DEO

Development Effectiveness Overview 2013

development that **works**

IMPACT EVALUATIONS

Measuring Results

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DON'T SHY AWAY FROM FAILURE

BEYOND POLITICS

Standing the test of time

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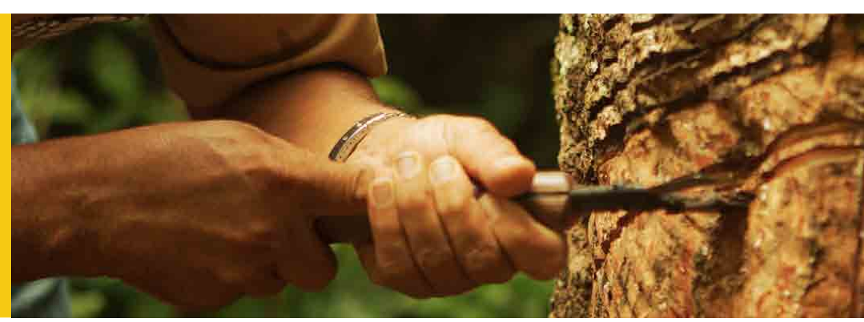
A SOLUTION



IDB
Development Effectiveness

A NEW PARADIGM

The State and Indigenous People

DEVELOPMENT EFFECTIVENESS OVERVIEW 2013

DEVELOPMENT THAT **WORKS**

DEVELOPMENT EFFECTIVENESS OVERVIEW 2013

CONTENTS










MESSAGE FROM THE PRESIDENT

SHARING WHAT WORKS and doesn't work in development is a crucial part of our job. To have an impact, we must understand the results of our projects and be capable of learning from them. Latin America and the Caribbean have an enormous reservoir of knowledge about development—but this resource is still largely untapped. As a development institution, the IDB needs to help the region realize this potential, not only through rigorous studies but also through better interventions and sharing what we learn in the process. This is crucial to unlock insights that can have a transformative effect on economies and societies, not only by generating faster economic growth but also by fostering more equitable social development.

At the IDB, we generate this knowledge through our Development Effectiveness Framework, which we use to constantly improve our projects. The Development Effectiveness Overview, now in its 5th edition, is our principal vehicle for communicating what we've learned over the previous year.

I am proud to report that 2013 was a year of major achievements in our efforts to improve the development impact of the projects we implement in partnership with our 26 borrowing member countries in Latin America and the Caribbean.

First, thanks to the revamping of our monitoring tools and methods, we now are better equipped not only to implement our projects more effectively, but also to learn and retrofit our interventions through smarter designs. These tools have prepared us to face near-term institutional challenges, including reforming our private sector operations and updating our institutional strategy, which will define the priority areas and how we will work work between the IDB and its member countries in the near future.

Second, our efforts to measure the impact of our projects are now bearing fruit. We now are able to start reporting on the results of several impact evaluations, as detailed in this publication. Incorporating such evaluations into our projects has also contributed to creating a culture of regularly analyzing lessons learned from both our failures and successes. All of this is also documented in the pages of this report, which this year we have turned into a website so information can be more accessible to everyone.

And third, we developed a user-friendly platform to manage operations that will integrate our tools to measure and evaluate project performance, and that will be launched in 2014.

At a time of global uncertainty, the people of Latin America and the Caribbean continue to seek for new ways of securing a prosperous and sustainable future. The Bank is proud to be a partner in making every development dollar as effective as possible. Measuring our impacts, monitoring our activities, evaluating ourselves and sharing knowledge, are the best way to work with our region's leaders, donors, and partners to help improve the lives of millions.

Luis Alberto Moreno
President
Inter-American Development Bank
Washington, D.C., March 2014

MEASURING THE EFFECTIVENESS OF OUR WORK

We measure the effectiveness of our work to ensure that the Bank is doing the right things and doing things right. Doing the right things requires the Bank to focus its resources on the most critical development needs of each of its borrowing member countries as well as the Bank's priorities as set forth in its Institutional Strategy and reflected in its Corporate Results Framework (CRF), on page 38 and at our website. More specific prioritization at the country level takes place via strategic-dialogues with countries. Once a results-based strategic framework is in place, the emphasis of our work shifts to doing things right. In essence, this involves managing, monitoring and evaluating projects to ensure that their intended impact and value is realized on the ground, and that the lessons learned during their execution are retrofitted into future projects.

DEVELOPMENT EFFECTIVENESS OF SOVEREIGN-GUARANTEED OPERATIONS

During 2013, the IDB revamped the tools that make up its Development Effectiveness Framework (DEF) for its sovereign-guaranteed operations. The DEF is a holistic approach to operations that is accompanied by a system of tools that allows the IDB to design better interventions, closely monitor projects, and ensure that projects meet expected results and generate development and knowledge in priority sectors of our borrowing member countries in Latin America and the Caribbean.

PUBLIC SECTOR OPERATIONS IN 2013

The IDB approved 110 public sector projects totaling $11.9 billion in 2013. Of that total, investment projects accounted for $7.8 billion, as shown in Figure 1, more than half of which were in the transportation and social protection and Fiscal and Municipal Management sectors. The Bank also approved policy-based projects that support the design and implementation of certain policies or specific reforms. Twenty-two policy-based loans were approved in 2013, with at least one operation in every sector, accounting for $4 billion. One project under the contingent credit line for sustainability development was also approved for $100 million.

In recent years, the IDB has been adopting an increasingly multi-sectorial approach to its interventions because of the greater complexity of the region's development problems. This approach allows the Bank to take advantage of synergies and positive externalities generated by the work of multidisciplinary teams. As a result,

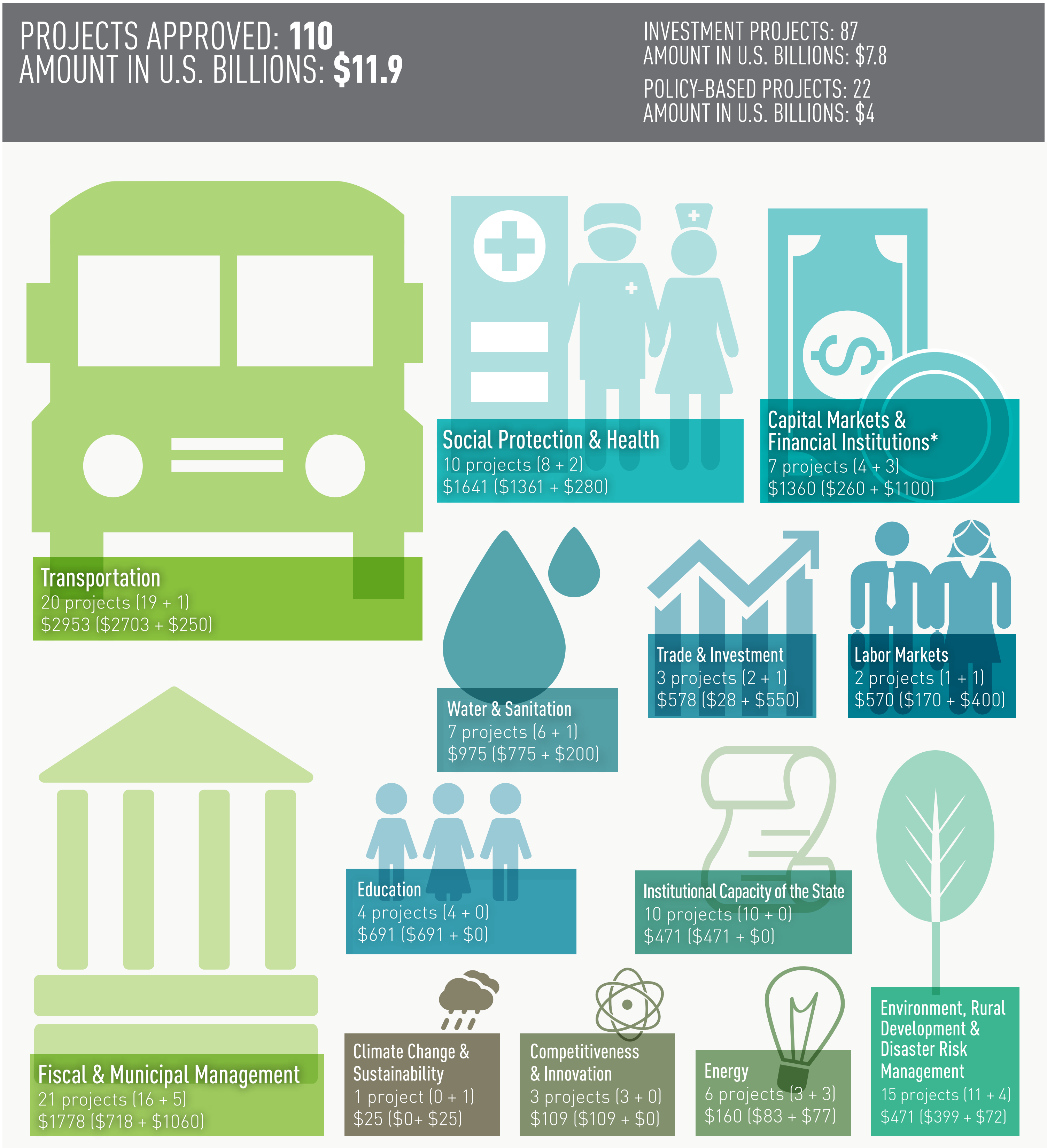
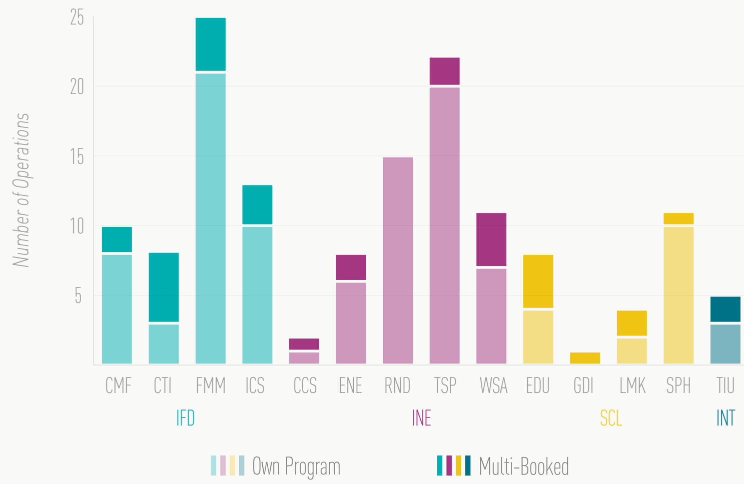


Figure 1: Public Sector Approvals by Division in 2013 (in US$ millions) • Division Total (Investment + Policy-Based Loan)

*One project under the Contingent Credit Line for Sustainability Development $100m lending volumes reported by specific divisions offer a partial view of how the IDB is allocating its resources. In this regard, it is important to note that Figure 1 shows the lending volume of the division that managed the project, without taking into account the division's possible contributions toward addressing other development challenges that are responsibility of another Bank division.

In 2013, 34 operations—29 with a sovereign guarantee (20 percent of the total approved) and five without—were the result of joint work between different Bank divisions, as shown in Figure 2. In IDB jargon, this is called "multi-booking." Such collaboration allows all divisions to combine sectorial expertise to create better projects, improving the overall quality and efficiency of the Bank's operations.



Departaments - IFD: Institutions for Development, INE: Infrastructure & Environment, SCL: Social, INT: Integration & Trade.
Divisions - CMF: Capital Markets & Financial Institutions, CTI: Competitiveness & Innovation, CMM: Fiscal & Municipal Management, ICS: Institutional Capacity of the State, CCS: Climate Change & Sustainability, ENE: Energy, RND: Environment, Rural Development & Disaster Management Risk, TSP: Transportation, WSA: Water & Sanitation, EDU: Education, GDI: Gender & Diversity, LMK: Labor Markets, SPH: Social Protection & Health, TIU: Trade & Investment.

FIGURE 2. Public Sector Multi-Booked Operations

DEVELOPMENT EFFECTIVENESS TOOLS IN 2013

The Development Effectiveness tools are enabling the Bank to program its operations based on measurable and concrete results, better monitor projects during their implementation, and improve transparency and accountability.

Our development effectiveness starts by ensuring we have a clearly-defined Country Strategy that outlines specific development challenges the country and the Bank will target. Our loan programs are then based on that strategy and both have measurable result indicators. Country Strategies define broad country-wide result indicators to which the specific results of individual projects are aligned. These are based on country specific sector notes, a key knowledge product that enhances the policy dialogue between the Bank and the borrowing countries. The contribution and attribution of the Bank's progress in the Country Strategy indicators are measured through progress in a project's indicators. This tool helps ensure that we focus on projects that will in fact contribute toward their achievement. Another important feature of this tool is that it helps ensure that our work with member countries is in line with the institutional priorities defined by our shareholders.

Of the 110 approved sovereign-guaranteed projects, 90 were aligned both to the Bank´s institutional priorities and to their corresponding Country Strategy. Seven were only aligned to their corresponding Country Strategy. Three projects were not aligned to either, but since they addressed important development gaps, they were approved by the Bank.

In 2013, the IDB approved results-based country strategies with the Bahamas, Belize, Mexico and Jamaica. With this, all the IDB's 26 borrowing member countries have in place a Country Strategy with clearly-defined results indicators.

