS was approved by the IDB Board in 2011.

B. From reform of the state to institutions

2.11 SIGS provides a brief presentation of the concept of institutions, but one that is broadly in line with the changes in academic thought in the 1990s. In particular, it embraces the ideas developed in the new institutional economics literature. For example, the definition of institutions given in SIGS is directly drawn from North (1990), emphasizing the distinctions between formal and informal institutions and between organizations and institutions. SIGS focuses on institutions that affect business transaction costs or compensate for market failures, but does not link its proposals to the institutional theoretical framework on which they supposedly rest. It also recognizes the importance of institutions in shaping economic relationships and development outcomes. In this sense, SIGS adopts, at least at face value, a concept that expands on the Bank's approach of the early 1990s, which identified what came to be referred to as a neoliberal approach—focused on "getting prices right"—but for the most part ignored institutions and their role in development. When commenting on the relevance of using the concept of institutions for the strategy and for SMEs in particular, one peer reviewer noted:

> The way the institutional issue is addressed is outstanding, since institutions are a key element to the development of any country. In this manner, conceiving institutions as "deliberate arrangements that shape human interactions" gives the strategy a broad range of action that multiplies the possibilities of success during its implementation.

2.12 SIGS introduces the concept of institutions, but does not use it as a framework in formulating its diagnostic and proposals. For example, the central role of political economy and polity in the discussion of institutions is absent from SIGS. This is remarkable, considering that the Bank's comparative advantage depends on identifying which parts of the policymaking process admit the participation of a development Bank, which is ultimately an outsider in the country's political process. In other words, the Strategy does not identify the process by which institutions are changed, or what role a development institution such as the Bank can have in this process. Nor does it propose a set of specific proposals derived from a more rigorous framework of institutional development.

2.13 The lack of a specific set of policy proposals linked to the more modern treatment of institutions may also reflect the limitations of current thinking. The transition from broad concepts and definitions of institutions to a specific set of policy prescriptions and priorities presupposes that such a framework is available and adaptable from economic theory. But it is not clear that this is the case, or that the economics and political science of institutions are sufficiently advanced to provide a clear theory-based set of prescriptions. Research on how institutions develop has certainly shed light on the importance of institutions for development—the rule of law, property rights, trust, and the role of institutions in shaping historical pathways of development and industrialization, among many others.[7] Nonetheless, the connection between these developing frameworks and empirical evidence and public policy recommendations is still unclear.[8] This sense of skepticism regarding the level of maturity of thought on economic institutions is clearly pointed out in a recent review paper by Acemoglu and Robinson written for the Commission on Growth and Development. They conclude:

> As yet, we only have a highly preliminary understanding of the factors that lead a society into a political equilibrium which supports good economic institutions. However, it is clear that it is the political nature of an institutional equilibrium that makes it very difficult to reform economic institutions….Better development policy will only come when we recognize this and understand these forces better (Acemoglu and Robinson, 2008).

2.14 The difficulties in crafting clear policy responses are also implicit in the work of other authors.[9] The task is not an easy one, and it is very much a pending agenda for the Bank.[10]

C. Consultation process and prioritization

2.15 The preparation of SIGS included an extensive process of public consultation with stakeholders in member countries: selected regional experts, IDB country

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7 See, for example, La Porta (2008), Keefer and Knack (1997), Easterly and Levine (2003), and Acemoglu and Robinson (2006). For a recent review, see Greif (2011).

8 Since the seminal paper of North (1990) introducing a more formal treatment of institutions, several frameworks have been proposed on how to model them. For example, Persson and Tabelini (2000) provide an excellent approach to the basic modeling of political decision-making. This model has been expanded by others; for instance, Greif and Laitin (2004) and Greif (2006) develop the virtues and limitation of the game-theoretic approach to modeling institutions. For LAC, IDB has also done some work in this, including Stein and Tomasi (2007), who explore how best to measure characteristics of institutions and the policymaking process. Scartascini and Tomasi (2012) extend the framework in Persson and Tabelini to allow for nonformal institutional mechanisms.

9 For example, David (1994), North (1990), and Greif (1994) highlight the path-dependence of institutions, and in fact provide a somewhat stark view of the ability of specific discrete policy changes to affect this path. Acemoglu (2007) similarly highlights the limitations of changing *de jure* rules of the game, by pointing out the ability of elites to find other adjustment variables to manipulate to retain the distribution of political power. Similarly, the existence of multiple equilibria is often modeled in political economy, but providing specific recommendations on how to move from a lower-institutional equilibrium to a higher is still quite elusive.

10 The concern with the "incomplete" manner in which institutions are treated was reflected by those who reviewed the Strategy. For example, one commentator noted, "Institutions as an entry point of the strategy are fine but institutions are everything. Going from a very general description and then trying to narrow it down to particular topics doesn't work very well."

representatives, and civil society participants. The consultation process aimed at identifying those potential interventions that meet the criteria of priorities for development, country demand, and Bank comparative advantage. Consultations essentially included the identification of a list of possible priorities that regional peer reviewers then ranked to indicate (i) the Region's most important needs, (ii) the most dynamic demands, and (iii) the Bank's comparative advantage. A second round of consultation with the Region's thematic experts and high-level policymakers allowed for specific comments on what could be done to improve the strategy.

2.16 One limitation of the consultation process was the lack of specificity on the three concepts that stakeholders used to rank each of the possible areas of intervention. In particular, respondents were not given clear criteria to assess the concept of comparative advantage. The minutes of the consultation suggest that this produced some confusion among peer reviewers.

> The document of the strategy rightly identifies demand from countries and comparative Bank advantage as two main criteria that should guide the choice of degree (and presumably modalities) of the Bank's involvement in the selected areas. However, it should provide more details on: (i) How both are going to be ascertained; (ii) what will be the relative weights given to the two factors, especially if in some cases they should point in different directions; and (iii) What will be the process of translating the strategy into country-specific operational plans" (Minutes, consultation process).

2.17 Another peer reviewer noted agreement with the areas of work selected, but also underlined the need to "strengthen the conceptual basis for the selection of components" (Minutes, consultation process).

2.18 Another critically important concern is the heterogeneity in both needs and types of institutions across LAC. Although SIGS mentions the fallacies of a "one-size-fits-all" approach to development, it does not provide a deeper analysis of the issue or incorporate the Region's heterogeneity in the Strategy's proposed response. Clearly SIGS should not identify the specific response in one country versus another—that should be done at the level of the Bank's Country Strategies. Yet it should be the role of SIGS to describe conceptually how the Bank's response can be tailored to different needs. It does not do this.[11] This problem was widely identified by the SIGS peer reviewers. For example, one observed that "the needs of the individual countries differ a lot in terms of institutions," and that the Strategy should guide a differentiated response by the Bank. Another peer reviewer commented that "the strategy should recognize more clearly that

[11] Note that this does *not* suggest that IFD does not tailor initiatives to the countries' different needs. IFD has developed sector notes that assess institutional issues and address the differentiated institutional challenges faced by borrowing members. However, such a differentiation has not been done in the SIGS.

the wide variance of individual countries' circumstances, in each of the selected areas, will require appropriately and differentiated approaches."

2.19 The critique is particularly relevant to working with institutions, and it has deep implications for how the Bank can and should address the reform of institutions, especially those of the state. As mentioned above, the concept of institutions adopted in SIGS not only places institutions as the context in which development can take place, but actually identifies them as the potential object of reform itself. Nonetheless, SIGS does not analyze central questions that directly affect the role of the Bank and its comparative advantage—for example, (i) How effective can the Bank be in promoting an agenda of reform, when few country stakeholders and organizations stand to benefit or are themselves promoting it? or (ii) What role can the Bank have in the policymaking process, given that it has no voice in the polity of member countries? or (iii) Can the Bank be effective at promoting development outcomes in topics for which there is no clear social agreement, or which are very partisan?

2.20 Another limitation of the consultation process is that it largely validated internal decisions of the Bank. Of the 59 priorities submitted to the consultation process, the Bank first grouped 30 into seven priority components—(i) Enhancing SME Productivity and Growth; (ii) Institutions for Innovation and Technological Development; (iii) Public Sector Management and Finance; (iv) Providing Access to Financial Services to the Majority; (v) Reducing Insecurity and Violence; (vi) Anti-Corruption and Transparency; and (vii) Registries for Social and Economic Growth—and then presented them to external observers for their review. SIGS mentions the Bank's activity in fiscal issues, including reference to an OVE evaluation, but for the most part it does not provide evidence (or make a compelling argument) for the selection of areas of work. The minutes of the consultations with regional experts indicate a level of skepticism about the identification of these components, but as this took place near the end of the preparation process it apparently did not prompt a significantly adjustment in priorities. In this regard, the selection of areas of intervention seems to have been heavily guided by senior departmental management, and it largely reflects the current work of the divisions in the newly created IFD department.

2.21 Yet another limitation of the consultation process was that it was mostly limited to external consultations. Bank staff interviewed as part of this evaluation reported that they had little knowledge of the process. In some instances staff was asked to comment on a draft, but for the most part they were not involved in the consultation process. One staff member, when comparing the consultation process with that carried out during the preparation of the MOS, drew sharp contrasts regarding both the compressed nature of the review of SIGS and the lack of an internal dialogue within the Bank.[12] This said, it should be noted that the 26 Country Representatives were consulted, which is important in an internal

[12] During the preparation of MOS, the Bank reportedly commissioned studies on the issue and organized broad-based consultations and seminars at the IDB.

consultation process since they are more aware of country demands and the Bank's comparative advantage in the field.