Five years with results-based country strategies have provided valuable lessons on how to use them better as a true strategic vehicle. During this period, several challenges on their design and effective use have been identified. Among them are remaining difficulties to focalize in the most demanding developing challenges rather than including a very broad range of objectives, and that the preparation time remains lengthy. To address these and other concerns, during 2014 the Bank will be designing an improved tool.

At the project level, the DEF has three tools that ensure that they reach the desired development goals. These are: the Development Effectiveness Matrix (DEM), the Progress Monitoring Report (PMR), and the Project Completion Report (PCR). Each Bank project with a country needs to follow an evidence-based analysis that justifies the operation. Such analysis defines a group of results, outputs and outcomes indicators that must relate to the reason for the proposed intervention and its objectives. Projects must show their economic feasibility and specify how they are going to be monitored and how their impact will be evaluated.

The Bank's DEM is the main tool of the DEF for assessing how well a project in the design stage meets such

Want to know more about 2013? See the Annual Report requirements. The matrix allows us to rate all projects before approval by the IDB's Executive Board of Directors to ensure they are well designed and contain results that can be measured.

DEM scores range from 0 to 10. The aggregate score is a simple average of the scores obtained by the project in three dimensions: program logic, ex-ante economic analysis, monitoring and evaluation. Figure 3 shows the percentage of projects according to their DEM aggregate score since 2009. The table shows that overall evaluability levels have increased considerably to the point that all projects had an evaluability score greater than 7 in 2013.

It is important to highlight that the scores are not strictly comparable across years because the IDB has raised the bar to achieve a given score since the DEM's inception in 2008. As a result, the numbers in Figure 3 indicate simply a trend towards continuous improvements in the way our projects can be evaluated. If we were to take into consideration the fact that we also raised the bar in rating our projects, this trend would have been much steeper.

To better understand what lies behind this aggregate score, it is important to look into each dimension in more detail. Figure 4 shows the evolution of average scores in each of the three dimensions from 2008 to 2013. Again, the figure reveals sustained improvement, with the economic analysis category reaching the highest average score in 2013, followed by the program logic and the monitoring and evaluation dimensions.

It is worth noting the improvements in all three subcategories for program logic, in Figure 5, which assesses the quality of the diagnosis of development problems and possible solutions. The subcategories related to program diagnosis and results matrix quality on average scored over 90 percent of the maximum possible score, while the subcategory related to proposed interventions or solutions scored over 85 percent.

The economic analysis dimension evaluates the results of economic feasibility studies to establish whether the project provides reliable information regarding the soundness of the investments. It is important to highlight that all projects approved by the Bank in 2013 had their interventions based on a cost-benefit, cost-effectiveness, or general economic analysis.

By evaluating our projects at the design stage, we have created strong incentives for project teams to include rigorous evaluation methodologies to assess the effectiveness of IDB interventions. Half of the projects

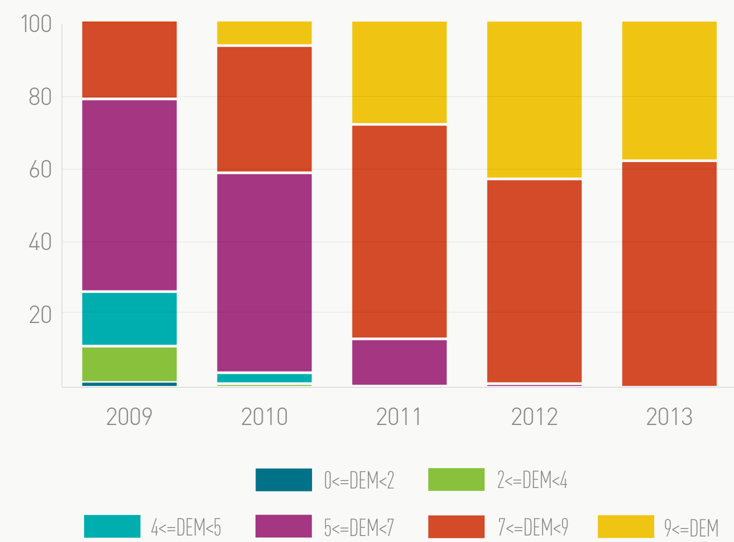


FIGURE 3: Percentage of Projects Classified DEM Scores

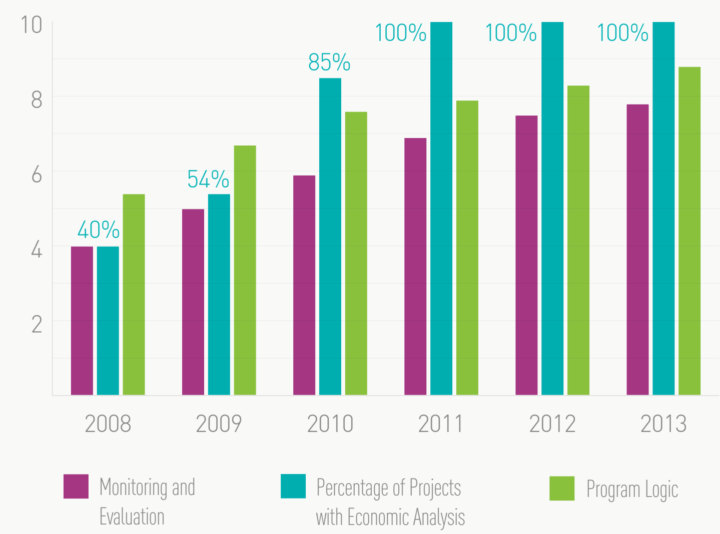


FIGURE 4: Average DEM Scores by Dimensions
Note: Since 2013 the risk management dimension is no longer part of the evaluability index.

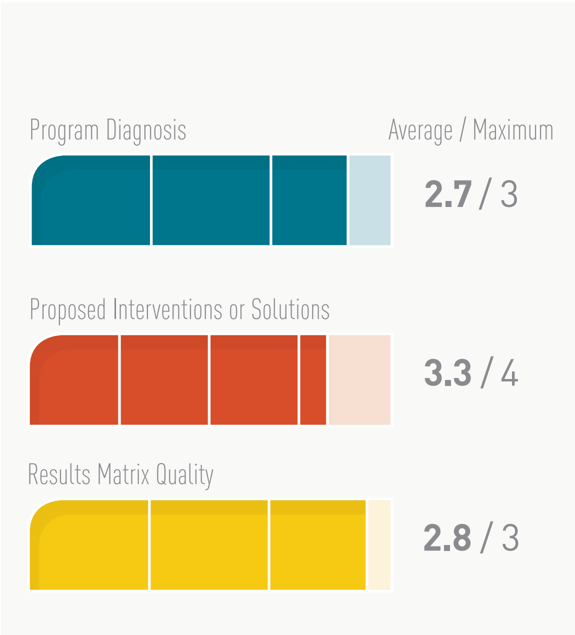


FIGURE 5: Program Logic Scores

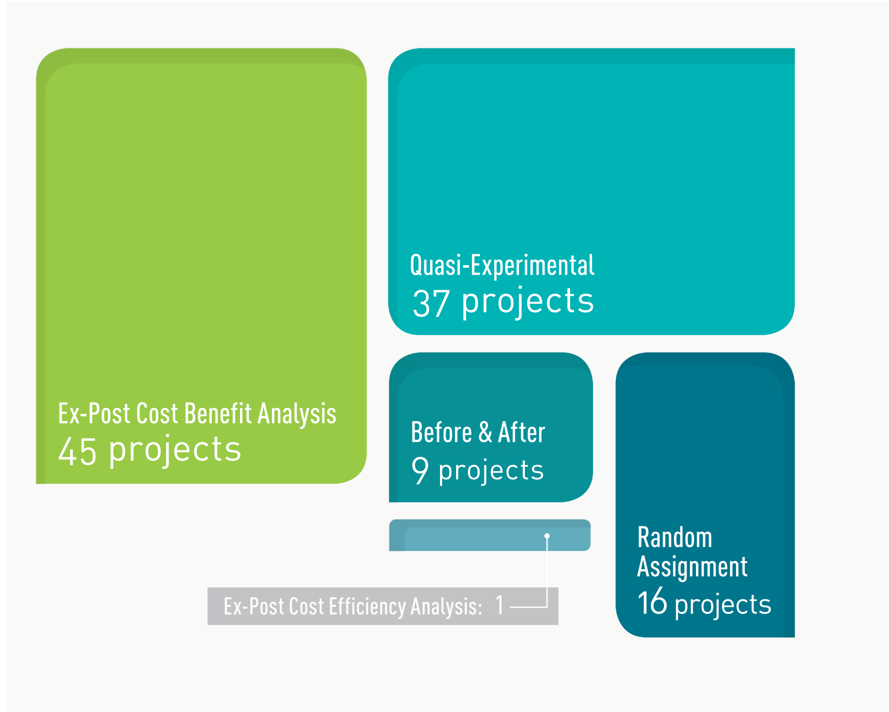


FIGURE 6: Methodologies Used to Evaluate the Impact of Interventions

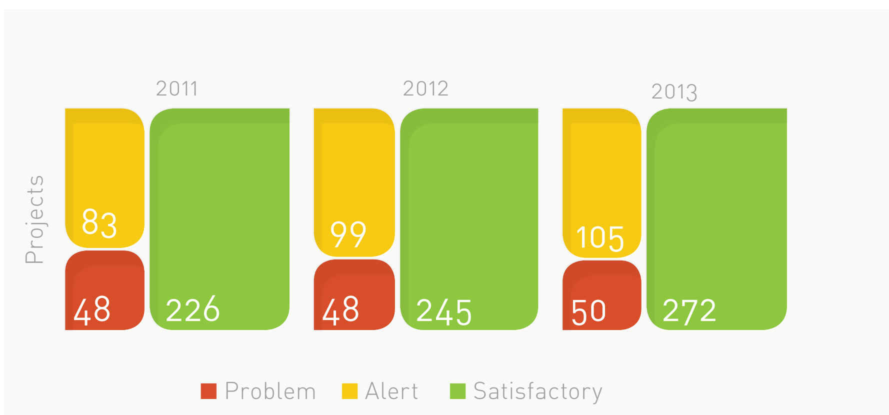


Figure 7: Performance of Sovereign-Guaranteed Investment Projects

approved in 2013 propose to use experimental or quasi-experimental methodologies to measure the effects of their main interventions. Among the remaining projects, 42 percent will use some type of ex-post cost-benefit analysis and 8 percent will use retrospective comparisons, as shown in Figure 6.

Once projects are designed, it is critical to be able to monitor their execution in order to ensure that they actually achieve their proposed goals. This is done through the Progress Monitoring Report, the second tool of the DEF, which monitors the delivery of outputs, outcomes and results, and costs over time. The report uses aggregate indicators to rate project performance. The main indicator is the Performance Indicator,[1] which assesses how much costs and schedules are deviating from the plan, rating projects as *satisfactory*, *alert*, or *problem*.

Between 2012 cycle and the 2013 cycle, the overall classification of sovereign-guaranteed investment projects improved slightly. Close to 63 percent of projects being implemented were rated satisfactory, a 1.2 percentage points increase from a year earlier. Such improvement led to a small reduction in the share of alert and problem projects, which accounted for 24 percent and 12 percent of total projects, respectively.

Figure 7 offers a brief snapshot of project performance. It is also important to look at the number of projects that improved their performance ratings from one year to another. Thirty-two percent of *problem* projects in 2012 improved their ratings by moving to *alert*, while another 11 percent improved to *satisfactory*. Improvements were also seen in projects that in 2012 rated *alert*, with nearly 35 percent of them moving to *satisfactory* in 2013.

However, ratings for a significant number of projects remained unchanged, with 53 percent of projects that were rated *problem* and *alert* in 2012 remaining in those

[1] The Performance Index captures the results from two sub-indexes: the Cost Performance Index that measures cost deviations, and the Schedule Performance Index that quantifies time deviations.

WHY DO WE CARE ABOUT ECONOMIC ANALYSIS?

No well-run company would make an investment if it didn't expect a good return. The same could be said for any development institution. We need to ensure that our projects contribute to the economic and social welfare of our borrowing member countries. To that end, before we decide to invest in any project, we need to be able to assess whether the investment will pay off in terms of development. That is the reason why all of our projects must be accompanied by an economic analysis before they can be approved by our Board of Executive Directors.

When benefits can be easily quantifiable in monetary terms, projects are required to perform a cost-benefit analysis, which allows us to measure if benefits exceed costs, an indication that the proposed intervention will contribute to welfare. When it is difficult to measure benefits in monetary terms, projects must be accompanied by a cost-effectiveness analysis, which compares the costs of different ways to produce the same development outcome. The method selected for the project is the one that generates the biggest development impact compared with the cost.

In 2013, 83 percent of all projects approved used a cost-benefit analysis. The results of these analyses are typically presented as economic rates of returns (ERR) and net present values (NPV)—the difference between the discounted economic costs and the discounted economic benefits of a project.

A project is considered economically feasible for the IDB if its ERR is more than 12 percent. The results show a wide range of ERR values from 17 percent to 32 percent.

Given the small sample size for each sector, it is difficult to draw broad conclusions about possible trends in these numbers. However, it is important to note that cost-benefit analysis can be biased due to its forward-looking nature, which may lead to overestimation of the benefits and underestimation of the costs. To address this problem, our Development Effectiveness Department carefully reviews cost-benefit analyses performed by project teams as part of the scoring process for the Development Effectiveness Matrix, by carefully analyzing the assumptions and carrying out diverse sensitivity analysis

Cost-effectiveness analysis is more appropriate for projects where it is difficult to quantify benefits in monetary terms, as that would require the use of questionable assumptions regarding future benefits. As a result, cost-benefit-analysis results for certain projects might not provide sufficient grounds to determine the project's feasibility. In 2013, the only sectors that used a cost-effectiveness analysis were the social sectors (primarily health and social protection), accounting for 7 percent of approved projects. This represents a drastic change compared to 2012, when several nonsocial sectors relied on such types of analysis even though several of the benefits could be measured in monetary terms (which would make cost-benefit analysis more appropriate). This shift reflects the Bank's efforts to increase the rigor of its economic analysis by supporting the use of cost-benefit analysis when it is more appropriate.

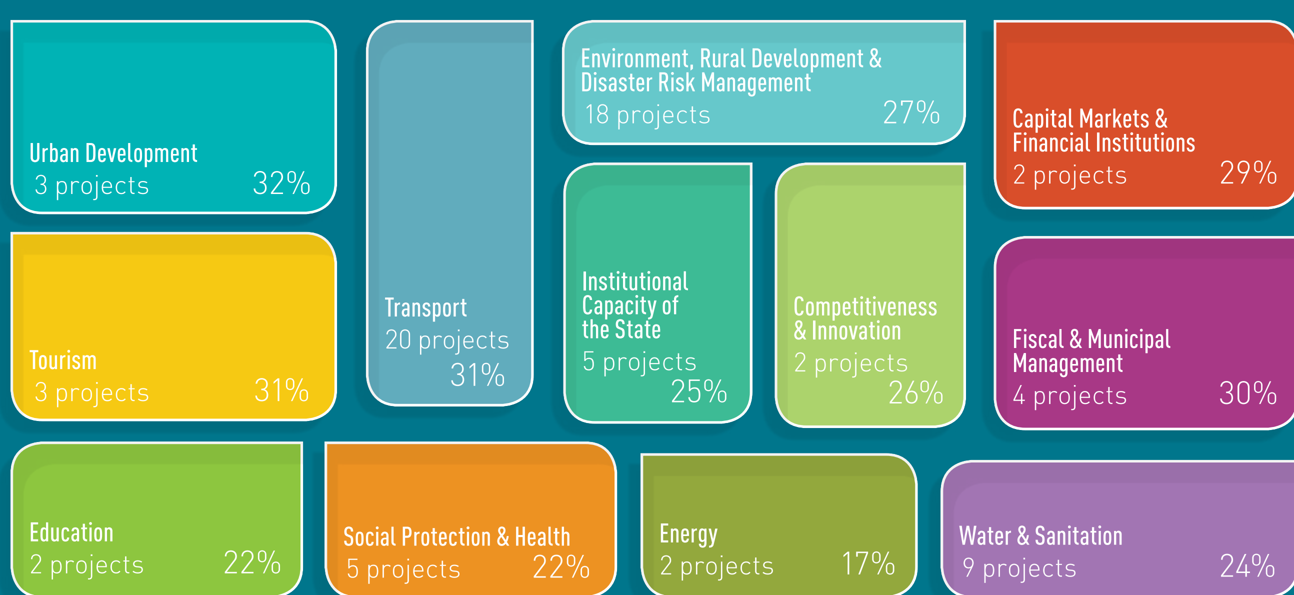


Figure 8: Economic Rates of Returns by Sector for IDB Projects Approved in 2013

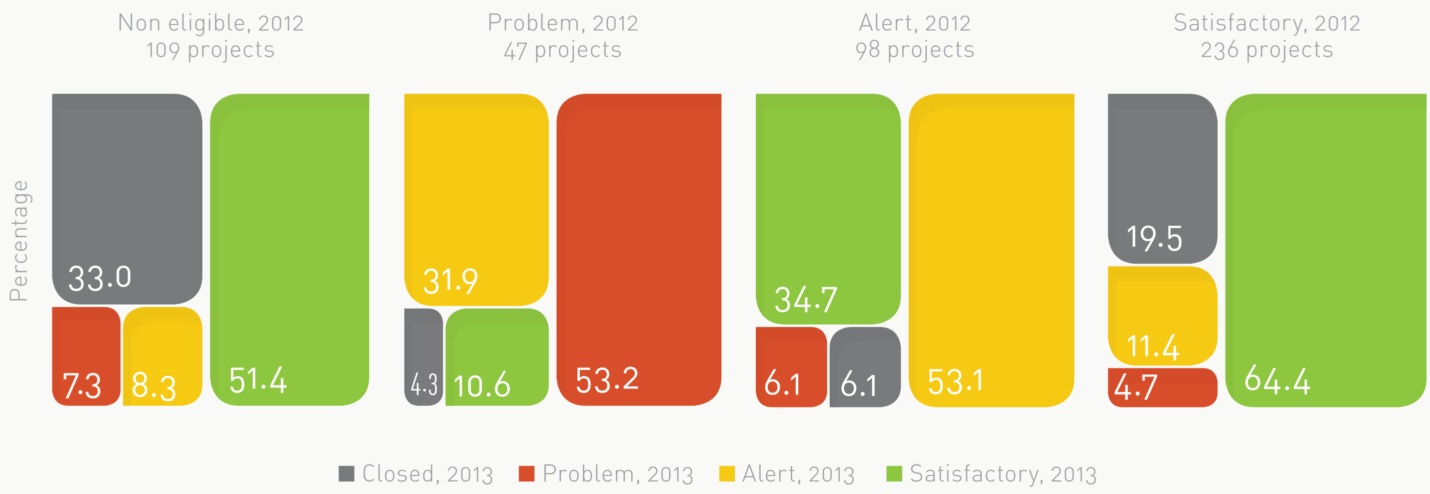


Figure 9: Performance Indicator Transition in Progress Monitoring Report 2012–2013
Note: Figure includes sovereign-guaranteed operations with valid Performance Index.

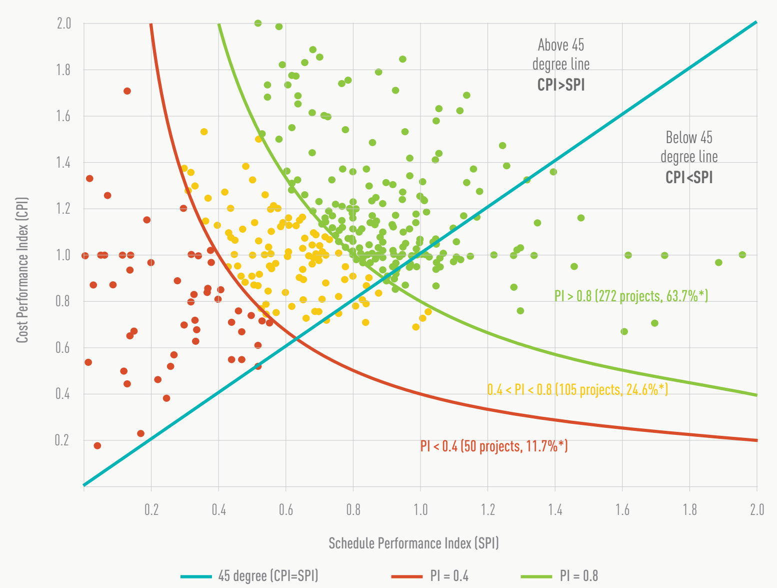


Figure 10: Cost vs Schedule Performance, 2013
* There are 22 projects that were classified as PI not valid because PI, SPI, or CPI is larger than 2 or has missing data.

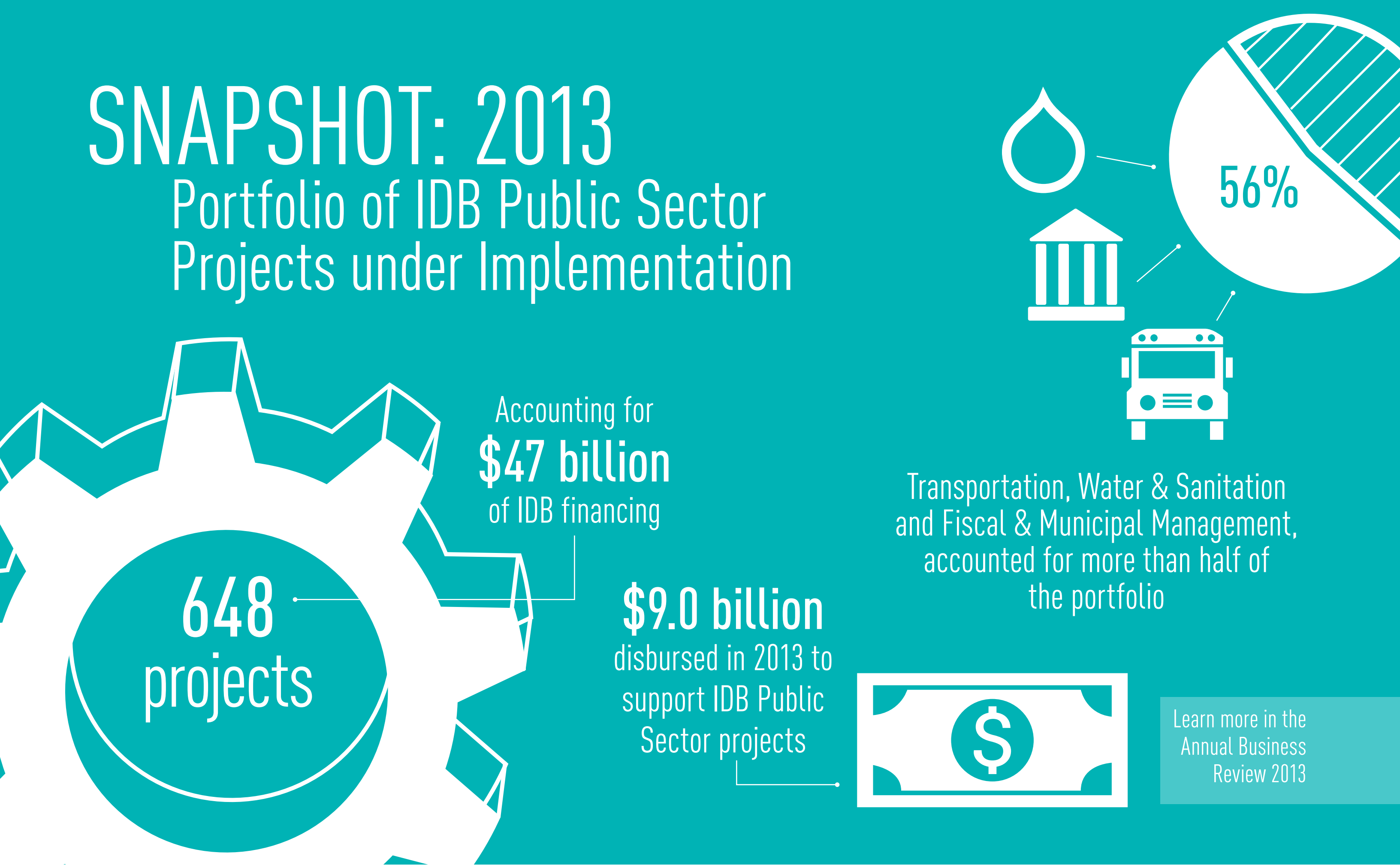
categories in 2013. Only a small fraction of projects had a decline in ratings. Eleven percent of projects rated *satisfactory* dropped to *alert* in 2013 and another 5 percent dropped to *problem*. Meanwhile, only 6 percent of projects in *alert* dropped to *problem*, as shown in Figure 9.

A large majority of IDB projects continue to perform better in terms of costs than in scheduling, as seen in Figure 10, which compares cost and time deviations. The bigger the deviation in costs the lower the Cost Performance Index on the vertical axis. The same logic is applied to the Schedule Performance Index in the horizontal axis.

Projects in the figure are grouped in three categories: satisfactory in green, alert in yellow, and problem in red. The 45 degree line shows when projects present deviations in costs and schedule. The fact that most of the projects in all three categories are located above the 45 degree line shows that delays in implementation are more pronounced than costs overruns.

Monitoring performance is at the core of our Development Effectiveness Framework and, therefore, improving it has been management's top priority. Having systematized a tool for monitoring projects since 2008 has been a great achievement. During these years we have learned that a monitoring system requires more quantitative and qualitative information to provide a more accurate view on the performance of our portfolio. For this reason, in 2013 the Bank worked to improve its PMR. The improved system will be implemented Bank-wide in 2014 and introduces the use of quantitative and comparable information to assess the delivery of outputs and the progress on the achievements of their development objectives.

The system will allow multiple partners, including executing agencies, to update information online about projects currently being implemented. It will speed up data gathering about project performance, allowing the IDB and its partners to more rapidly detect and fix problems affecting projects. In addition it combines information from other Bank management systems, generating a new set of comparable indicators that enable the IDB to measure the level of disbursements over



time against other projects being implemented in the country, compare actual and planned costs and delivery times for outputs, and track the delivery of project outputs over several periods of time.

Once a project is completed the IDB conducts a self-evaluation to assess whether it met expected results. These evaluations, known as Project Completion Reports (PCRs), are the third DEF tool. The Bank approved 60 PCRs in 2013, accounting for 78 percent of all operations that required self-evaluations upon their completion in 2012. Of this total, 17 percent were ranked as *highly probable* in terms of achieving their development objective, 71 percent as *probable,* and 12 percent as *low probability* or *improbable*.