2.22 In general, the process by which priorities were decided resulted in a more focused group of interventions than in prior strategies. However, the extent of focusing appears overstated in SIGS. Specifically, one statement in the main text of the document suggests a degree of selection and prioritization considerably in excess of what actually occurred: "a list of more than 40 topics was narrowed down to seven areas of priority for Bank intervention over the next few years" (lead paragraph, Section IV). In fact, the seven areas of priority include 30 of the original 59 topics, according to Annex A of the SIGS document (which describes the consultation process and its findings), or over 100 possible interventions according to the text. For example, in the single "Public Sector Management and Finance" component, 16 topics are mentioned in Annex A but 40 are enumerated in the text. Under the component "Assisting the Region in Facing Citizen Security Challenge," Annex A identifies just one topic—Prevention of Crime and Violence—while the text enumerates 13 potential interventions within that topic. Other components just list possible interventions—their apparent number is also large, but their quantification is more subjective.

2.23 Regardless of the number of areas of intervention within SIGS, the exclusive reliance on stakeholder opinion did not produce sufficient information to identify the Bank's comparative advantage.[13] This review process was useful, as it identified what stakeholders think of the Bank and its role in development. However, it did not identify the Bank's ability to achieve objectives and make headway in addressing development challenges in the myriad of sectors that the Bank works in. In other words, a review based on opinion does not replace the analytic process based on evidence of effectiveness as a metric of past success. It is notable that SIGS does not identify past success in producing results as a criterion for selection of activities in the future. However, given the short timespan in which the Strategy (indeed, IDB-9) was prepared, it may not have been feasible to conduct a rigorous review.[14]

2.24 It is also likely that one of the Bank's main strengths—its focus on clients and willingness to respond to their needs—may condition the extent to which the institution can identify its own set of priorities and limit its program to projects that fall within the confines of those priorities. This fundamental demand-driven nature of the institution calls for an in-depth reflection on the role of sector

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[13] Although SIGS mentions other methods used to ascertain comparative advantage—"internal analysis of institutional mandates and limitations relative to other development organizations, prior operations, methodological tools and in-house knowledge" (para. 4.5, SIGS)—it does not present assessments or results from those analyses.

[14] This hypothesis was advanced in some of OVE's interviews with staff. Another limitation, according to interviews, was that the consultation process was much better at eliciting opinion evidence from outside the Bank than at eliciting views from inside. This is consistent with OVE's data on Bank engagement, which show low levels of staff involvement. Another limitation raised during interviews, and also consistent with the timing of SIGS, was that insufficient time was allowed between the consultation and the final version of the document.

strategies and on the way they can be used in programming, so as to respond both to the needs of countries and to the mandate given by the Bank's stakeholders to focus on results for development. This view was widely shared among interviewed staff, particularly those from the Vice-Presidency for Countries (VPC). This concern was clearly identified in prior evaluations, which highlighted that formal strategic documents have typically been of limited usefulness:

> Apart from the inherent uncertainty surrounding any given piece of strategic guidance, there is also a widespread recognition that circumstances matter and that country-focus, innovation, and experimentation are appropriate responses to an uncertain environment. People expect strategic thinking to evolve through experience, and there is thus an instinctive reluctance to cede too much authority to formal documents approved some years earlier (RE-286, para. 4.3).

2.25 The limitations of the project selection notwithstanding, in many instances it appears that the Bank is playing to its strengths. For example, in the case of public sector reform, the strategy was based on the existing operating focus on public finance issues demanded by clients, where the Bank's comparative advantage had already been manifested. The MOS strategy had attempted to broadly expand the scope and relative importance of state modernization in country programming and long-term strategy design with the aim of guiding the clients as much as possible toward a preferred solution. According to interviews, this approach failed largely because neither clients nor staff saw the Bank as having the ability to carry out such an ambitious program. The SIGS approach, in contrast, takes client demand as a given and as the most important source of feedback on the Bank's comparative advantages (revalidated through the consultations with experts and civil society). This reflects a pragmatic acceptance of the demand-driven character of the Bank, recognizing that creating a supply might not be enough for a demand to follow. Rather, the focus is more on strengthening the supply to follow the demand. This approach has been pursued through staffing and organizational changes over the last few years.[15] In addition, Management has been expanding the economic and sector analysis in public finance with the aim of improving the Bank's sector knowledge and enhancing its credibility with clients, who reportedly went almost exclusively to the IMF or World Bank for such technical assistance in the past.

III. ASSESSING SIGS AS A STRATEGY DOCUMENT

3.1 Judging the adequacy of SIGS as a strategy document requires a metric against which to assess the document. The obvious source of guidance should be the documentation associated with IDB-9. The IDB-9 document identifies an institutional strategy (AB-2764, chapter 3) that emphasizes the Bank's comparative advantage as a main criterion for selection of areas of work, noting

15 Staff interviewed suggested that transferring all public finance operations relating to public expenditure management from the Institutional Capacity of the State division to the Fiscal Management and Monitoring division would help the Bank respond to client demand in a more unified manner.

that "comparative advantages may [be derived from] from the structural features of an organization, from its trajectory and experiences and/or from changing conditions in its environment" (AB-2764, p. 5). The document also says that "to make the institutional strategy operative, comparative advantages, overarching objectives and strategic goals should be translated into priorities, goals, policies and performance measures." The identification of these goals, sector priorities, and performance measures would be developed further in IDB-9, but fully described in each of five sector strategies. IDB-9 does not identify the required format and specific content of sector strategies. In fact, the normative document defining the roles and limitations of strategies and policies was approved *after* all of the strategies were written and approved by the Board; the strategies mandated by IDB-9 were prepared without the benefit of a revised normative guidance. But it is reasonable to infer that to identify the Bank's comparative advantage in each of the priority sectors established by IDB-9, strategies would have to examine the Region's needs, the Bank's positioning and capability to address those needs, and the Region's demand for the Bank's financial and technical assistance.

3.2 Another basis on which to judge strategies would be past institutional guidance on their required content, adapting this content to the central principle of comparative advantage. The most relevant of these past guidance documents is the IDB's Institutional Strategy document (GN-2195), which states that strategies "should be concise plans of action created to help achieve precise institutional goals … [that] identify: (i) a set of achievable goals; (ii) actions to be undertaken; (iii) instruments and resources required; (iv) assignment of responsibilities; and (v) a timeframe for implementation and evaluation."[16]

3.3 Drawing on these two guiding instructions, OVE evaluated the SIGS document according to (i) its diagnostic (identification of major challenges in the Region and the Bank's comparative advantages), (ii) its objectives (clarity of objectives, specificity of the Bank's proposal and its connection with objectives), (iii) its identification of risks, (iv) indicators (the quality of the results framework, mechanisms by which they will be tracked), and (v) implementation and monitoring arrangements (specific plan of action, resource requirements, assignment of responsibilities, monitoring of SIGS). This assessment included a face-value evaluation of the content of the SIGS document, as well as other relevant documentation, such as existing guidelines and frameworks produced before the SIGS in different sectors. The review of SIGS identified both strengths and weaknesses. For example, the Strategy overall does well in identifying the Region's needs, but it does a poor job at identifying the Bank's comparative advantage. Likewise, it does well at identifying the specific programs and areas that it will work in, but does not do as well in being clear about what it hopes to accomplish (objectives). The Strategy does not mention risks. Likewise, it is not

[16] Note that under the current framework, other regulatory instruments set the criteria for sector strategies (GN-2670 and GN-2670-1). However, since the new framework was presented to the Board in July 2012—more than year *after* the approval of the SIGS—the assessment of the SIGS as a Strategy document must be done using the regulatory framework in place when the SIGS was approved (i.e., GN-2195).

operational, in that it does not identify resources, staffing, and so on that would be needed to implement strategic priorities. And lastly, the Strategy's identification of indicators is inadequate, as they are not sufficient to assess the achievement of its already unclear objectives.

A. Diagnostic

3.4 The quality of the SIGS diagnostic varies substantially across the seven priority components. It is strong in some of them, as in the needs facing SMEs; but it is much weaker in others, such as traditional areas of modernization of the state A common problem identified in all cases is the absence of the concept of comparative advantage: the IDB-9 addressed this through a process of consultation, and the working paper done in preparation for the IDB-9 provided estimates of the demand for IDB lending. Also largely missing is a critical reflection of what the IDB does well and what it does not do well, based on past results and evaluation.

3.5 The Strategy provides a relatively good, if uneven, treatment of the needs of SMEs in the Region. For example, it identifies four main constraints to the development of SMEs: (i) lack of access to finance, (ii) low levels of innovation, (iii) inadequate labor markets, and (iv) high levels of informality at the firm level. There is a succinct treatment of the main challenges facing SME finance in the Region, which largely corroborates existing literature on the issue. However, in other cases the needs are stated without adequate supporting evidence. For example, SIGS highlights the detrimental impact of informality on SMEs: it "dampens incentives for formal firms to enter the market" and "limits SMEs' access to productivity-enhancing services." However, SIGS does not provide an empirical basis for stating that informal markets "dampen" the private sector; in fact, arguments can be made for the mediating effect of informality as a way for firms to temporarily avoid high barriers to entry, particularly where registration costs or taxation rates are high, but SIGS does not discuss this possibility. Likewise, the claim that informality limits access to services does not consider the (very likely) possibility that the causality actually runs in the other direction—that is, that firms face a choice, in which formality is associated with a series of benefits—including access to formal credit markets—but also costs, including the requirement to pay (presumably higher) taxes and fees. Faced with this choice, firms may optimally choose to start, or remain, informal. In other areas, such as that of labor demand, there is also no analysis. SIGS states that "an insufficient supply of skilled workers limits the degree of specialization, raises costs, and reduces flexibility of SMEs in responding to markets," but it provides no analysis of the quality of the labor supply in LAC, and likewise no indication of what type of labor SMEs truly demand.