Similar to the PMR the Bank focused in 2013 on improving the PCR so they can become a more effective instrument to evaluate projects with objectivity, transparency, and firmly-grounded evidence. The changes being implemented also respond to recommendations from our Office of Evaluation and Oversight, which pointed out that most PCRs presented little empirical evidence as to whether promised results were actually delivered or whether our interventions generated the desired or expected impacts.

The technical guidelines we are developing for the PCR will turn it into an instrument that allows the Bank to systematically incorporate lessons learned about projects and continually enhance its development effectiveness. To do this the PCR will contain a series of indicators and document concrete results that will allow anyone interested in our work to know whether or not we did a good job.

In 2013, the improved report was piloted. The pilot included 13 projects, representing 65 percent of the sectors that benefit from IDB lending. The group included projects financed by different types of IDB loans such as policy-based and investment loans. By choosing a diverse group of projects and instruments, we sought to gather enough feedback to ensure that our technical guidelines can be applicable and useful to all Bank projects.

In 2014, we will be adjusting the technical guidelines based on the experience from this pilot initiative, and we expect to roll out the new tool in mid-2014. The new guidelines are expected to enhance transparency and accountability at the Bank, serve as a learning tool to develop better country strategies and interventions, and improve implementation of our projects.

DEVELOPMENT EFFECTIVENESS OF NON-SOVEREIGN GUARANTEED OPERATIONS

The private sector is not only important for fostering economic development and achieving higher economic growth, but it is also a key vehicle to reducing poverty and creating opportunities for individuals. Promoting development through the private sector has therefore been an important element of the Bank's support for Latin American and Caribbean countries.

There are different ways to support the private sector. This can be done either through direct interventions that ease some of the main challenges that constrain their healthy growth, or through indirect interventions aimed at fostering the environment for their better performance. The IDB has actively pursued both tracks, combining sovereign guaranteed (SG) operations channeled through the region's governments as well as non-sovereign guaranteed (NSG) interventions through the engagement of private actors.

In its private sector interventions, the IDB has focused on supporting underserved markets (SMEs), underfunded sectors (financial services, infrastructure, base of the pyramid), and sharing knowledge and measuring its results.

PRIVATE SECTOR OPERATIONS IN 2013

The Bank supports private sector projects through its Structured and Corporate Finance Department (SCF), in charge of large-scale projects, and its Opportunities for the Majority Sector (OMJ), which invests in business models that can be scaled up and benefit the Base of the Pyramid in the region.[2] In 2013, the IDB approved 58 private sector projects for a total of $2.1 billion up from $1.5 billion in 2012. Figure 11 provides a breakdown of the 2013 approvals by their respective IDB divisions.

[2] The IDB Group also supports private sector projects through the Inter-American Investment Corporation and the Multilateral Investment Fund, which complement the Bank's products and services to the private sector by focusing their operations on supporting the development of micro, small, and medium-sized enterprises.

Figure 11: Private Sector Operations Approved in 2013
Note: One MIF project approved as a Private Sector Loan for $1.8 M is included.

DEVELOPMENT EFFECTIVENESS TOOLS IN 2013

The Bank's private sector operations are structured and monitored for their financial performance and development outcomes. Annual supervision reports produced for each of the projects in the portfolio contain information about their creditworthiness, operational performance, development indicators, and compliance with contractual covenants, environmental safeguards, and performance targets.

The tools for designing, implementing, monitoring, and evaluating the development results of private sector projects have been evolving since they were first established in the mid-2000s. During this period, several steps have been taken to gradually adapt these tools and mechanisms to improve our development effectiveness standards while addressing the needs of our clients. This process is ongoing and is a critical building block of the proposal to consolidate the activities of the Inter-American Investment Corporation (IIC), the Multilateral Investment Fund (MIF), OMJ and SCF into one entity that will be in charge of the entirety of the Bank's private sector activities. Such consolidation is fundamentally about changing the things we do and the way we do them in order to enhance the development effectiveness of the operations with the private sector.

In order to better measure evaluability, outcome measurement, monitoring, and self-evaluation, the IDB Board of Directors approved a new Development Effectiveness Matrix, to evaluate projects during their design phase. This DEM for our non-sovereign-guaranteed operations is part of a comprehensive development effectiveness toolkit to be fully implemented in 2014 that is designed to sharpen the focus on development results while streamlining processes and creating an integrated data management system.

This toolkit will closely resemble the Development Effectiveness Framework of sovereign-guaranteed projects, with differences that are explained by the different characteristics of the clients and the approach of the operations themselves. The toolkit uses a robust platform to manage information, enabling the Bank to build a comprehensive database for development results generated by its projects with the private sector. It will also pave the way for better reporting and closer tracking of results, allowing project teams to detect what is not working and make adjustments to projects whenever feasible.

The tool also contains elements designed to minimize the reporting burden on clients, allowing them to report directly to the Bank through a client web interface. It uses indicator nomenclature and definitions that are harmonized with those of other development financial institutions.

At the end of 2013, there were 175 projects in the IDB's private sector portfolio, totaling a record $6.03 billion of outstanding balance. Most of the portfolio volume is in the energy and financial market sectors. A total of $2.2 billion was disbursed for non-sovereign guaranteed projects in 2013, up from $975 million in 2012.

In 2013, the Bank carried out annual monitoring of development results being achieved by private sector projects at the end of 2012. The results are scored using a ranking system that ranges from excellent to unsatisfactory. It is important to note that 92 percent of the reviewed projects scored satisfactory, good, or excellent. Figure 12 summarizes project scores by sector from the Structured and Corporate Finance Department and Opportunities for the Majority Sector portfolios.

Like other multilateral development organizations, the IDB performs annual self-evaluation reviews after private sector projects are completed. The list of projects evaluated each year is selected by the Office of Evaluation and Oversight (OVE), which also provides a validation of each rating and makes recommendations to the Bank's management and Executive Board.

In 2013, the Bank completed its fifth self-evaluation exercise, reviewing nine projects, including five projects with commercial banks. This set of projects scored well on profitability (100 percent were positive), work quality (67 percent positive), and additionality (56 percent posi-

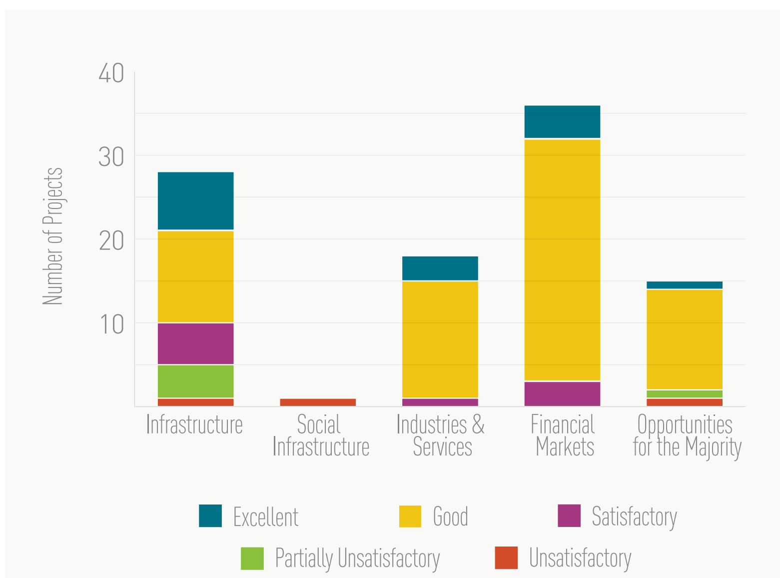


Figure 12: NSG Scores by Sector

tive), but underperformed on project development outcomes (just 33 percent positive), in large part reflecting less than satisfactory business performance combined with a lack of evidence on economic and social impacts. This highlights the need to improve project design so that results can be properly measured, a problem that the new Development Effectiveness Matrix and toolkit will help to address starting in 2014.

MEASURING RESULTS: OPPORTUNITIES FOR THE MAJORITY

The Opportunities for the Majority is the only sector inside a multilateral institution exclusively focused on helping develop industries capable of serving the basic needs of the base of the pyramid. The success of this endeavor depends on our ability to implement best practices and disseminate success stories as well as failures. It can help companies develop better business models for the base of the pyramid and also help mobilize impact-investing resources for this nascent industry.

To show results effectively and efficiently, OMJ has deployed the Pulse system since 2011, a cloud-based tool designed to track all projects from inception upon the approval process at the IDB to implementation on the ground, when the client company or executing agency starts to periodically report the results achieved. OMJ uses a list of standardized metrics on financial and social performance (IRIS) and provides training to its clients on these metrics. Clients are contractually bound to quarterly report on their results. OMJ is then able to have updated data at its disposal on project performance throughout the year, giving the unit a clearer picture of the status of its portfolio and contributing to the department's strategic decisions.

TRACKING GENDER INDICATORS

OMJ has tailored IRIS to measure progress on specific development objectives defined in its mandate. For example, it contains indicators to measure the benefits its interventions generate for female beneficiaries, holding both clients and the IDB accountable for their commitments to inclusion. Through the use of these indicators, OMJ is better equipped to identify potential gender gaps that could be addressed.

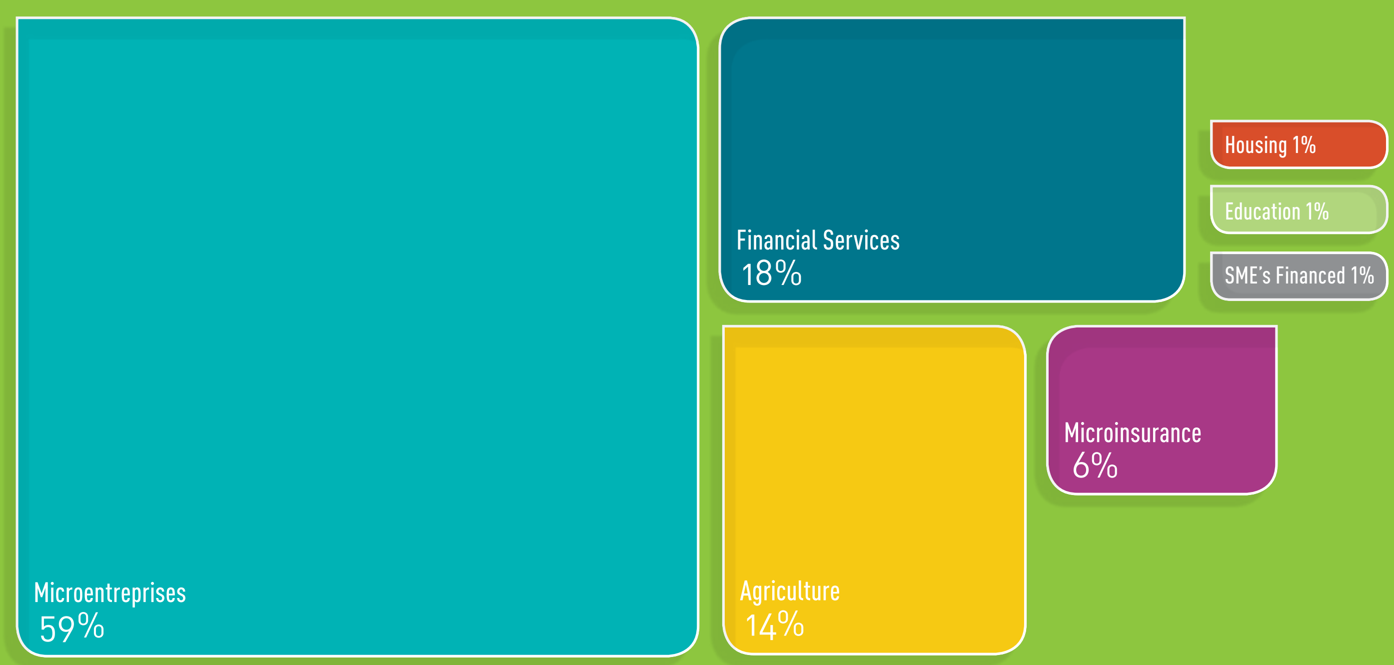


Figure 13: Percentage of Female Beneficiaries by Sector

MANAGING IMPACT EVALUATIONS STRATEGICALLY

Achieving higher living standards is a perennial aspiration of any society, and one that drives governments to spend ever-scarce resources on infrastructure, promote productive activities and deliver social services like health and education amongst others.

This is a noble objective–but good intentions don't always ensure that we reach our goals. Governments and citizens must also discern whether they are reaping the full benefits from their investments of public resources. This is not only a matter of transparency and accountability but also of effectiveness: limited resources should be invested where they can generate the greatest benefits.

Impact evaluations are an important tool for measuring whether resources are used effectively and efficiently in the development process. They allow countries and organizations like the IDB to determine to what extent development objectives are actually achieved, and to detect and address unintended consequences. Properly designed, impact evaluations can also shed light on why programs work and how to make them better. As such, they are a valuable tool to inform, design, adapt, and implement development interventions. Furthermore, the lessons learned in one program can also benefit other countries or institutions working on development globally.

Impact evaluations establish a causal link between an intervention and an outcome by teasing out the intervention's contribution from other external factors. This approach to evaluation is unique in its ability to quantify and attribute impacts. But carrying out an impact evaluation successfully can be a complex process requiring strong commitment of all parties involved. Qualified professionals to closely supervise and properly manage practical and logistical hurdles, as well as to collect specific purpose data and to carry out analytical and computational work are required. Such an endeavor can be costly, particularly if sensitive data need to be collected and so impact evaluations, despite their importance, often stretch the means of cash-strapped governments.

Since the IDB introduced its Development Effectiveness Framework in 2008, the Bank has approved 196 projects in the public sector and 3 in Opportunity for the Majority that planned to use an impact evaluation. 27 percent of those decided not to conduct the evaluation, changed the selected methodology or, as of now, are in standby. In addition, 11 projects changed the evaluation methodology from reflexive to experimental or quasi-experimental after the approval, with 8 of them currently being conducted.

FIGURE 14: NUMBER OF PROJECTS WITH IMPACT EVALUATIONS BY SECTOR

Of the 154 that continued with the planned evaluation, 77 are in the design phase, 67 are being executed, and 10 have been concluded. 35 percent of the evaluations follow experimental methods and the rest conduct them using quasi experimental or other methodologies.

Since 2008, the importance of evaluating the impacts of our operations has been growing in the IDB's DNA. Now that the evaluation seed has been planted, and given their cost and complexity, we need to move up another step and become more strategic in our evaluations. For the IDB, this means prioritizing staff time and money on evaluations that can make a meaningful contribution to the development knowledge base and, especially, to the development challenges faced by our borrowing member countries.

The IDB is committed to continually learning from impact evaluations and sharing this knowledge with our borrowing member countries and the international community facing similar challenges. Decades of development practice by governments and international organizations have shown that the price of ignorance is steep. As we move forward, impact evaluations complement other monitoring and evaluation tools to help enhance the evidence base for development. The box that follows explains more about how the IDB's supported impact evaluations are helping to ensure effective social and economic development in the region.

Why Conduct Impact Evaluations?

To Be Accountable:

Impact evaluations measure how effective interventions are.

To Back Policy Decision with Facts:

Policymakers can use evidence from impact evaluations to gain support and funding for interventions, expand existing interventions that are effective, and redesign or close out interventions that are ineffective.

To Be Transparent:

Impact evaluations help keep key stakeholders informed about the effectiveness of public funds, including informing donors, the media, and civil society.

To Improve Management:

Impact evaluations can be powerful management tools that enable programs to test innovative approaches and maximize impact.

To Boost Development Cooperation:

Impact evaluations provide evidence about the effectiveness of interventions, thus contributing to guide the allocation of scarce resources by donors and others, thus improving development policy on a global level.

To Learn What Works:

Impact evaluations are the most effective mechanism to verify if the interventions designed reach their objectives in the best possible way. It not only measure if projects accomplish their goals, but also serve as a mechanism to learn about the way that interventions are delivered.

WHAT WE LEARNED

CASH TRANSFERS PROGRAMS

Cash transfers are one of the most widely evaluated interventions, with much of the international evidence in lower and middle income countries coming from Latin American and the Caribbean. The current cohort of IDB supported evaluations contributes to our understanding of how these programs work differently in urban and rural areas, how to design incentive schemes more effectively, and the impacts of cash transfers on maternal-child health and to reduce teacher attrition in hardship areas. Cash transfer programs are a dynamic platform for testing innovative solutions to reduce poverty and build human capital and we expect many more exciting learning opportunities in the years to come.

Strengthening Mexico's Oportunidades Human Development Program in Urban Areas

This series of evaluations was geared toward increasing the effectiveness in urban settings of Mexico's conditional cash transfer program known as *Oportunidades*. Previous evaluations showed a significant development effectiveness gap in the program between rural and urban settings. Lower urban effects were associated with mirroring the successful rural design of *Oportunidades* to localities where child obesity and high school dropouts were the main development challenges instead of the problems of under-nutrition and primary school dropouts that drove the rural design. The evaluations demonstrated the cost-effectiveness of an alternative urban nutrition supplement that reduces anemia by 7 percentage points in children from 6 to 59 months old without the side effect of weight gain of traditional supplements. They also showed that budget-neutral variations in the structure of urban school transfers could lead to positive effects. Eliminating primary school transfers and increasing lower and upper secondary school transfers by 25 percent, in urban settings, would have no negative impact at the primary school level, and could reduce school dropouts at higher school levels by approximately 6 percentage points, although this positive effect varied among beneficiary groups. Paper forthcoming.

Read the paper on Colombia's Conditional Cash Transfer Program

Expansion of Colombia's Familias en Acción Conditional Cash Transfer Program – Phase II

This evaluation analyzed the impact on nutrition, health, and education of a cash transfer program in Colombia known as *Familias en Acción*. The evaluation constituted a long-term assessment of the program in terms of the accumulation of human capital in municipalities of less than 100,000 inhabitants. It concluded that the program increased the height of children between 9 and 12 years of age by 0.16 standard deviations. It also showed that the program reduced chronic malnutrition of children between 9 and 15 years old by 6 percent. However, obesity in children between 9 and 12 years increased by 5.6 percentage points. The program had a positive impact on the management of food when children suffer acute infectious diarrhea—the probability of providing the same quantity of food to those who are sick increased by 48 percent. Finally, the program had a positive and strong impact on education. Among young adults (18+) in rural areas, the probability of graduation increased by 64 percent and years of schooling rose by six months. The conclusions of the impact evaluation led to a change in the amount and structure of subsidies in order to strengthen the program. Municipalities are now divided into four groups based on their social development, and subsidies now increase as students advance by school grade in order to reduce the opportunity cost of studying.

Building Social Equity through Mexico's Community Education Program – Phase II

In remote villages of rural Mexico, one of the biggest challenges to improve the quality of education is to decrease the attrition rate among teachers. Mexico is looking to enhance its incentives to retain teachers in its Community Education Program after a baseline survey conducted in cooperation with the IDB identified reasons why teachers leave. Those reasons include difficulties adapting to life in the community where they've been assigned, and a stipend that is insufficient to cover living expenses. The evaluation aimed to better understand teacher attrition, with a focus on the process of adaptation in the community and the role of the stipend in attrition. The analysis resulted in several important policy recommendations. First, efforts to reduce teacher attrition should concentrate at the beginning of the school year and in municipalities with difficult conditions in terms of geography and low access to services. Second, teacher training should include techniques to adapt to teaching and living in communities where food, shelter, and transportation may be rudimentary. Third, to the extent possible teachers should be assigned to localities closest to their homes and teacher preferences in terms of postings should be honored. Fourth, payments should be made in lump sums while teachers are in service, without retaining funds as incentives to stay, and transportation expenses should be covered separately. Finally, the evaluation recommended improving communication and monitoring with communities in order to ensure that basic conditions for the teachers remain in place, including safety, health and sanitation, and social interaction. Paper forthcoming.

PROMOTING PRODUCTIVE ACTIVITIES

The four evaluations of production development programs assess the effectiveness of matching-grants in fostering technology adoption, innovation and, ultimately, production efficiency. The evaluations confirms that this instrument effectively induce beneficiaries to increase their innovation efforts and to adopt practices that can increase their productivity. These results notwithstanding, more evidence is still needed to fully assess the cost-effectiveness of such instruments depending on the specific design (including targeting), country and sector.

Read the paper on Panama's Multiphase Technological Transformation Program

Panama's Multiphase Technological Transformation Program – Phase I

This evaluation examined the effectiveness of technology development funds by analyzing the impact of matching grants provided by Panama's National Secretariat for Science, Technology, and Innovation (SENACYT). The grants support innovation initiatives by Panamanian firms. Taking advantage of the first Panamanian Innovation Survey, the evaluation analyzed the effect of receiving support from SENACYT on both the likelihood of undertaking innovation and R&D activities and on the magnitude of the investment in these activities. The evaluation showed that the program helped beneficiary firms increase their investment in innovation and R&D three and four times over, respectively. It also allowed 30 percent of the beneficiaries to engage in innovation and R&D activities for the first time. Because of data limitations the evaluation could not assess the medium- and long-run effect of the program in terms of productivity and adoption of new products and processes. However, the findings provide further evidence on the effectiveness of matching grants in fostering innovation, adding the case of a Central American economy to the existing literature for the first time. The evaluation put forth a series of policy recommendations, with a focus on information collection and production of indicators.

Financing Investment Projects and Productive Restructuring for Business and Export Development in Colombia

Government-owned development banks can play a crucial role in channeling public funds to firms with little or no access to credit despite their good business prospects and management. Two IDB impact evaluations of Colombia's Bancoldex, a second-tier development bank that has received IDB funding through two loans, provide evidence of such a role. Using highly disaggregated lending and firm data, the studies analyzed the impact of Bancoldex lending on access to credit and economic performance of beneficiary firms over the past decade. The first study found that firms tapping Bancoldex credit lines got loans with lower interest rates and longer maturities than other firms. Moreover, beneficiary firms expanded their credit relationships with other financial intermediaries, enjoying better credit conditions well after receiving Bancoldex credit. The second study found that beneficiary firms in the manufacturing sector increased output, employment, investment, and productivity within the first four years after they got their first Bancoldex loan. The effects were large, ranging from around 20 percent for employment and productivity to 30 percent for output. The results show that Bancoldex offers some "additionality" beyond simply substituting credit that private sources would be willing and able to offer under similar conditions.

Read the story on Bancoldex Lending and Green Financing on page 108.

Agricultural Development in Uruguay

This evaluation focused on the Uruguayan Livestock Program (ULP) designed to improve management and production practices among livestock producers. Between 2007 and 2010, the program co-financed around 1,300 business plans proposed by individual producers. Although the program supported the adoption of a wide range of practices, the vast majority of plans ended up focusing on livestock reproduction. For this reason, the evaluation analyzed two key indicators of reproductive efficiency, namely calf production and calf sale. Using an eight-year panel constructed by combining data from the Uruguayan livestock traceability system with a registry of ULP participants, the evaluation found that the ULP on average increased calf production by between 11.36 and 15.3 calves and increased net calf sales by 4.35 calves. These results notwithstanding, the evaluation showed that the program's internal rate of return is quite sensitive to how benefits are measured—positive and large when the value of production is used, but very limited when using sales. This suggests that the program's overall economic impact may have been rather modest.

Read the paper on Agricultural Development in Uruguay

Integration of Small Producers into the Wine Production Chain in Argentina

This evaluation examined the matching grant component of a project to foster the integration of small producers into the Argentine wine value chain. The project supported coordination activities, co-financed initiatives by small producers, and strengthened institutions in the value chain such as the representatives of small and medium-sized wine growers and a network of wine development centers. It also targeted producers with low productivity, lesser-quality grapes, limited access to technical assistance and markets, and low bargaining power—all features that limit the potential contribution to the value chain. The matching grants specifically supported small producers who undertake investments in anti-hail nets, irrigation systems, machinery, and other vineyard improvements. The evaluation found that the program increased the productivity of beneficiaries by 7.9 percent. The use of anti-hail nets had a particularly significant effect, with increases in production and productivity of around 35 percent. Unfortunately, data limitations did not allow for estimating the impact of the matching grants on grape diversification and the adoption of high-value grape varieties, two expected effects that would have furthered signal improved integration into the value chain. The analysis of these effects will be the topic of an extension of this evaluation.

Read the paper on Integration of Small Producers into the Wine Production Chain in Argentina

OTHER SOCIAL SERVICES

The following impact evaluations have lessons from education, nutrition, social protection and labor market programs. These evaluations contribute to learning about the effectiveness of different service delivery models, and reveal some surprising unexpected impacts. Impact evaluations can play an important role in identifying aspects of interventions that require strengthening as well as unintended consequences, both positive and negative.

Education Equity in Bogota, Colombia

The main purpose of Bogota's Education Equity Program was to build schools known as *megacolegios* in poor neighborhoods on the outskirts of Bogota. The facilities included multi-functional classrooms, state-of-the-art libraries, laboratories, and sports facilities. Between 2008 and 2012, *megacolegios* were built in 15 poor communities with funding from an IDB loan. For the purposes of the impact evaluation, these communities were matched with a similar number of communities that were not served by the project but had comparable characteristics (location, socioeconomic characteristics, and schools' internal efficiency). Using administrative data and an ad-hoc survey capturing current and retrospective information, the evaluation found that students at the *megacolegios* had higher grade promotion rates, lower dropout rates, and higher school graduation rates than those at the comparison schools. In terms of academic performance, however, standardized test scores showed no statistically significant differences between students at the *megacolegios* and at comparison schools. One issue of concern revealed by the evaluation is an increasing prevalence of school bullying, verbal violence, and vandalism, which were found to be slightly higher at the *megacolegios*. Paper forthcoming.

Read the paper on Improving Child Nutrition Services in Bolivia

Improving Child Nutrition Services in Bolivia

In the 8th district of the city of El Alto, 23 percent of children under 4 suffer from stunting, a symptom of chronic malnutrition. Despite the availability of affordable and nutritious foods, many families in the area have poor diets. Starting in 2008, the Community Nutrition Project trained mothers how to better feed their children, provided them with nutritional supplements, and collected health-related data such as weight and height. The intervention also included group cooking classes using fruits and vegetables bought on the city's streets, as well as community meetings to talk about nutrition, domestic hygiene, and other health-related topics. The impact evaluation compared children in households in the intervention area with ineligible neighbors based on the program's well-defined geographic boundary. It showed that community health agents successfully delivered services to the targeted population. Mothers increased their knowledge of nutrition and health habits and were more likely to have received micronutrient supplements. However, greater awareness failed to trigger a change in eating habits and correct use of micronutrients, and children who took part in the program were no less likely to be stunted than children in the comparison group. A strengthened version of the intervention incorporating innovative behavioral change strategies will be rolled out under an experimental evaluation framework in early 2014.