3.6 In many instances SIGS identifies areas of work that expand on the SME diagnostics identified. SIGS provides a specific response of the Bank to the challenges related to access to finance, for example: specific proposals to work directly with SMEs, and in strengthening the institutional context associated with the organizations (public and private) involved in the financial markets available to SMEs. SIGS also contains (less specific) proposals to review the costs associated with incorporation, as well as a critical review (followed by, presumably, a reform) of alternative tax regimes. In other cases, such as labor supply, the proposals are not as specific, and they seem more aligned with the demands and needs of larger firms, such as the proposal to review training programs financed with payroll levies. The issue of labor competencies is also one for which there does not seem to be a strong case to be made for SMEs—and if there is, none is made in SIGS.

3.7 SIGS presents a segmented approach to access to finance. That is, it treats access to financial services by small firms in one category, and access to finance by low-income populations and microenterprises in another. This may be a good strategy, given that market technologies, scale, capabilities, and limitations vary widely across types of firms. And SIGS does note that the needs of the two groups are substantially different. Nonetheless, the treatment of microcredit only focuses on the proximate causes of documented problems. Indeed, more substantial discussions on the role of public sector regulation—including at the level of regulating prices (which some member countries have adopted, even if only to curtail abuses in extreme cases)—are largely missing. Also missing is the public-private nexus of collaboration in difficult issues such as agricultural risk (although there is a mention of the case of Chile). The discussion does not reflect the recent academic and policy discussion on the unrealistic expectations placed on microcredit as a main mechanism for poverty reduction. Lastly, the SIGS states that the Region is not as developed as others in terms of microcredit, and implicitly assumes that a microfinance industry *should* develop in all countries; but it does not provide a compelling rationale for this objective. This is particularly relevant, given the different trajectories borrowing countries have taken—driven in part by public sector policy choices—to address the credit needs of low-income populations with different instruments.

3.8 SIGS's treatment of support to private sector firms is also described in the second major priority area of developing "Institutions for Innovation and Technological Development." The section's diagnostic is quite good on the overall challenges of research and development, and on its importance in fostering innovation and growth. The diagnostic also provides a specific list of challenges, ranging from poorly developed capital markets to deficiencies in the availability of highly specialized and trained human capital. However, in characterizing the low use of information and communications technology (ICT) by smaller firms as a problem, the Strategy does not consider the possibility that this may entail a rational response of these firms. Or that SMEs' "lack of specialized skills" may be an optimal response; specialized skills are expensive for SMEs. Or that the "lower inclination to experiment with riskier technologies" may also be optimal; experimentation is both expensive and risky—and without clear ways of appropriating to themselves the results of experimentation (SMEs typically cannot afford the legal infrastructure that larger firms can), it is unclear what type of experimentation is optimal for them. Or the fact that SMEs "face relatively higher costs for hardware and software" is not necessarily a market failure, but perhaps a true reflection of the appropriate scale of technology in a segmented market. So when statements are made regarding SMEs' "underinvestment" in innovation, it would be important to clearly identify, among the myriad factors that may limit their investment, which ones are due to failures that can be addressed through reform of the institutional arrangements under which they operate, and which others may be optimal responses by firms, regardless of the reforms that may or may not be implemented.

3.9 The Strategy could also benefit from a more unified treatment of the private sector. Although the segmentation of the sector is clear, as mentioned above, SIGS only mentions, but does not explore, the role that larger firms can have in promoting the development of smaller firms. This focus could also serve to promote SIGSs' objective of higher levels of formalization. Peer reviewers of the SIGS document also mentioned the importance of larger firms as engines of growth for SMEs, and thus a need for a more unified approach to SMEs.

3.10 The Strategy also provides some data on the levels of investment in research and development (R&D) in LAC, but provides little guidance on the characteristics of R&D that might influence the optimal level in LAC. For example, it mentions that there was only "one researcher per 1,000 workers in LAC in 2007," but it is not clear if this is low or high. There is no discussion of the Region's heterogeneous nature, and the (likely) scenario that the optimal level of research may vary widely across countries—particularly to the extent that there are network externalities in R&D. It is likely, for example, that the optimal types of investment will be different in, say, Honduras and Chile, given the two countries' different institutional characteristics, needs, and past development trajectories.[17]

3.11 The treatment of public financial management (PFM), at least at the diagnostic level, is perhaps one of the weaker points in the Strategy. The Bank has had a successful experience with PFM and continues to enjoy demand for operations to strengthen national systems of revenue and expenditure. Nonetheless, SIGS does not do justice to this experience, presenting a diagnostic that is descriptive, not analytic, and much too superficial to be useful. Its diagnostic of the topic is really limited to a generic accounting of the low levels of taxation in the Region, some mention of distortionary taxes, and a brief mention of the ongoing process of fiscal decentralization in the Region. The analysis does not tackle the most difficult issues associated with the role of fiscal management in promoting higher-quality expenditures and more effective spending. It also has very little treatment of the immense heterogeneity in the levels of development in PFM and the capabilities of subnational entities across the Region. These issues are important, as the types of programs and policy reform required will depend on the level of sophistication and development of the different municipalities. The result is that the nine priorities identified under PFM are mostly not linked either to the diagnostic or to the Bank's experience and capacity to deliver on these priorities.

[17] Clearly it is not possible to address these issues fully in a strategy. However, the principle that the nature of need and the type and quality of the Bank's support will likely differ quite markedly should have been treated—particularly in areas such as R&D.

Likewise, the identification of priorities such as e-Government and a single window for services is orphaned from an analytical diagnostic framework.

3.12 SIGS provides a convincing argument for the Bank's presence in violence prevention. It documents the importance of the issue to policymakers and the Region's citizenry. It provides estimates of the economic costs of violence to the Region. It also lays out a series of steps that governments should take to address the problem. Nonetheless, the analysis of the trajectory of the Region—that is, where policies have been effective and how—is generally missing, as is a critical assessment of the IDB's past role in the Region. For instance, SIGS mentions that "the Bank has already become or is becoming the first option for governments in the Region. For example, 80% of the total financial flows from multilateral organizations in support of citizen security projects come from the IDB."[18] However, it is not clear that the development bank market is the appropriate comparator in this regard. While it is true that the World Bank has so far been mostly absent from this field of lending,[19] a number of bilateral agencies (e.g., US Agency for International Development) and other multilateral agencies (e.g., United Nations Development Programme and the European Commission) have been involved in it. And although the IDB was an early leader in the sector, the Strategy does not acknowledge the limited results of such work, as documented by a November 2010 OVE report. In these circumstances, the willingness of borrowers to take on Bank loans as a market test of demand may not fully capture the quality of Bank lending operations in this area.[20] Without an analysis of past performance, the reader does not have the elements by which to judge if the lines of action are the most appropriate ones. In other words, in a context in which some cities in the Region have achieved great success in reducing levels of both homicide and other crime, an assessment of the effectiveness of these specific measures, and of the external validity of their application to other contexts, would have greatly enhanced the consistency between the diagnostics and the Bank's proposals.

3.13 The last of the seven proposals that SIGS presents is to formalize civil, property, and land registries. The diagnostic provided consists of three different evidentiary presentations, some more convincing than others. For civil registries, SIGS discusses the importance of birth registries by stating that "although not yet fully quantified, it is safe to assume that under-registration of births as well as adult lack of identity documents have an impact on the economy"—but without quantifying the importance of birth registries. There is no analysis, and no link between this objective and the overarching objectives of SIGS, other than the

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18 Paragraph 3.6, SIGS.

19 The World Bank did not work in the sector throughout the 1990s, but has begun to slowly develop operations, particularly related to prevention.

20 RE-378, *Crime and Violence Prevention in Latin America and the Caribbean: Evidence from IDB's Interventions.* One of the paper's conclusions is that "the Bank's experience with citizen security interventions is unsatisfactory. After spending ten years and more than 250 million dollars financing various interventions it cannot be sure that its investments have helped reduce crime and violence in the countries where it has intervened."

statement quoted. The treatment of business and property titles is somewhat more supported by a diagnostic, but not much. The argumentation in favor of property titling as a priority consists of a 2007 paper (Field, 2007) documenting the impact of titling on labor supply—but that reference is for a very specific and tangential impact of titling. Impacts on property values, or on the functioning of housing markets, which presumably would be the primary mechanism by which this type of intervention affects SIGS objectives, are not reviewed. For business titling, the arguments made closely reflect those introduced by SIGS in the context of SMEs, already discussed above.

3.14 The lack of a connection with the Bank's past experience of the Bank is a salient feature of SIGS. In no area is there a treatment of the effectiveness of the Bank. For example, in areas such as modernization of the tax and customs administration, SIGS does not mention the Bank's significant track record of achievement. For the fiscal program, SIGS does identify one evaluation of the Bank's past work, but does not discuss the main findings (although it mentions lessons learned), or comment on the specific recommendations and link them to the work with the fiscal side. And while the review of SMEs and innovation is generally good, here again there is little discussion of past work by the Bank.[21] Although SIGS proposes some relatively new areas of work, most areas build on past or existing Bank work; this experience could have better informed the selection of sectors. But there is no narrative throughout SIGS of what has and has not been achieved. In general, without a discussion of the Bank's experience and achievements in each of the sectors, it is difficult to establish a basis for identifying the Bank's prioritization.

B. Objectives, models, and proposals

3.15 SIGS was not structured around specific objectives. Rather, it was structured in three broad thematic areas, and within these thematic areas reside the seven priority components. Although SIGS contains an introduction paragraph which can be thought of as a statement of intent, it displays many of the limitations identified in past strategies, including the MOS: confounding of activities and objectives, lack of specificity, lack of a time-bound dimension, and so on.