Support for the Dominican Republic's Social Protection Program – Phase I

This evaluation examined the effectiveness of reinforcement messages aimed at promoting behavioral changes in poor households regarding education in the Dominican Republic. Texting 10 reinforcement messages over 10 consecutive weeks increased student enrollment by 3.2 to 3.8 percentage points among the school-aged population between 5 and 21 years of age. The messages also reduced primary school student absenteeism during the second school semester by 2.5 to 2.7 percentage points. Sending 10 reinforcement messages via e-mail during the same intervention period reduced primary student absences in the second semester by 2.4 to 3.2 percentage points. Voicemail messages also had a consistent impact on behavioral changes within the household, including a 7 percentage point increase in the number of students who dedicate more than one hour a week to homework; a reduction of 2.5 to 3.5 percentage points in the school-age population that engages in some income-generation activities for the home, and a reduction of approximately one hour in the total hours per week that they work; and an increase of 4 percentage points in the number of older siblings helping students with their homework. This brief study presents evidence to justify more comprehensive studies about how reinforcement messages can promote social objectives that benefit poor households. The findings suggest that implementation of a message platform directed to household beneficiaries of social programs could strengthen the effectiveness of social protection policies.

Read the paper on the Dominican Republic's Social Protection Program - Phase I

Program to Support the National Employment System in the Dominican Republic

Read the paper on the Dominican Republic's Program to Support the National Employment System

The Youth and Employment Program in the Dominican Republic trained youth at risk in technical skills and provided them with the opportunity to gain job experience. Training activities were split into three parts: a life skills training module (75 hours); a vocational training module (150 hours); and an on-the-job training module in a private company for three months. According to the impact evaluation, in terms of labor outcomes the program helped beneficiaries find better jobs, with a positive impact on job formality for men of about 17 percent and an increase of 7 percent in monthly earnings among those employed. The program also reduced the probability of teenage pregnancy by 6 percentage points (to 48 percent), with a stronger effect on young and single women and those who were already mothers The channels through which the program seems to affect teenage pregnancy are psychological well-being and expectations. The program also helped young people acquire more general skills such as responsibility and teamwork that will generate greater opportunities for them in the future.

Failure

WHY WE NEED TO EMBRACE IT

In the business world legends have been created out of some spectacular failures. History is full of examples. Entrepreneurs such as Henry Ford and, more recently, Steve Jobs, failed several times before they were able to build successful businesses. However, in the development world, even though we understand the importance of learning from our mistakes and failures, we are still timid about openly discussing what did not work as expected.

OF COURSE, TALKING ABOUT FAILURE IS NEVER EASY,

because it often involves pointing out your mistakes as well as the mistakes of others. This becomes even more difficult and sensitive when, as in the case of economic and social development, the work involves many stakeholders, ranging from donors and governments to development institutions and civil society organizations.

Still, however painful it may sometimes be for all those involved, this is the type of critical conversation in which healthy institutions must engage. For the Bank, it not only helps us improve performance and innovate, it also helps our member countries and partners identify best practices to improve execution of ongoing projects and enhance preparation of future interventions and policymaking. Talking about failures is not an end in itself, it is simply one tool to constantly improve our ability to generate systemic change in order to attain our overarching goal: to help the IDB and the countries of Latin America and the Caribbean implement the best development programs possible for every penny invested.

> "Failure happens all the time. It happens every day in practice. What makes you better is how you react to it."
>
> — Mia Hamm, former U.S. professional soccer player

In recent years, the IDB has made deliberate efforts to document and disseminate the lessons learned from its own experiences as well as those of its member countries (see Managing Impact Evaluations Strategically on page 18 or go to our website). The aim has been to identify what has worked and what has not in the pursuit of effective, inclusive, and sustainable development. During 2013, sector and country teams across the Bank have discussed their experiences in preparing and executing projects in the Bank's portfolio and identified decisions or circumstances that are facilitating or impeding effective implementation. The teams have examined the changes that had to be made to project designs and the solutions adopted—successful and unsuccessful—to overcome specific challenges during implementation and a view to finding common problems. Such analyses provide important insights that exceed the scope of an individual project and may benefit sector-wide interventions.

In the sections that follow, we share some of the insights and recommendations that have emerged from these discussions about IDB projects in education (here focused on institutional strengthening), citizen security, labor markets, urban development and housing, water and sanitation and health.


To the Next Level

REFORMS AIM TO DEVELOP A SEAMLESS EDUCATION SYSTEM CAPABLE OF FOSTERING LIFE-LONG LEARNING

EDUCATION-INSTITUTIONAL STRENGTHENING

THE CHALLENGE

Although Latin America and the Caribbean have improved access to education at all levels in recent years, particularly for the poor, international assessments show that students are not learning as much as their peers in other countries. Low learning levels greatly affect the accumulation of human capital, productivity, and long-term development. Countries in the region rank at the bottom in the Program for International Student Assessment (PISA), so not surprisingly, not one country from the region is in the top 20 percent of the World Economic Forum's 2013 Competitiveness Index.

OUR APPROACH

For a long time, IDB support focused on expanding and improving education systems, including significant investments in school infrastructure to meet social demands to improve coverage. Even though such investments still account for more than half of our current portfolio, since 2007 the Bank has financed an increasing number of projects aimed at improving student learning. This reflects a greater awareness by our member countries of the need to couple increases in quantity with improved quality of education. The IDB has promoted programs to improve early childhood development, teaching quality, and school-to-work transition. More than two-thirds of our financing in this area has been directed to the poorest and most vulnerable countries, which generally face greater management and institutional challenges.

Since interventions in education are often complex because of their scale and the fact that numerous different factors can affect learning outcomes, it is imperative to strengthen public institutions to ensure technical and operational capacity to achieve sustainable improvements. To this end, the Bank has conducted an in-depth review of its active education portfolio to better understand its role in capacity building and, most importantly, to draw lessons to improve future operations.

Learn more about educational overhauling reading **To the Next Level** on page 73.

WHAT DID NOT WORK AS EXPECTED?

Failure and Solution #1: The Bank has not done enough to support education reforms and changes in organizational frameworks, measures that could help countries develop and implement better policies and ensure the long-term sustainability of several projects financed by the IDB. For example, instead of strengthening the monitoring and evaluation capacities in the ministry to effectively measure student learning, our interventions have often focused on financing specific organizational units to implement a project, such as upgrading information systems and training personnel. The reason for this failure is, in part, historical. Strengthening the institutional and policy framework of an education system had not been a priority in the Bank´s dialogue with member countries, a situation we now have to address.

Failure and Solution #2: In the past, the Bank worked with its government counterparts to design and implement effective education projects, but did so without engaging with non-government stakeholders. As a result, several activities encountered resistance from affected groups, such as teacher unions, parent organizations, schools, students, and the community in general. These groups, who were not fully aware of reform details and their implications, could delay execution. By deploying education specialists across the region, the IDB increased local presence and is now able to work closely with such stakeholders starting at the design phase. This has not only ensured ownership and sustainability overtime, but also contributed to making projects more complete and successful. Today, some outside stakeholders actively promote IDB-financed projects. On our side, we took these experiences to a higher level and have sponsored more activities with civil society groups and local partners to promote education quality.

AVOIDING THE IMPLEMENTATION MINEFIELD

- **The simpler and more specific, the better:** Weak institutional capacity can undermine project implementation and the achievement of results. Such problems can be mitigated by focusing on a smaller set of interventions and setting realistic targets. That means limiting the number of components aimed at different educational levels or multiple targets; avoiding a large number of bidding processes or opening bidding processes across a wide geographical area; and engaging only in multi-sectorial approaches where the benefits clearly outweigh the costs of increased complexity. A clearly-focused nationwide project with stable human resources and strong leadership has built 10 times more schools than another project with low institutional capacity, a multi-sectorial approach, and subnational-level implementation. In other words, it is often better to do one thing well rather several things poorly.

CITIZEN SECURITY

THE CHALLENGE

Reducing crime and violence has become one of the most urgent development challenges for Latin America and the Caribbean. Countries' homicide rates have reached epidemic levels, particularly among youth. One in five people in the region report having been the victim of some type of robbery last year, according to United Nations data. Even though the incidence of crime and violence can vary widely among countries and regions, it is usually related to widening economic and social inequality, increasing gaps between expectations and employment opportunities for youth, structural changes in families and communities, deficient social safety nets, and ineffective law enforcement, judicial, and penal systems. Young people, women, minorities, and residents of poor and large urban areas are disproportionately affected by crime and violence in the region.

OUR APPROACH

For more than two decades, the IDB has supported the efforts of Latin American and Caribbean countries to prevent crime and violence through citizen security programs. Our current portfolio includes 17 active projects

in 15 countries. In recent years, Bank projects began using an integrated approach to prevent crime and violence that incorporates interventions from varied disciplines and policy perspectives ranging from education to policing and neighborhood upgrading.

WHAT DID NOT WORK AS EXPECTED?

Failure and Solution #1: Poor data prevent a proper understanding of the different forms of violence and the context in terms of when and where crimes are committed, making it extremely difficult to design effective policies and projects to address these problems. In many cases, national criminal statistics are unavailable, unreliable, or lacking in quality. They also vary widely across countries, making comparisons tricky. As a result, resource allocation in several projects financed by the Bank has been little more than a guessing game. On the policy side, there is no shortage of ideas for interventions to combat crime and violence in the region, but most projects have too little official data to enable an assessment of what works and what doesn't. IDB projects have started supporting victim, health, school, and community surveys to address data issues and improve execution. Our projects also now incorporate components to help countries systematically strengthen their crime information-gathering systems and create crime observatories. On a regional level, the IDB is expanding its initiative to harmonize crime and violence indicators so that our member countries can compare interventions and learn from each other's experiences.

Failure and Solution #2: Some IDB' projects have failed to recognize that properly targeting beneficiaries is essential if projects are to reduce social risk factors that can lead to crime or violence. Inappropriate targeting has influenced how services are delivered to beneficiaries as well as the type of specialized personnel needed to perform the services. Therefore, local conditions need to be carefully taken into account in the design of such interventions.

Learn more about community alliance reading **Bridge Over Troubled Waters** on page 105.

AVOIDING THE IMPLEMENTATION MINEFIELD

- **Identify a local champion:** Citizen Security projects ultimately need to be multi-sectorial in order to reduce the incidence of crime and violence. That means various sectors need to work together toward a common goal, which demands collaboration, interaction, and proper capabilities of the parties involved. To effectively implement and sustain such projects, it is strategically important to identify the highest possible leadership at the institutional level to facilitate and ensure effective coordination and create alliances for public policy.
- **Define roles and accountability mechanisms:** Transaction costs can be high for projects that require different agencies for implementation. In order to reduce such costs, the role of each entity, as well as accountability mechanisms, must be defined early on, and their institutional capabilities and the political context in which they function must be taken into account.
- **Make the community our ally:** Community participation can greatly improve project implementation and effectiveness because members of the community become your eyes and ears on the ground. For that partnership to happen, the project must establish a good communications strategy up front to get local buy-in, consult and involve communities in the decision-making process, and empower them so they can help monitor project results and improve accountability.

URBAN DEVELOPMENT AND HOUSING

THE CHALLENGE

Eight of every 10 inhabitants of Latin America and the Caribbean live in cities, as do more than 70 percent of the region's poor. Over the next 20 years, these cities will add an additional 100 million inhabitants. The cities lack infrastructure and services—half of urban residents do not have indoor toilets or a connection to a sewerage system. About 50 million households are currently located in overcrowded, unserviced, informal, or improvised dwellings. Weak local governance coupled with limited human resource capacity and financial autonomy among municipalities compound the problem and constrain the implementation of efficient solutions.

OUR APPROACH

The IDB supports interventions and institutional reforms that systematically address at least one of the four major problems affecting the region's cities: infrastructure and services, housing, the environment, and local governance. As a result, our work focuses on improving poor and informal neighborhoods, expanding access to housing services for poor households, revitalizing urban and historical areas, protecting the most vulnerable from natural disasters, and strengthening the urban institutions that provide public services. More recently, we started to work more intensely with the region's fast-growing medium-sized cities to help them avoid making the same mistakes as the region's largest cities.

WHAT DID NOT WORK AS EXPECTED?

Failure and Solution #1: Given the complexity of urban infrastructure projects, including the diversity of stakeholders and local political pressures, it is easy to lose focus. For example, in some public transportation projects financed by the Bank, lack of coordination between those building the infrastructure and urban planners has led to poor decisions regarding the use of public spaces, which ended up undermining the benefits of the project. Failing to take into consideration safety and business activities of communities in areas that will receive new infrastructure can also hurt the sustainability of the project by making maintenance more difficult. It is important to survey the area not only for the physical aspects but also for the socio-economic environment and hold consultation processes to listen more closely to the needs of communities as well as their expectations.

Failure and Solution #2: Targeting is another important component—when it is lacking, the very people who are supposed to be the beneficiaries do not benefit from the project. There were projects in which poor and vulnerable households, with a large number of children or with members who were elderly or handicapped, were not able to benefit from programs that promoted

self-construction of new homes. We learned to incorporate measures that take into account such households' vulnerability and design programs that explicitly address their needs. Resources should finance measures that can generate the most impact on the largest number of vulnerable households, and yet are sustainable both financially and politically in the long term.

AVOIDING THE IMPLEMENTATION MINEFIELD

- **Listen, then act:** Citizens are better served, and projects have more sustainable results, if several actions are coordinated in a single area. Close interaction with municipal authorities, along with comprehensive and participatory master plans, are critical for successfully coordinating these actions.
- **Get everyone involved:** National entities that specialize in municipal sub loans need to be strengthened to improve the implementation and operation of urban development projects. But national policies also need to allow municipal entities to participate in implementation of local development projects. Long-term programs need the participation of all levels of government in implementation.

Learn more about affordable housing reading **Housing for the Poorest** on page 92.

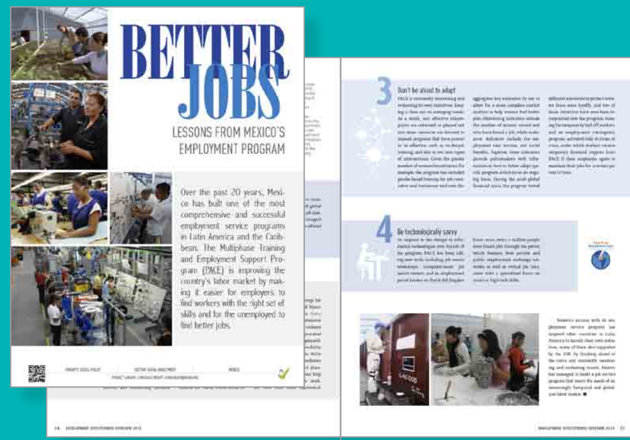
LABOR MARKETS

THE CHALLENGE

Since 2000, more rapid economic growth in Latin America and the Caribbean has contributed to reducing overall unemployment levels. However, labor productivity growth is slow, employment rates among young people lag, and most workers are poorly prepared for the modern labor market due to limitations in the education system and labor training. The low coverage and poor quality of labor intermediation services lead job seekers to depend primarily on informal networks to identify employment opportunities, thus perpetuating inequalities.

OUR APPROACH

IDB-backed projects have focused on improving services that help jobseekers to connect with potential employers, setting up training programs to make jobs more accessible for youth and women, and enhancing labor information systems. We have also supported the institutionalization of social security systems as well as social security reforms that consolidate macroeconomic and fiscal stability and, more recently, make adjustments to noncontributive pensions and unemployment insurance.



The Bank's ultimate goals is to support projects that promote the creation of better and formal jobs that will not only pay enough but also provide access to social insurance and protection under labor laws. Given the multitude of institutions and sectors involved in these types of projects, the Bank is constantly reviewing its approaches to learn what works best.

WHAT DID NOT WORK AS EXPECTED?

Failure and Solution #1: Improving public services to help the unemployed find jobs is not a silver bullet to increase access to the job market because there are more serious factors that prevent people from looking for work, such as lack of child care or means of transport. Some IDB projects failed to take these factors into account, undermining their effectiveness. Improving our understanding of the factors that may prevent people or groups of people from joining the job market is now a must. Incorporating these issues into a project's design will likely increase demand for job training and public services that help connect the unemployed with potential employers.

Failure and Solution #2: The effectiveness of public services to help the unemployed find jobs and receive training will rely heavily on the quality of people providing such service. Like a social worker, personnel working in such programs must be able to identify factors undermining job market participation and work with targeted populations to resolve them, linking job seekers to programs best able to address their needs. Moreover, employment service personnel must be able to monitor and encourage continued participation of young people and vulnerable populations in these programs to prevent dropouts. Thus, when designing a project, it is crucial to set aside resources to provide training for personnel that will work in this type of public service. It doesn't grab the headlines, but it can make all the difference in the effectiveness of such programs.

Learn more about helping the unemployed reading **Better Jobs** on page 75.

AVOIDING THE IMPLEMENTATION MINEFIELD

- **Coordination with multiple players is inevitable:** Projects involving labor markets usually involve many players ranging from business associations to different cabinet ministries. As a result, project teams must incorporate certain political and social dynamics in their consensus-building strategies. They also need to develop mechanisms to facilitate coordination among multiple executing agencies that reduce transaction costs, preserve the project's multidimensional approach, and heighten accountability to achieve results.
- **Divide and Conquer:** Helping the unemployed find jobs often involve multiple types of actions that can be better implemented if tasks are divided among different executing units. In programs that offer training scholarships or in-firm internships, the quality of the instruction for the beneficiary is as important as receiving the government transfers on a timely manner. Any delays in receiving the funds can disrupt their participation in such types of programs. So governments should not be afraid to divide the work among different agencies, particularly when some agencies have already the expertise in executing certain tasks such as, for example, managing the disbursement of government transfers.

WATER AND SANITATION

THE CHALLENGE

Since the 1990s, there has been a profound structural transformation in water and sanitation services in Latin America and the Caribbean, most notably in terms of decentralization of their provision and administration to local governments, regional entities or private sector entities that are not always prepared to take on such responsibility. Several countries have created or strengthened the role of regulatory agencies and legal sector frameworks, while others have undertaken privatizations with mixed results. Today, most operators are public sector entities controlled by municipalities that often have limited institutional capacity, a problem that ends up affecting the quality of water services.

OUR APPROACH

Since its inception, the Bank has played an active role in the water and sanitation sector, financing investment projects and providing technical assistance to countries to reform and modernize the sector based on principles of universal access, efficiency, and sustainability. Specifically, the Bank has funded projects in water resource management, irrigation, hydroelectric power, flood control, and provision of water and sanitation systems.

Since water and sanitation services are a key factor to achieving several of the 2015 Millennium Development Goals, the IDB has put a great effort in identifying and overcoming the obstacles that undermine the implementation of its projects to ensure they can contribute to the fulfillment of these goals.

WHAT DID NOT WORK AS EXPECTED?

Failure and Solution #1: Institutional and political obstacles to reforming institutions and legal frameworks seriously limited the provision of proper water and sanitation services in several of our projects. Since these factors influence the way tariffs are set and how services are provided, they affect the financial sustainability and quality of services. Project design and implementation must therefore take these factors into account by analyzing processes and relationships between different political actors, the economic and social circumstances that determine the quality of sectorial policies, and the functioning of institutions. Regulatory agencies, for example, can constitute an obstacle to project implementation. Although many have been created over the past 20 years, only a few are really operative because governments have not always been willing to transfer decision-making power over tariffs and other important matters to an independent technical entity. In some cases, incumbent utilities were more powerful than regulatory agencies and were able to circumvent regulations. Current practice recommends careful analysis of the real commitment of governments to yield power to such institutions before designing complex regulatory legislation and processes.

Failure and Solution #2: Several IDB interventions were originally designed based on the notion that the private sector should be the main service provider, but privatization policies in the mid-1990s failed in many countries. As a result, we have de-emphasized the role of the private sector as the main provider of water and sanitation services. Instead, our projects now encour-

age limited forms of private sector participation either through the provision of technical assistance to public operators or specific services through results-based contracts. We have increased our focus on promoting better corporate practices in state-owned companies by supporting measures to increase managerial independence, improve clarity of purpose, and boost accountability and transparency.

AVOIDING THE IMPLEMENTATION MINEFIELD

- **Lack of project execution capacity:** Our projects are only as good as their implementation. Our partners—public entities, other operators, or other government agencies—have limited human resources, can suffer political interference, and often have distorted incentives that can lead to delays in project preparation, bidding processes, and execution. We can help our partners overcome such problems by avoiding complex modalities in contracts to hire third-party entities to perform construction or management services. Moreover, the Bank could proactively support executing agencies to help them obtain guarantees required from bidders, hire consultants to support due diligence processes, and design nontraditional contracts such as build & operate arrangements or contracts with consortia. In some projects, there was no real capacity for execution from the start, as managers and critical professional staff had left the utility by the time the government changed operators. Delays in project preparation and bidding processes followed. The Bank learned how to react quickly by supporting the executing agency with local and foreign experts who were able to provide the entity with the technical assistance it needed to turn the situation around.
- **Willingness to coordinate is paramount:** Some projects may involve co-execution schemes that depend on multiple-agency coordination and decision-making. Besides taking into consideration the limitations of each entity, projects must incorporate the form and scope of participation of each of the different actors in their design and implementation plans. Their specific responsibilities should be defined for each stage of the project: preparation, negotiation of the conditions of the loan, and execution. Political will to coordinate actions for a common purpose is of paramount importance to reach objectives in such cases. Some lower-level entities, including utilities and other agencies relevant to the water and sanitation sector, were left without the resources needed for compliance as planned. By providing high-level authorities with better information about actual conditions of the sector and the need for proper institutional support, subsequent project stages were designed with a more solid foundation of coordination and compromise by all levels of government.
- **Don't waste time:** It can take many months for a project to begin implementation after it is approved by the IDB, as the project also needs to be approved by the relevant national bodies in the recipient country. Current best practice recommends advancing with pre-investment activities (which usually require considerable time and resources) to avoid further delays down the line. Project teams should use this waiting period to help the executing agency get familiar with Bank policies and procedures and prepare standard documents. This will facilitate the start of implementation as soon as the relevant agencies get the go-ahead. If feasibility studies and designs are developed while the loan is being approved, projects will be ready to roll as soon the overall project was ratified.

Learn more about purpose & accountability in our projects reading **Everlasting Water** on page 113.

HEALTH SERVICES

THE CHALLENGE

Infectious diseases and maternal and child health still pose considerable challenges for Latin America and the Caribbean, but non-communicable chronic diseases have already become the main cause of death and disability, accounting for nearly 68 percent of mortality in the region. Chronic diseases not only shorten lifespans and reduce labor productivity, they also represent a burden for public health systems due to the greater complexity and volume of care. A study in Brazil, Mexico, Colombia, and Argentina concluded that heart attacks, cerebrovascular accidents, and diabetes will lead to cumulative national income losses of more than $13.5 billion over the period from 2006-2015.

OUR APPROACH

From 1990 until 2009, the IDB focused on helping countries increase the supply of basic health services. Projects provided a limited package of interventions selected according to their cost-effectiveness, including immunizations, administration of antibiotics for infections, or basic family planning measures.

Over the years, the Bank's health portfolio gradually evolved to help countries improve health systems to deal with the rise of non-communicable diseases. Bank projects now generally include investments in infrastructure, support to improve clinical, policy management and regulatory frameworks as well as measures to increase public awareness about disease prevention and treatment and services offered at health centers. This extensive experience has allowed the Bank to identify failures and successes and incorporate such lessons in ongoing projects.

WHAT DID NOT WORK AS EXPECTED?

Failure and Solution #1: In the past, several health projects were designed principally to improve infrastructure and equipment. Frequently these investments did not result in increased use by the population, because the services did not meet their needs and expectations. Examples include clinics designed to serve poor and underserved communities that were inaccessible due to transportation costs; maternal and child health facilities built in indigenous areas that were underused because services were not adapted to local beliefs and customs; and primary care facilities that had a hard time getting certain groups, such as adult men, to seek preventive care in time to head off debilitating illnesses.

Learning from such mistakes, health projects are increasingly carrying out socio-cultural analysis that put the users of health services at the center of the interventions. This involves consulting with the local population so we can adapt services to their needs, training providers to be more sensitive to local cultures, finding innovative ways to cover transportation costs (such as community revolving funds), and empowering users of services to actively engage in their healthcare. There is also an emphasis on mechanisms to proactively search for populations at epidemiological risk, including by assessing and classifying potential health risks during the census process and using technology to encourage persons at risk to take advantage of primary care services.

Failure and Solution #2: In general, projects in the health sector combine multiple investments in infrastructure and equipment, operating costs, and technical assistance activities, for example, to improve clinical and health management. For these kinds of investments to be effective, a logical implementation sequence needs to be followed. However, this does not always occur, producing sometimes sub-optimal results. For example, investments in secondary and tertiary level infrastructure need to be accompanied by systems for referral and counter-referral to the primary level, and health workers and the population need to receive information as to how the referral system works. Similarly, if we make changes to norms regarding nutritional supplementation, we need to ensure that personnel receive adequate training in their implementation, and that nutrition promotion materials to be distributed to the population also reflect the appropriate information. The Bank is providing assistance in support of change management and planning to ensure that project activities are implemented in the appropriate sequence.

AVOIDING THE IMPLEMENTATION MINEFIELD

- **Expedite investments in primary care infrastructure:** Projects that include investments in infrastructure and equipment frequently involve a many procurement processes that need to be handled simultaneously or in sequence. These investments are often delayed due to weaknesses in the capacity to carry out pre-investment activities (technical specifications, prototypes, designs, land titling, etc.), to manage procurement processes, and to supervise construction. To address these weaknesses, project teams are working more closely with fiduciary experts, and adding bio-technical specialists, architects and engineers to project teams, to strengthen project supervision in this important area.

Learn more about how we have engaged the community in our programs reading **Embracing Diversity** on page 54.