3.16 Although the Strategy does not explicitly exclude activities to be financed, its rhetorical focus is on existing lines of intervention under the newly created IFD department. Except for some activities related to SMEs, which would apply to the private sector arm of the Bank also (and particularly the Multilateral Investment Fund, or MIF), the strategy is focused on the work of IFD. At the program level, specific proposals also tend to be along the lines of what the Bank already does, except for the work on formalization and some activities related to innovation. SIGS also restates the range of options available to the Bank to work in citizen security, which had already been defined through the sector guidelines approved for that area.

21 There is more discussion of the Bank's work with SMEs in the SME sector guidelines produced in 2011 (OP-580-2).

1. Small and medium-sized enterprises

3.17 For example, many of the specific proposals in SME access to finance are essentially lines of work that are being implemented by the MIF. Meanwhile, the work with regulatory frameworks, although not as mainstreamed as other specific proposals, is also a line of work already being implemented both by IFD and the MIF. Similarly, multisector credit lines have been a mainstay of the Bank's lending in the sector for decades. Leasing, factoring, working with equity markets, "downscaling" banks (as well as "upscaling" informal financial institutions), and activities exploiting mobile banking and ICT for finance are also main activities of the MIF in promoting access to finance. Proposals promoting entrepreneurial skills, as well as business incubators and greater linkages between firms, also are current lines of activity in both IFD and the MIF.

3.18 In the case of services for SME innovation, the overall objective is to improve the productivity of SMEs by addressing a series of constraints that limit their growth—already mentioned in the preceding section. Other statements of intent are peppered throughout the document, some more related to specific proposals (what the Bank will do) and others related to development objectives. These objectives are mixed in with an emphasis on generating policy-relevant knowledge (the importance of policy-relevant knowledge was highlighted among the peer reviewers of the Strategy).

3.19 Some of the SME proposals, such as those related to developing equity finance and venture capital markets, seem to be more related to the access to finance objective, and are quite well developed. Initiatives such as continuing to fund incubators and to promote entrepreneurship at institutions of higher learning are also specific. However, in some instances the proposals are vague. For example, SIGS states that "IDB will support structural transformation processes by encouraging the diffusion of corporate entrepreneurship model throughout the Region, in particular with regards to public research organizations." It is not clear precisely what this means. In other instances SIGS proposals are at the objective level, such as the stated objective of continuing to support the development of firm linkages and networks.

2. Research and development

3.20 The second priority component of SIGS contains relatively clear objectives: "(i) Increase firm investment in R&D; (ii) improve policies and governmental action in the ICT sector; (iii) develop advanced human capital; and (iv) strengthen institutions and networks." The objectives are also reasonably well connected with what the Bank proposes to do in the sector. R&D will be promoted by scaling up technology development funds, a public policy the Bank has supported for decades. SIGS also presents newer proposals that attempt to address risk and the absence of specialized services as constraints to R&D investment.

3.21 In some instances, SIGS proposals are specific but are not clearly related to stated objectives or diagnostics. For example, the diagnostic does not identify infrastructure as a main constraint in innovation or in private sector development, yet there is a specific proposal for development of broadband. Likewise, SIGS identifies support for graduate scholarships as a way to address the labor needs of SMEs, but there is no diagnostic that would indicate that SMEs demand highly skilled labor that is not available. The same applies to the proposal of strengthening "engineering education, and education programs in technical areas." There may indeed be a deficit in the quality of engineering schools, but it is not mentioned in SIGS. In these instances it is difficult to link proposals with objectives.

3. Public sector management

3.22 For public sector management, the Strategy's stated objective is to "improve public sector management, revenue mobilization and service delivery." At first glance, these objectives do not seem to be very specific, and a lack of an appropriate results framework does not help to understand what the intent is. However, a complete reading of SIGS provides more detail, and the objectives turn out to be better defined than first impressions would suggest. The lines of activity in public expenditure management suggest that the results expected would be related to the efficiency and effectiveness of the provision of state services, and to better financial outcomes of the state's management of its current and future assets and liabilities. The agenda for revenue generation and macro-fiscal management is also reasonably well defined, with lines of activity that for the most part correspond to the existing line of work at the Fiscal and Municipal Management Division (FMM). A few notable exceptions stand out, however, such as an increased interest in "automatic stabilizers," which could imply changes in the type of taxation implemented, and which could also have consequences for countercyclical policy. Surprisingly, neither neighborhood improvement nor housing finance is identified as a priority, although they are both large areas of lending in FMM.

3.23 Of the areas being implemented under the public sector management and finance priority component, the least clear is the decentralization objective. Some lines of activity are clear, such as the simplification and redesign of fiscal transfers, or the strengthening of subnational budgeting and financial management. However, other statements are nebulous, such as the "re-design of political and territorial frameworks to improve the efficiency of public actions," and the "establishment of institutional arrangements to promote accountability and transparency." In the absence of a good diagnostic, it is not possible to deduce what these programs may look like, or even what problems they would be addressing.

4. Insecurity and violence

3.24 SIGS's fifth priority component is the "reduction of insecurity and violence." The component's title itself provides much in the way of an objective, and in fact the stated objective adds little to what can be deduced from the title: "provide countries with high value-added financing and technical assistance under an integrated approach that both prevents and confronts violence and insecurity." Like the other objectives in SIGS, the objective of reduction of insecurity and violence is open-ended. There are no specific time limits, and at the objective level one cannot differentiate among the different types and causes of violence and insecurity.[22]

3.25 Violence prevention is one of the few areas in SIGS for which much of the agenda could be driven by activities that the Bank has not done before, or is not yet familiar with. SIGS restates and formalizes the Bank's expanded role.[23] However, given that in the past the Bank has focused mostly on prevention (although it has engaged in other areas on a limited basis), this priority component has the potential for producing programming that is much different from what the Bank has in its current portfolio. Not surprisingly, the degree of specificity of the Bank's agenda is mixed in this area. Although some activities related to situational and social prevention are quite specific, most of the agenda is still underdeveloped. For example, SIGS mentions that "the Bank would assist countries in formulating, monitoring and evaluating their national and local policies for civic coexistence and public safety, through a process of consensus building and interagency participation at all levels, including civil society." But without clarity regarding what these policies should and should not accomplish, this is not useful (or meaningful). In other instances there is ambiguity regarding what the Bank would want to achieve and how, as in the subcomponent of "Criminal and alternative justice and rehabilitation from a preventive perspective." Again, the focus on policy frameworks—one of the lines of activity—is relevant only if we know what shape they should take. And in other cases the "support" for policing and penitentiary systems is meaningless without a discussion of what reforms are sought, and for what specific ends. It is also noteworthy to mention that the broader agenda of justice reform is absent from SIGS. Although SIGS does not indicate that the Bank would move away from this line of action, it is not one of the main priorities in SIGS.

3.26 The SIGS proposals are unclear in the area of transparency. Although SIGS justifies transparency in government and in economies (combats corruption, improves provision of public services, and promotes growth), it still does not develop proposals. For example, to address anticorruption and transparency, SIGS mentions that "turning these priorities into a specific reform agenda constitutes a key challenge to which the IDB should actively contribute," but it offers no specific agenda. SIGS mentions that "the Bank will support the identification of innovative ways in which transparency, accountability and openness can be mainstreamed into public sector management, with the goal of identifying a medium term transparency and anticorruption work plan that can be supported with a flexible mix of Bank instruments and that can generate

22 It should be noted that both the guidelines for citizen security and the recently published working paper on a framework provide more detail and specificity regarding how the Bank will work, which is not available in SIGS.

23 This expanded role was first introduced with the 2002 guidelines on citizen security, which included many of the current admissible areas of work, but did so with general guidance as to the necessary conditions for work on these areas. The updated guidelines maintain these areas of intervention, but relax the guidance on necessary conditions for the Bank to work in the sector.

sustainable outcomes over time." The case is broadly the same for other proposals: "Strengthen National Control Systems," "Transparency, Access to Information and Open Government," and "Leveraging transparency and corruption prevention measures at the sector level." With no specific diagnostic, and no prior history of Bank involvement in the sector to rely on, the agenda is still to be developed.

3.27 The SIGS proposal for working with civil, property, and land registries is somewhat different from others: it does not identify a clear set of objectives, although it specifies lines of work. Although it provides the justification/evidence on a case-by-case basis (see "Diagnostic" section above), it also clearly identifies the Bank's specific priorities. In some instances they are still at the level of a concept, such as the priority to "develop linkages and synergies among registries," but for the most part SIGS proposes specific solutions. There are important exceptions to this overall finding, such as the subcomponent to "promote synergies with other state institutions, ensuring social, civil and political inclusion of citizens as a crosscutting and inter-sector challenge." It is not clear what this means, what synergies are to be sought, or what is meant by cross-cutting or intersector challenges.

5. Risks

3.28 The SIGS itself does not identify risks, either formally or as part of other analysis in the document. In some instances a review of the reform process and of the Bank's capacity to act as an agent for policy change would be useful to better understand the risks the Bank faces. A few examples are illustrative. Although the Bank has worked in justice and citizen security for almost two decades, SIGS is the first strategy document to address the area specifically. The Strategy places few constraints on what the Bank may finance in the area. It includes objectives such as "assist countries in formulating, monitoring and evaluating their national and local policies for civic coexistence and public safety," and "support law enforcement institutions under clearly established legal and administrative frameworks," and "support for social rehabilitation." This formalizes the Bank's commitment to areas where it has had relatively little experience, including reform of the criminal justice system and working with prisons. These areas are not inconsistent with the objective of working with institutions, but they do pose potential risks, which SIGS does not mention. Providing policy advice on crime prevention and enforcement can certainly contribute to more equitable and just outcomes, but the results may be dependent on the sequencing of reforms and on other complementary steps that may be required for effectiveness. To the extent that many of the decisions are outside the Bank's capacity to influence policy, the effectiveness of such a proposal can be limited (or null). Likewise, the Strategy does not mention how high levels of corruption in some of the institutions treated, such as the police, can affect the success that the Bank can expect to have.

3.29 In other areas the risks are not as evident, but they may also affect the Bank's effectiveness. As an example, the Strategy treats formality both in terms of the formal nature of firms (a main strategy objective) and in the consolidation of civil registries (another main strategy objective). Neither of these is a completely new area for the Bank, but in both of them the Bank has had mixed results. In such contexts it would be important to properly assess the constraints that drive the development of "formal" firms, evaluating which of these are exogenous to the Bank's work and which are not. Other areas in which the Bank proposes policy change work—such as the legal framework and enabling environment for the financial sector, or labor legislation reform, or tax policy—also may entail risks associated with the full adoption of reform.

6. Indicators

3.30 SIGS identifies 29 specific objectives for the seven components of the strategy but does not provide adequate indicators to assess them. Instead, it identifies five outputs that aim to measure the Bank's contribution to reach the five regional development goals identified in the IDB-9. In an ex-post exercise, the five development goals can be linked to five specific objectives, which correspond to four components of the SIGS (see Table 1). However, SIGS does not justify the decision to adopt the IDB-9 development goals as the main reference points instead of defining specific outcome indicators for the Strategy, nor does it explain why three of the seven components of the Strategy disappear in the matrix (Institutions for Innovation and Technological Development, Providing Access to Financial Services to the Majority, and Combating Corruption and Promoting Transparency do not have any outputs associated with them).

Table 1. Mapping of SIGS Components/Objectives with IDB-9 Indicators

SIGS priority component	Related IDB-9 development indicators[a]	Indicators sufficient to measure performance?
Enhancing SME productivity and growth	Percent of firms using banks to finance investments	NO
Institutions for innovation and technological development	None	NO
Public sector management and finance	Ratio of actual to potential tax revenues; share of public expenditure managed at decentralized level	NO
Providing access to financial services to the majority	None	NO
Reducing insecurity and violence	Homicides per 100,000 inhabitants	NO
Anticorruption and transparency	None	NO
Registries for social and economic growth	Percent of children under 5 whose birth was registered	NO

[a] These were erroneously referred to as "goals" in the IDB-9 document; they are in fact indicators.

3.31 As Table 1 shows, none of the SIGS components are tracked with adequate indicators from IDB-9. In three cases, no indicator related to the component could be found. In the remaining cases the indicators do not constitute a sufficient basis to measure performance against the SIGS components. For example, for "enhancing SME productivity and growth," it is surprising that productivity or growth indicators were not identified. And for the subcomponents dealing with finance, banks are one among many mechanisms through which SIGS is proposing to finance investment. For public sector management, although the indicator on tax revenue is appropriate and related to the SIGS component, the absence of an indicator to measure results on the expenditure side is also notable—particularly since most of the fiscal agenda goes directly or indirectly to effectiveness of public spending.

3.32 The selection of outputs is also unconnected with both the outcome indicators and objectives from the IDB-9 framework, and is only tenuously connected to the actual lines of activity defined in SIGS. SIGS provides no explanation of the choice of the outputs or how they would contribute to reaching the five development goals. For example, it is unclear how developing citizen security projects in 32 cities—one of the output indicators from IDB-9—would reduce the regional homicide rates when there is no definition of the types of cities to be targeted or the kind of citizen security projects to be implemented (or the extent to which the homicide rates would be reduced in the period). Moreover, beyond the issue of the adequacy of the indicators, no mention is made of how, by whom, and to what end the indicators will be monitored or evaluated.

3.33 The lack of indicators is especially surprising for two reasons. First, many of the objectives listed in the SIGS already had widely used indicators by the time the Strategy was designed. For example, the World Bank and the Japan Center for Economic Research, among others, have business climate indexes that could have been used as indicators for the objective "improving the business climate." Similarly, the PRODEV pillars—with which the IDB is certainly familiar—could have been identified as indicators for "improving public expenditure management." Furthermore, the lack of indicators is inconsistent with the stated importance that SIGS places on the issue of data collection and knowledge generation. For example, SIGS (i) highlights the need to generate policy-relevant knowledge about SMEs (5.13); (ii) identifies investment in data generation and research about SMEs as a priority (5.14); (iii) identifies a knowledge and research agenda in access to finance as a priority (5.41); and (iv) identifies the need to analyze and invest in what works regarding citizen security and violence (5.45, 5.46). Given the emphasis the development community places on measuring results (especially in the areas of public sector reform operations), the limited extent and unjustified approach of the SIGS results framework is notable. According to staff interviews, the benefits of opting for such an approach were that the five output indicators were easy to monitor and could be used to prod the Bank to support some operations if only to meet the output targets. In addition, they had the advantage of having been approved by the Governors.

3.34 The lack of adequate indicators for the SIGS makes any future evaluation of its implementation difficult. Even if the strategy were to be evaluated in terms of its contribution to the five development goals, the lack of targets for those goals (only baselines are indicated, without mention of dates or places) makes any evaluative efforts difficult, as there would be no basis on which to evaluate. In effect, the structure of the results framework as applied to SIGS makes it formally impossible for the Bank to hold itself accountable for the results or failures associated with IDB-9. Of course, this does not preclude an ex post, ad hoc, approach to accountability, but the framework itself has not been structured with the metrics and features required to set clear criteria for establishing failure or success. The framework, as it is, is unevaluable.

3.35 Interviews conducted with staff of both IFD and the Office of Strategic Planning and Development Effectiveness (SPD) indicate that the poor selection of indicators had important consequences. Two particular findings are notable. First, as discussed above, the IDB-9 indicators related to institutions were not the best indicators, either to measure what the Bank does or to measure the thematic areas more broadly. At the time the IDB-9 results matrix was designed, substantially better indicators existed for the sector objectives in both reform of the state and in finance and capital markets. Second, the poor match between IDB-9 indicators and IFD operations generated problems for the IFD department itself. Interviewees consistently reported that as a consequence of the IDB-9 framework—and SIGS's adoption of a subset of that framework—IFD division chiefs and staff did not see a direct link between the work of institutional development promoted by their department and the formal identification of priorities by the Bank. This view was reinforced by the absence of a clear correspondence between IFD's work and the lending targets identified, also in the IDB-9 document. This issue generated a demand for a specific methodology to indirectly link each area of IFD work with the stated IDB-9 lending targets, a task that SPD undertook by approving guidelines for classification of projects.

7. Implementation and monitoring

3.36 SIGS does not contain a concise plan of action to help achieve institutional objectives. It articulates no program in terms of budgeting, staffing, organizational restructuring, Country Strategy adjustments, intervention priorities, sequencing options, timetables, and so on. It does not identify areas of current operations to be reduced. It provides no quantitative data on past or possible future levels of Bank operations (loans and technical cooperation) in any of the seven component areas. Only four operational numbers are cited in the entire SIGS document, and three are in one sentence: "Between 2008 and 2010, the new Institutional Capacity and Finance sector approved 123 loans for a total of $13.9 billion, equivalent to more than a third of the value of the Bank's total sovereign-guaranteed approvals for those years."[24] The SIGS document does not explain whether that level of lending is increasing, declining, insufficient, sustainable, targeted equally among countries, and so on. Given such large flows in absolute and relative terms, the lack of any other operational data in a long-term strategy

[24] SIGS, para. 3.5.

document is notable, making it difficult to assess its goals and any plans to achieve them.

3.37 The actions to be undertaken are minimally defined and dispersed through the document. They include a stated desire to improve Country Strategy integration; "support surveys, the development of comprehensive data bases, evaluations, research on lessons learned, cataloguing of best practices, and the development of training manuals and guidelines" in the component of Financial Services to the Majority; or, as indicated previously, strengthen the Bank's capacity in other public sector reform areas. But again, no suggestions are made as to how, when, at what cost, and by whom these initiatives will be undertaken.

3.38 No instruments and resources required are discussed or proposed. Except for one statement that achievement of the output indicators assumes annual lending of US$12 billion, no data are presented on possible disaggregated lending or technical cooperation levels (past or future), proposed adjustments in budgets and/or staffing, modifications in Bank vehicles for interaction with clients, staff skills needs assessments, training plans, and so on.

3.39 SIGS also does not explicitly assign responsibilities for implementation. Because the bulk of the proposed interventions fall within the responsibilities of the IFD department, presumably IFD would be mostly responsible for implementation. But given the critical loan programming role played by VPC and country departments, the document gives little attention to disseminating SIGS to those key internal stakeholders, building their sense of ownership, and motivating them to fully understand SIGS's vision of the importance to clients of institutional capacity building. Interviews with country representatives also suggest that sector and thematic strategies are not important to the programming process. Rather, country representatives are mostly concerned with the Country Strategy, as this is the main document that expresses agreement between the Bank and the country regarding programming. Also, country representatives highlighted the importance of Bank policies in defining activities and programs that the Bank would not be prepared to support; thematic strategies are not used to prioritize what the Bank should do in the day-to-day programming of operations.

3.40 The failure to identify resources and instruments and provide specific execution plans was repeatedly noted by regional experts who reviewed SIGS. The consultation minutes provide a few examples of the comments of peer reviewers :

> The goals set by the strategy should be [consistent with the] resources dedicated for its implementation. There is nothing related with human or financial resources that will be necessary to implement the strategy.
>
> It would be useful to distinguish what the Bank is going to do in terms of financial instruments. Providing technical assistance, grants, technical assistance, etc. These instruments should also be explored in a more creative way.

The strategy needs to be clearer about the criteria of allocation of resources of the bank that are going to be devoted to these areas.

3.41 As can be seen, the points analyzed by OVE were also mentioned, broadly, during the SIGS review process. And as mentioned before, although it is not possible to evaluate what changes were introduced in the SIGS vis-à-vis prior drafts of the Strategy, the problems identified by peer reviewers are broadly still present in SIGS.

3.42 Without clarity regarding mechanisms to implement SIGS, it is not clear how—and in what timeframe—the Strategy will improve the Bank's effectiveness in strengthening the institutional basis for development in LAC. It provides no defined action plan, organizational restructurings, identified adjustments in lending levels, reported changes in areas of activity, new approaches for Bank interaction with clients, budget and staffing changes, outcome targets, and so on, that would directly affect the Bank. Moreover, the document does not explore issues of reform sequencing, timeframes, best and second-best options, risks, and so forth, with the aim of improving the quality of operations. Guidance to staff seems focused on identifying possible families of operations to be prepared.

8. Concluding views on SIGS as a strategy document

3.43 The SIGS document is not a strategy in line with either the parameters set out by IDB-9 or the more specific parameters identified previously by the Bank (i.e., in GN-2195-3). Neither is it a strategy in the sense of outlining problems and their causes; exploring response options, risks, and possible costs; presenting a programmatic action plan; providing implementation guidance; and establishing time-bound indicators and monitoring plans. Instead, it appears to reflect traditional strategy documents of the Bank as described in an OVE report (RE-286, October 20, 2003)—an identification of problems; a list of permitted interventions in line with current thought and "best practices"; little to no discussion of risks, trade-offs, country differences, or sequencing; scant focus on implementation issues, monitoring, or outcome indicators; and calls for further studies.

3.44 SIGS appears designed to formally meet the IDB-9 requirements while maintaining the organization's flexibility to respond to emerging regional needs, evolving country demands, and Bank capacity. It is pragmatic in a world of client-driven lending where the ability of the Bank, much less a single department, to push a strategic agenda is limited. It holds open a wide selection of intervention options, while introducing a limited number of new interventions. It deemphasizes some lines of work, such as neighborhood improvement and justice reform, but does so only implicitly—to the extent that they are not prominent in the document itself.

3.45 SIGS's focus on external consultations to verify regional demand and validate the existing operations of the Bank in institutional reform may have reflected IFD's reaction to the exclusion of institutional reform from the IDB-9 lending targets.

IFD staff and managers expressed surprise and disappointment at the IDB-9 document's limited treatment of areas of reform of the state (thus automatically affecting internal decision making on lending priorities for the entire capital increase period). The department consequently sought to use the SIGS strategy, simultaneously called for by Governors, to demonstrate the substantive relevance and regional market for such operations and thus at least partially restore its ability to successfully advocate for the institutional capacity-building agenda in the Bank.

3.46 SIGS (reinforced by the inputs from external consultations) does make a case for institutional reform. Arguably, however, SIGS missed some opportunities. It could have presented more direct practical evidence of the importance of institutional modernization to economic and social development, and of the Bank's track record in this area, to mobilize a deeper commitment by the Bank and its clients. (The fact that the IDB-9 lending targets excluded any mention of institutional reform underscored a mystifying lack of understanding and support for the sector, which might have been addressed more vigorously). SIGS could have pushed harder for efforts (internal training, ramped-up policy dialogue, targeted assessments of institutional reform lending) to increase project success rates and the understanding of the Bank and its clients of the importance of institutional reform. It is to be hoped that Bank staff and counterparts reviewed the lessons listed in the document, although a fuller treatment with specific operational guidelines might have been more helpful for staff and country counterparts. SIGS could have outlined serious organizational and staffing adjustments to better ensure the serious consideration (and ideally full integration) of cross-cutting institutional issues into country dialogue and strategies. In any event, it did not. The vast majority of staff and managers interviewed for this report view SIGS as having been a useful exercise for sharing information during its preparation, but not a guiding operational document that is relevant or used since its approval by the Board.

IV. THE IMPACT OF SIGS

A. Awareness and use of SIGS

4.1 In attempting to assess the impact of SIGS, OVE asked two questions: Are Bank staff familiar with the Strategy, and do they use it in operational tasks and in country dialogue? and Does the Bank's selection of priorities reflect those identified in the SIGS? OVE also assesses a specific instruction in SIGS that the Bank develop "inter-sector alliances" to promote the effective treatment of institutions in all divisions across the Bank.

4.2 To address these questions, OVE (i) used a staff survey fielded in September and October 2012 to capture the question of familiarity with and use of the Strategy; (ii) conducted a reflexive review of the programming of IFD work, comparing

2006 with 2011 and 2012;[25] (iii) reviewed the pattern of collaboration across the Bank in project preparation, and in particular the role of IFD; and (iv) drew on data from interviews with Bank staff.

4.3 The SIGS document itself appears to have had little effect on the Bank's work. Although only a year has passed since its approval, interview data indicate a low level of familiarity with the document across the Bank and show a widespread opinion that SIGS has little direct bearing either on the selection of projects or on how they are prepared.

- OVE's 2012 IDB-9 Survey[26] found that only 34% of VPS respondents (all of them in sectors directly relevant to the Strategy) and 40% of VPC respondents had actually read the strategy. Of all Bank strategies prepared for the IDB-9, SIGS is the one that the institution is least familiar with. The percentage that has read the strategy is concentrated, as would be expected, among IFD staff: 26% of Social Department (SCL) staff, 11% of INE staff, and 82% of IFD staff report having read at least parts of the document. This is inconsistent with SIGS's intent to treat the development of institutions as a transverse topic. Rather, the concentration of awareness of SIGS within IFD suggests that it is only being used as a strategy for the IFD department itself. These findings are consistent with the interviews with VPC staff, who reported knowing of the existence of SIGS but not being familiar with its content.
- SIGS's limited impact is seen more directly in the use of SIGS by IDB staff members. The results of the IDB-9 Survey show that SIGS scores low relative to other strategies. Among VPC staff, the use of SIGS is lower than all other strategies, except that for the private sector. Of VPC staff who say they are familiar with the Strategy, only 3% say that SIGS is used "on a regular basis" in country dialogue, and 8% report using it "on a regular basis" as part of the programming process. At the same time, a majority of VPC respondents indicate that they "never" use the strategies for these purposes.
- The reported use of SIGS among VPS staff, particularly IFD, is higher. Of VPS staff who report being familiar with the strategy (who are mostly concentrated in IFD), 56% report using it "some" or "a lot" in project preparation, and similar percentages report using it in preparing technical cooperation and analytic work. These findings are in line with interviews conducted by OVE, in which some staff reported that SIGS is useful as a mechanism for justifying requests for funds for the preparation of analytic work, particularly in the areas that are highlighted in SIGS. However, on the whole, even IFD staff reported that SIGS is not an instrument that is used routinely to prepare either loans or technical cooperation. And among all

25 A reflexive review compares conditions before and after a particular event. A reflexive review of IFD's portfolio is useful to evaluate whether the portfolio evolution reflects a change in priorities, and if such changes are consistent with SIGS priorities, without necessarily attributing any causal interpretation to this pattern.

26 A total of 722 IDB staff and consultants were interviewed. For a detailed discussion of the survey results, see OVE Discussion Paper, "IDB-9 Survey: Overview of the Results."

strategies prepared, the reported use of SIGS is the same as the strategy for regional integration, lower than the climate change strategy and the strategy for social protection for equity and productivity, and higher than the private sector strategy.

4.4 Interviews with Bank staff also show that other Bank normative documents are used more than the sector strategies. Those interviewed as part of the evaluation mostly agreed that the main guidance documents for the Bank's operative work are not sector strategies, but rather Bank policies, which detail in more specific terms what the institution should refrain from doing. Policies are much more specific regarding eligible activities, outputs to finance, and conditions necessary for different types of projects to be undertaken. Interviews with VPC also highlighted the importance of Country Strategies, rather than sector strategies, as a mechanism for dialogue. Since Country Strategies define the expected lending envelope for a country, and are agreed upon by the Bank and the country, they are necessarily a more relevant instrument for dialogue than a sector strategy, which does not have as its objective the identification of a common set of priorities for a particular Bank program with a borrowing country.

B. SIGS and the IFD portfolio

4.5 This review suggests that SIGS has had limited impact outside of IFD. In this section we analyze the impact of SIGS in changing the pattern of approvals within IFD. In other words, did the IFD portfolio priorities change over time? Unfortunately, because so little time has passed since the approval of SIGS, our analysis necessarily captures only a partial picture. Furthermore, since the SIGS priorities have been evolving since 2008 (the first year in which the work began on redefining the priorities for the department, according to interviews), OVE elected to compare the pattern of portfolio in 2006 with that of 2011 and the first 11 months of 2012.[27] This allows for the baseline year to be post-realignment.

4.6 The analysis is based on a total of 116 approved IFD loans: 45 for 2006,41 for 2011, and 30 for 2012.[28] Using the operations' goals, objectives, and components, OVE classified each loan according to the seven priority areas identified by SIGS. It is important to note that this analysis required a project-by-project classification of operations, since the Bank's current thematic typology does not adequately reflect the type of operations done by IFD. This process of classification attempted to match categories of projects with the priorities set out in SIGS. This required some judgments about what was more or less important in SIGS: OVE opted for an interpretation based on lines of activity that are clearly identified in the SIGS main text as priority areas. Mentions in footnotes or caveats introduced for flexibility were excluded. Table 2 presents the results of this analysis.

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27 Note that given the timeframe of this evaluation, the review could only be done for projects approved between January and mid-November 2012.

28 The dataset excludes 8 project preparation facilities, since they do not represent new interventions.

4.7 As Table 2 shows, IFD has continued to work in the main lines of activity that characterized the department in 2006. This focus has not changed since the approval of SIGS, which suggests that the Strategy did not trigger a substantial change in the areas of intervention, at least in the short run. Public sector management and finance continues to be the main line of work, although the number of projects has declined noticeably from 2006. The second most important line of activity is projects focusing on SME productivity and growth. The data also show that although the number of citizen security projects approved annually did not increase over the period, the institution maintained its emphasis on the topic, with two projects in each of the years.[29] The only clear change in focus is in the development of an agenda to promote access to financial services to lower-income populations—an area in which there were no projects in 2006. Furthermore, some SIGS priority areas, such as work on registries and the transparency agenda, have not been developed as of 2011 and 2012.

4.8 At the same time, a growing number of IFD operations are approved in areas that are not SIGS priorities: housing and urban improvement projects and projects for statistics offices, justice administration, and free trade. As a percentage of total IFD approvals, the category not covered under SIGS has increased from 24% to 39% in 2011 and 33% in 2012. This is somewhat puzzling, given that one would expect the two years following the Strategy's approval to have a greater match with strategy priorities than 2006.

29 For 2012, it should also be noted that the Bank approved urban development projects with crime prevention as a component.

Table 2. Patterns of Approval in IFD and SIGS Priority Áreas

	Total *n* 2006-2012	**2006** *n*	**2011** *n*	**2012** *n*
Enhancing SME Productivity and Growth	**17**	*7*	*7*	*3*
Institutions for Innovation and Technological Development	**4**	*1*	*0*	*3*
Public Sector Management and Finance	**47**	*24*	*12*	*11*
Providing Access to Financial Services to the Majority	**4**	*0*	*3*	*1*
Reducing Insecurity and Violence	**6**	*2*	*2*	*2*
Anti-corruption and Transparency	**1**	*0*	*1*	*0*
Registries for Social and Economic Growth	**0**	*0*	*0*	*0*
None of the SIGS components matches	**37**	*11*	*16*	*10*
	116	*45*	*41*	*30*

Main project types for those that do not match the SIGS components, 2006, 2011 y 2012

	***n* Total 2006-2012**	**2006** *n*	**2011** *n*	**2012** *n*
Housing and Urban Improvement	**12**	*3*	*5*	4
Statistics / data generation systems	**4**	*1*	*3*	0
Justice Administration	**5**	*2*	*2*	1
Free Trade	**3**	*2*	*1*	0
Other*	**13**	*3*	*5*	5
	37	*11*	*16*	10

*Includes projects on cultural assests, natural disatsers, productive infrastructure, social investment, remittances, etc.

C. Using IFD to build Bank capacity on institutions

4.9 SIGS calls for the use of IFD to enhance "the Bank's institutional capacity response." Although SIGS is generally not prescriptive regarding the deployment of resources to implement the Strategy, it does identify one specific mechanism by which the Bank can affect the institution's capacity—it indicates that the Bank would generate "inter-sector alliances to address constraints in projects across sectors." Under this model the Bank would use expertise within IFD to help strengthen the treatment of institutions in other Bank group operations.

4.10 To evaluate the implementation of this instruction, OVE looked at two lines of activity: IFD-specific technical work and the degree to which IDB departments work across sectors. The degree to which IFD participated in intersector alliances is assessed by exploiting information on the composition of project teams for both lending and nonlending operations (loans and technical cooperation). If these "inter-sector alliances" were implemented, there should be an increase in the share of IFD staff working across Bank projects. This exercise was done both for 2010 and for 2011, to see early evidence of any change in the composition. Table 3 presents the results of the comparison of both loans and technical cooperation projects in the IDB pipeline for 2010 and 2011.

Table 3. Participation of IFD (previously ICF) across Different Bank Divisions

Sector/ Division	ICF - Pipeline 2010			ICF- Pipeline 2011		
	Total IDB projects in pipeline	Projects with presence of a ICF staff	Fraction of projects with ICF staff	Total IDB projects in pipeline	Projects with presence of a ICF staff	Fraction of projects with ICF staff
ICF/CMF	10	10	100%	18	18	100%
ICF/FMM	26	26	100%	31	31	100%
ICF/ICS	12	12	100%	29	29	100%
INE/ECC	3	0	-	2	0	-
INE/ENE	11	0	-	19	0	-
INE/RND	20	1	5%	25	3	12%
INE/TSP	16	1	6%	18	1	6%
INE/WSA	18	0	-	19	1	5%
SCF/Other	1	0	-	3	0	-
SCF/CFI	2	0	-	17	0	-
SCF/FMK	11	0	-	13	0	-
SCF/INF	5	0	-	10	0	-
SCL/EDU	11	0	-	7	0	-
SCL/LMK	1	0	-	3	1	33%
SCL/SCT	2	1	50%	2	1	50%
SCL/SPH	15	4	27%	16	3	19%
SCL/GDI	0	0	-	1	0	-
VPC	2	0	-	4	3	75%
INT	5	0	-	4	0	-
MIF	78	2	3%	87	1	1%
OMJ	10	4	40%	14	0	-
TOTAL	259	61	24%	342	91	27%

4.11 The table shows that the patterns of alliances between IFD and the other sectors remained mostly the same between 2010 and 2011: around one-quarter of the Bank's project teams had IFD staff as team members. In both years, the area of greatest formation of "inter-sector alliances" is with the social department (SCL), in the science and technology division (which was later merged into IFD), and in social protection and health. In 2011, labor markets also used IFD staff more than once, as did the transportation sector in the infrastructure department. And in 2010, Opportunities for the Majority (OMJ) utilized IFD staff. However, as a rule, the table shows that participation was relatively low—particularly outside the social sector—and also that there was no conclusive pattern of change between the two years. The overall percentage of non-IFD projects with IFD participation was 6.2% in 2010, and it fell to 3.5% in 2011. The participation in VPS (excluding IFD) remained the same in both years—7%—while the participation in the private sector vice-presidency (VPP) fell from 5.6% to less than 1%.

4.12 This analysis can be complemented by a more detailed breakdown of the composition of the team members working on 2011 pipeline projects. The data reveal that FMM is the IFD division that led the intersector alliance of both infrastructure and social projects last year. Moreover, it shows that the environment, rural development and risk management division (RND) and the social protection and health division (SPH) are the only divisions that incorporated team members from two different IFD divisions in their overall portfolio—the former personnel from FMM and the capital markets and finance division (CMF), and the latter personnel from FMM and IFD.

4.13 IFD did collaborate with other parts of the Bank in issues related to the topics and sectors within the IFD department. The review found clear instances in which IFD collaborates with other Bank departments in both research and knowledge initiatives. For example, IFD is collaborating with INE in the "Comprehensive Fiscal Sustainability and Climate Change Adaptation Program" (ES-L1071) and in the technical cooperation for "Strengthening Governance in the Extractive Industries in Latin America and the Caribbean" (RG-X1129). There are also partnerships with SCL and MIF in areas of mutual interest,[30] as well as examples of collaboration with RES, both in the DIA, and in other initiatives.[31] In the case of DIA, interviews with RES highlighted the role of IFD in writing some of the most policy-relevant parts of the publication. In addition, IFD has been active in working with VPC in producing technical notes as part of the Country Strategy preparation cycle. For example, IFD produced notes for all strategies produced in 2012.

4.14 Although IFD has been active in cross-sector work, the evidence does not seem to indicate that the SIGS is affecting the patterns of alliances between IFD with the other sectors in terms of institutional analysis for project preparation. IFD's work has been concentrated on thematic areas that overlap with IFD department sectors. This is consistent with the patterns of other Bank departments, and IFD does not stand out as generating more intersector assistance than other departments. For example, IFD shared the task of promoting access to finance with other parts of the Bank, and therefore it collaborates with these areas. The same is true of IFD's sector notes produced in support of Country Strategies: the instances of collaboration with other units are in the thematic areas that IFD shares with other parts of the Bank. Likewise for the knowledge and capacity-building products approved in 2012: collaboration is common, but the products are for the most part in sectors that are part of IFD's division, not initiatives to strengthen institutions or analyze the institutional context in other sectors, or help other departments obtain a deeper knowledge of how to adapt the Bank's work to different institutional contexts.[32]

[30] IFD partnered with SCL and MIF, for example through the operations "Overall support to the effectiveness of labor and social security policies" (ES-L1063) and "Program to Support Future Entrepreneurs" (UR-L1071), respectively.

[31] Noteworthy, IFD and RES are jointly coordinating the Visiting Scholars Program and IFD is leading the development of three of the Bank´s integrated institutional programs: the Sustainable Emerging Cities, Citizen Security, and Broadband initiatives.

[32] Moreover, the data suggest that within IFD, the intersector assistance to address institutional constraints in projects has been led by FMM. In other cases the leader does not stand out. This pattern is consistent with interviews conducted with VPS staff.

4.15 Interviews with VPS staff showed that there was little interest in the notion of participating in projects of other departments to promote intersector alliances, and little confidence in the potential virtue of that approach. Within IFD, staff either was unaware of the SIGS instruction to develop these intersector alliances, or was aware of the instruction but indicated that it is not interpreted as referring to programming. Those who were aware of the instruction expressed the opinion that the demand from other divisions for expertise on institutional strengthening was intrinsically linked to sector knowledge. As one interviewee said, "Transportation specialists do not need experts on institutions; they need transportation experts who understand institutions of the transportation sector."

D. The significance of SIGS for IFD as a department

4.16 The evidence reviewed shows that any impact SIGS has on the Bank's work will be through more subtle and indirect routes. In this sense, SIGS's aim to be "an integral element of the Bank's programming and Country Strategy process and … guide the identification of Bank interventions in the institutional area" does not appear likely to be fulfilled.

4.17 Although SIGS may not be particularly relevant as a Bankwide strategy on institutions, the evidence shows that its preparation was valuable for IFD itself, in terms of both consolidating an ongoing process of assignment of responsibilities and clarifying the role of institutions within the Bank. IDB-9 did not identify lending targets that were directly linked to the work of IFD, and the IDB-9 indicators were particularly poor in the area of modernization of the state. This tenuous link between the work of IFD and the formal identification of metrics and targets in IDB-9 raised doubts regarding the priority given to institutional reform. Given this issue, SIGS served the purpose of restating the institution's commitment to traditional modernization of the state and finance topics, and specifically to identifying areas of work. One example mentioned in interviews was the role that SIGS played in removing ambiguity regarding what the Bank can and cannot do in citizen security. And although some of this had already been accomplished through the publication of the citizen security guidelines, SIGS served to reinforce the message and provide clarity regarding the range of potential Bank interventions in a high-level document.

4.18 The document also served to sharpen and demarcate the specific lines of activities across IFD divisions, in effect consolidating a process of definition of areas of work that had already been taking place with the realignment and with subsequent reforms within IFD. This view, too, was mentioned by several IFD staff interviewed as part of the preparation of this report. Given the role of IFD as a receptor of a heterogeneous group of divisions following the realignment, SIGS served a useful role in better defining what projects would be priority projects for IFD moving forward.

E. The role of sector strategies

4.19 The analysis above makes it clear that the IDB faces a challenge in defining the appropriate role of sector strategies. In the case of SIGS, the Strategy was approved as required by IDB-9, but thus far it has had limited impact on the way the Bank operates. And interviews with Bank staff show at best an ambivalent attitude regarding the future impact of SIGS. The inherently demand-driven nature of the Bank strongly conditions the manner in which the Bank can identify areas in which it will work, particularly given the heterogeneity of demand from a Region characterized by very different needs, institutions, and public policies. On one hand, strategies could be a useful instrument for the institution to define priorities. On the other hand, if they are seen as a straitjacket for Bank clients, they will likely be ignored and quickly become irrelevant. The discussion in this paper highlights this tension between the virtues of providing specific guidance and identification of priorities, and flexibility to respond to client needs.

4.20 This tension is not new at the Bank. The institution has systematically struggled to identify a proper role for strategies, as is clearly seen in a report prepared by OVE almost a decade ago, in which OVE concluded that strategies had not been useful:

> Apart from the inherent uncertainty surrounding any given piece of strategic guidance, there is also a widespread recognition that circumstances matter and that country-focus, innovation, and experimentation are appropriate responses to an uncertain environment. People expect strategic thinking to evolve through experience, and there is thus an instinctive reluctance to cede too much authority to formal documents approved some years earlier (RE-286, para. 4.3).

4.21 This review finds that although the Bank has undergone a realignment and a new capital increase, the ambiguity regarding the proper role of sector strategies remains. In many ways, the equation is more complex now, given that the current Bank structure separates programming into one vice presidency (VPC) and project preparation into another (VPS). This adds another layer of potentially conflicting incentives. This is born out in the current evaluation, as VPC staff do not see sector strategies as relevant in the programming process, and in general are unaware of the priorities contained in them.

4.22 The Bank now has a new guiding document regarding the role of both strategies and policies (GN-2670, dated July 10, 2012). This paper identifies obsolete policies and strategies and sets out an agenda for simplifying a large and reportedly dysfunctional group of documents. It also highlights the importance of a stocktaking of both sector knowledge and where the Bank is positioned regarding the Region’s needs. This stocktaking is important, and has consistently been highlighted as a positive aspect of strategies in the short run. But although the new paper tackles some of the shortcomings of the Bank’s strategies and policies—particularly policies—it does not make a strong case for what a strategy should or should not do, and why. It also does not analyze and address the constraints that the institution faces in dealing with the *country focus vs.*

selectivity tension; in other words, it does not provide guidance on how sector strategies could be efficiently used in programming. It is unlikely that strategies can fulfill their potential for guiding the Bank's activities and affording flexibility for experimentation and disparate client needs unless this tension is explicitly recognized and addressed.

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Management Comments

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

Mid-Term Evaluation of IDB-9 Commitments
Background Paper: Institutions for Growth and Social Welfare
Management Comments

Mid-Term Evaluation of IDB-9 Commitments
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Management Comments

I. INTRODUCTION

1.1 Management welcomes the Office of Evaluation and Oversight's (OVE) evaluation of the Bank's implementation of the IDB-9 commitments related to the Strategy on Institutions for Growth and Social Welfare (SIGS). The evaluation's findings presented in this background paper will contribute to the Bank's efforts as we implement SIGS.

1.2 Management provided comments on an earlier draft of the paper and some of these have been incorporated into this final version.

II. OVERALL FINDINGS AND SUGGESTIONS

2.1 Management agrees with some of OVE's main findings and suggestions, particularly the acknowledgement that the Bank is broadening the coverage of its work on institutions and modernizing its conceptual approach in line with the broader development literature.

2.2 Nonetheless, Management believes that OVE has not provided a complete accounting of the progress made so far in implementing SIGS. The Strategy was approved by the Board in March 2011, and as of January 1, 2012, the Institutions for Development Department of (IFD) restructured itself to align organizational functions and maximize its effectiveness around SIGS priorities. Consequently, a review of the portfolio as of mid-2012 will understate the Strategy's impact. It is worth stating that, as part of the process to develop Country Strategies, IFD teams have developed evaluable sector notes that helped advance SIGS in the Bank's programming. A clear example of how SIGS and these sector notes are giving rise to specific operations can be observed in the evolution of the pipeline of projects in citizen security. OVE notes there was no significant change in the number of operation approvals in 2006 and 2011; however, the Bank is currently developing nine new citizen security operations with a potential value of $328 million, an amount similar to the entire Bank support provided in this area during the period 1998–2011.

2.3 Management also contends that although the efforts to deepen inter-sector alliances are still at an early stage, IFD has sought out opportunities for inter-sector collaboration through its operations, institutional initiatives, and technical cooperation programs. For example:

i. The Comprehensive Fiscal Sustainability and Climate Change Adaptation Program in El Salvador (ES-L1071), approved in the first quarter of 2012, represents a clear inter-sector alliance of two Departments (INE and IFD) to help country authorities respond to the challenges of climate change.

ii. Compete Caribbean is a collaborative private sector development initiative with many units working together to promote public-private dialogue, business climate reform and innovation and cluster development in Caribbean countries.

iii. An operation to support effective labor and social security policies in El Salvador (ES-L1063) illustrates an inter-sector alliance to bring to scale earlier Multilateral Investment Fund (MIF) interventions on business development with a joint approach to strengthen regulations, create platforms for social dialogue, and build capacity for resource management and to generate and monitor results.

iv. IFD is involved in 17 operations led by other Divisions, supporting actions to strengthen the institutional reform components of these operations.

v. On access to finance, IFD and MIF are supporting the use of new credit scoring tools for SMEs (RG-M1203), sponsored by one of the winners of the G-20 SME Finance Challenge. IFD and MIF are also working together on capital markets in Bolivia and Peru, bank supervision in Guatemala, and value chains for Haitian artisans. IFD is working with the Inter-American Investment Corporation (IIC) to structure a loan that fulfills the IIC needs for regulatory capital, contributing to its mandate to finance SMEs.

2.4 Furthermore, IFD is leading or co-leading three new Bank-wide institutional initiatives to develop integrated, inter-sector solutions to structural challenges in the region. These initiatives are:

i. The Sustainable Emerging Cities Initiative to provide a group of emerging cities with comprehensive technical support to build the capacity to promote fiscal, urban and environmental sustainability.

ii. The Citizen Security Initiative to support efforts to improve data and information on crime and violence; improve management capabilities and evaluation of citizen security policies; and strengthen hemispheric cooperation and regional dialogue.

iii. The Broadband Initiative, in the final stages of preparation, to support policy and regulatory development and build capacity to change how the region benefits from current technologies to deliver services, conduct business, and promote social inclusion.

2.5 IFD also promotes inter-sector alliances through TC programs. One example is the Institutional Capacity Strengthening Thematic Fund (ICSF) which, since the approval of SIGS, has allocated 71 percent of its financing to address institutional constraints in projects led by Bank departments other than IFD. Another example is "Strengthening Governance in the Extractive Industries in Latin America and the Caribbean" (RG-X1129), which aims to improve transparency and access to information; strengthen the legal and regulatory framework; build capacity within governments and civil society to improve the monitoring of socio-economic and environmental impacts; and increase and disseminate knowledge on extractive industries. The preliminary, yet important, results of this innovative and cross-sector initiative are highlighted in OVE's "Background paper: Combating Fraud and Corruption."

2.6 IFD has partnered with the Research Department (RES) to advance the Bank's knowledge agenda around SIGS. This partnership has produced the Bank's flagship publication—Development in the Americas (DIA)—for three consecutive years, in 2012 on Housing, in 2013 on Taxation; and 2014 on Productive Development Policies.

III. LOOKING FORWARD

3.1 Ongoing work in all of the above areas has attained visibility and prominence, generating not only the interest of countries for the Bank's work in SIGS's priority areas, but also from the donor community. Since SIGS approval, the Bank has built and enhanced existing alliances with donors and increased resource mobilization at a time of scarce donor funding. The Bank has established a new Fiscal Fund to be financed by the Government of Korea; replenished the Transparency Fund with the Government of Norway and the Knowledge Economy Fund with the Government of Finland; and attracted the Government of Japan's contributions to the Sustainable Emerging Cities multidonor fund, complementing earlier support by the Government of Korea. All of these funds support SIGS areas of intervention, and will continue to support good analytical work on institutions, leading to programming.