MEASURING RESULTS:

PROGRESS TO DATE ON OUR INSTITUTIONAL PRIORITIES

The indicators tracked in the Corporate Results Framework (CRF) provide key information on the Bank's contributions to the development of Latin America and the Caribbean as well as progress in achieving specific results in each of the Bank's five institutional priorities for 2012–2015. Those priorities are: (a) Social policy for equity and productivity; (b) Infrastructure for competitiveness and social welfare; (c) Institutions for growth and social welfare; (d) Competitive regional and global international integration; and (e) Protect the environment, respond to climate change, promote renewable energy, and ensure food security. The Bank's Board of Governors ratified these strategic priorities in the Ninth General Capital Increase Agreement (GCI-9).

The CRF is comprised of four levels of indicators, presented in the following tables. The regional development goals show the region's progress in addressing long-term development challenges. The outputs table summarizes how IDB-financed operations are contributing to the region's development. The lending program indicators reflect how the Bank is directing its lending capacity toward priority areas. And the operational effectiveness and efficiency table shows progress in achieving organizational targets. Where relevant, a traffic light symbol is used to indicate the likelihood of achieving the 2015 targets.[1] Finally, a second series of tables presents similar information for the countries eligible for the Bank's Fund for Special Operations (FSO).

WHAT WE HAVE LEARNED

Before reviewing the progress made against specific targets, we would like to share a few thoughts about what the Bank has learned about improving the effectiveness of the CRF as both an accountability and managerial tool. The end of 2013 marks the midpoint of the current 2012-2015 CRF period, making this a good time to assess what the Bank has learned regarding the process, content, and use of the CRF.[2]

First, it is essential to fully engage technical specialists in the process of designing the CRF to ensure that the indicators included capture the breadth[3] of the Bank's activities within each of its institutional priorities as well as to promote the establishment of clear indicator definitions and realistic targets. Staff engagement

1 Details on the methodology are available here.
2 In addition to the Bank's own stock-taking, two key sources of the lessons learned are the Multilateral Development Bank Working Group on Managing for Development Results and the recommendations and suggestions to improve the CRF from the Office of Oversight and Evaluation's (OVE) Mid-term Evaluation of the IDB-9 Commitments in 2012.
3 The CRF currently captures 48% of the number of projects in the active portfolio. Furthermore, given the time needed for an approved operation to actually generate measureable results, outputs from projects approved under a different strategy period may be reported.

Figure 15: Progress Overview

in the CRF design is also critical to promote ownership of the indicators throughout the Bank.

Second, given the demand-driven nature of the Bank's activities, it is challenging to establish precise targets as country priorities may shift over the course of the CRF period, both in terms of sectors as well as activities within a sector. One potential strategy to improve accuracy in target-setting is to increase country engagement in the CRF design.

A third lesson learned relates to how the CRF supports decision-making. In order to reinforce the use of CRF data throughout the Bank, it is important to integrate and align it with the Bank's other instruments to measure corporate performance, namely the results-based budget indicators and individual career performance system. To this end, after having mapped the key indicators from each of these tools, the Bank is exploring ways to better integrate them in 2014.

Taken together, these lessons will serve to further consolidate the Bank's ability to manage for development results. The Bank has already begun to implement some of these lessons and will continue to pursue even greater alignment, ownership, and use of the CRF moving forward. This process will continue to benefit from the guidance of the Board of Executive Directors and the ongoing post-2015 agenda discussions. In addition, the Bank will remain committed to the principles of development effectiveness agreed upon at the High-Level Forums in Paris (2005), Accra (2008), and Busan (2011) and consider them as the CRF is refined. Finally, the CRF will reflect the forthcoming update to the IDB's Institutional Strategy in 2015.

Regional Development Goals

Table A

Established by the Board of Governors as those areas to which the IDB's contribution could be substantial, the regional development goals provide information on the longer-term development progress in the region. Progress against these indicators cannot be directly attributed to the IDB because progress made on each indicator is the result of a combination of actions, policies, and measures implemented or funded by the Bank's borrowing member countries and other partners.

GOAL	BASELINE		PROGRESS	
	VALUE	YEAR	VALUE	YEAR
1 - SOCIAL POLICY FOR EQUITY AND PRODUCTIVITY				
2.1.1 Extreme poverty rate	13%	2007	12%	2011
2.1.2 Gini coefficient of per capita household income inequality	0.55	1999-2004	0.50	2007–2012
2.1.3 Share of youth ages 15 to 19 who complete ninth grade	47%	2000-2007	65%	2010–2012
2.1.4 Maternal mortality ratio (per 100,000 live births)	100	2000	80	2010
2.1.5 Infant mortality rate (per 1,000 live births)	21	2007	16	2012
2.1.6 Share of formal employment in total employment	46%	2007	55%	2011
2 - INFRASTRUCTURE FOR COMPETITIVENESS AND SOCIAL WELFARE				
2.2.1 Incidence of waterborne diseases (per 100,000 inhabitants)	9.6	2002	5.9	2008
2.2.2 Paved road coverage (Km/Km²)	0.038	2001–2006	0.034	2004–2009
2.2.3 Percent of households with electricity	93%	2007	95%	2012
2.2.4 Proportion of urban population living in dwellings with hard floors Proxy*: Proportion of urban population living in slums	29.2%	2000	23.5%	2012
3 - INSTITUTIONS FOR GROWTH AND SOCIAL WELFARE				
2.3.1 Percent of firms using banks to finance investments	19.6%	2006	33.6%	2010
2.3.2 Ratio of actual to potential tax revenues Proxy*: Actual tax revenue collected (% of GDP)	17.7%	2007	19.4%	2011
2.3.3 Percent of children under five whose birth was registered	89%	2000–2007	93%	2005–2011
2.3.4 Public expenditure managed at the decentralized level as percent of total public expenditure	20%	2007	25%	2010
2.3.5 Homicides per 100,000 inhabitants**	25.1	2008	24.4	2011
4 - COMPETITIVE REGIONAL AND GLOBAL INTERNATIONAL INTEGRATION				
2.4.1 Trade openness (trade as percent of GDP)	84.9%	2004-2007	71.4%	2009-2012
2.4.2 Intraregional trade in LAC as percent of total merchandise trade — Exports:	24.2%	2004–2007	27.2%	2009–2012
2.4.2 Intraregional trade in LAC as percent of total merchandise trade — Imports:	33.1%	2004–2007	32.5%	2009–2012
2.4.3 Foreign direct investment net inflows as percent of GDP	4.2%	2004-2007	4.4%	2008-2011
5 - PROTECTING THE ENVIRONMENT, RESPONDING TO CLIMATE CHANGE, PROMOTING RENEWABLE ENERGY, AND ENHANCING FOOD SECURITY				
2.5.1 CO_2 emissions (kilograms) per $1 GDP (PPP)	0.29	2006	0.28	2010
2.5.2 Countries with planning capacity in mitigation and adaptation of climate change	3	2009	15	2013
2.5.3 Annual reported economic damages from natural disasters	$7.7b	2007	$3.6b	2012
2.5.4 Proportion of terrestrial and marine areas protected to total territorial area (%)	19.3%	2009	20.3%	2012
2.5.5 Annual growth rate of agricultural GDP (%)	3.7%	2005–2007	1.4%	2009–2011

** Note: A proxy is reported due to the unavailability of data for the original indicator.*
*** Note: non-weighted average of IDB borrowing member countries' rates; data currently under review in Peru, Argentina, and Honduras.*

Sources: SEDLAC data • UN MDG Report Statistical Annex 2013 • WDI Report 2013 • WHO data • World Road Statistics 2011 • OLADE data • World Bank and IFC Enterprise Survey • State of the World's Children Report 2013 • UNODC data • EM-DAT • CEPAL Anuario estadístico de América Latina y el Caribe 2012

Contribution of Outputs to Regional Goals

Table B

The outputs presented in Table B reflect the five priorities set forth in the IDB-9, but—as with any corporate performance tool— do not capture the full range of the Bank's activities. The final contribution of these outputs to IDB-9 objectives will be based on cumulative totals over the 2012-2015 period. The traffic light status considers actual progress during 2012 and 2013 and planned progress for the remainder of the CRF period. Details on the baseline values and 2012 progress are available on our website deo.iadb.org

Overall, the Bank is on track to help its borrowing member countries reach the targets for the majority of the CRF outputs. Over half (fourteen) of the 27 targets are on track, and eight of these have already been achieved during the first half of the CRF period. However, eight output indicators are off-track, or at risk of not achieving their respective 2015 targets. The remaining five indicators do not demonstrate a clear trend. The most common causes for the off-track status include: (i) lower demand than expected for specific types of interventions; (ii) extensions of project execution beyond the CRF reporting period; and (iii) issues related to indicator selection and target-setting during the CRF design and subsequent data availability.

As stated previously, given the demand-driven nature of the Bank's lending, it is not always possible to predict the types of interventions that will be supported in a given four-year period. For example, the 2015 target for teachers trained (indicator 3.1.2) is not expected to be met given that the demand for Bank resources in the education sector is less than originally anticipated and recent projects have allocated a smaller portion of their funding to teacher training than anticipated (instead prioritizing improvements in school infrastructure). Similarly, the Bank's transport, water and sanitation, and private sector portfolios have diversified in recent years, affecting the progress towards several of the indicators for these sectors (e.g., 3.2.1, 3.2.3, 3.4.5).

In the water and sanitation sector, extensions of the execution period of a number of projects mean that many outputs originally anticipated by 2015 are now expected to be achieved beyond 2015.

Finally, in the case of some indicators, the limited availability of baseline data at the time the CRF was designed contributed to the establishment of unrealistic targets. The Bank's Board of Governors foresaw this challenge and allowed for certain revisions under IDB-9[4]. For example, estimates of the number of municipal and other sub-national governments supported were unavailable when the target for indicator 3.3.4 was set. This indicator is now classified as off-track. The opposite case is also true and some targets have been exceeded just two years into the four year CRF period. For example, indicator 3.2.4 (kilometers of electricity transmission and distribution lines installed or upgraded). Ways to address these cases and others have been included in the proposal to update the CRF that will be subject to a discussion with the Board of Executive Directors.

It should be noted that the outputs achieved in this table reflect not only programming decisions by the Bank and its borrowing member countries, but also the time needed for a project to generate measurable results. As such, changing the status of most of these indicators in the immediate term is unlikely. However, the Bank can learn from this data and use it to inform the development of future indicators and targets. Specifically, as the Bank updates the CRF, new indicators can be added to better reflect diversified demand in some sectors and more realistic project execution periods.

	PROGRESS 2013[A]	TOTAL 2012–2013	TARGET 2012–2015	STATUS
1 - SOCIAL POLICY FOR EQUITY AND PRODUCTIVITY				
3.1.1 Students benefited by education projects	3,900,933	7,916,807	8,500,000	●
girls	1,911,457			
boys	1,989,476			
3.1.2 Teachers trained	120,014	186,971	530,000	●
3.1.3 Individuals receiving a basic package of health services	5,994,575	15,595,325	23,000,000	●
indigenous	381,892			
Afro-descendants	889,823			
3.1.4 Individuals receiving targeted anti-poverty program	2,735,670	13,630,823	16,000,000	●
indigenous	148,204			
Afro-descendants	310,860			
3.1.5 Individuals benefited from programs to promote higher labor productivity	235,449	548,751	600,000	●
women	163,946			
men	71,503			
3.1.6 Jobs added to formal sector	35,529	49,820	160,000	●

Read the stories behind these numbers on page 52

[4] "To define values that could be achieved for the 2012-2015 period, the scenario of volume of Bank lending used was US$12 billion annually. Several scenarios for future demand were calculated. Preliminary demand of countries (projected from previous demands) as well as distribution of resources within each priority area was taken into consideration, and thus estimated programming for the 2012-2015 was calculated. Values will be revised once the GCI is agreed." (AB-2764, Annex I, paragraph 4.18).

	PROGRESS 2013[A]	TOTAL 2012–2013	TARGET 2012–2015	STATUS
2 - INFRASTRUCTURE FOR COMPETITIVENESS AND SOCIAL WELFARE				
3.2.1 Households with new or upgraded water supply	239,944	621,583	2,770,000	🔴
indigenous	3,337			
Afro-descendants	10,490			
3.2.2 Households with new or upgraded sanitary connections	392,057	548,115	3,600,000	🔴
indigenous	1,574			
Afro-descendants	u/d			
3.2.3 Km of inter-urban roads built or maintained/upgraded	5,634	15,194	53,000	🔴
3.2.4 Km of electricity transmission and distribution lines installed or upgraded	7,918	10,056	1,000	🟢
3.2.5 Households with new or upgraded dwellings	301,720	328,725	25,000	🟢
indigenous	u/d			
Afro-descendants	74			
3 - INSTITUTIONS FOR GROWTH AND SOCIAL WELFARE				
3.3.1 Micro / Small / Medium productive enterprises financed	1,247,537	1,831,601	120,000	🟢
3.3.2 Public Financial systems implemented or upgraded (budget, treasury, accounting, debt, and revenues)	8	29	28	🟢
3.3.3 Persons incorporated into a civil or identification registry	3,018,100	8,021,147	3,000,000	🟢
women	1,456,150			
men	1,561,950			
indigenous	467,313			
Afro-descendants	132,106			
3.3.4 Municipal and other sub-national governments supported	165	311	1,000	🔴
3.3.5 Cities benefited with citizen security projects	0	26	32	🟢
4 - COMPETITIVE REGIONAL AND GLOBAL INTERNATIONAL INTEGRATION				
3.4.1 Public trade officials and private entrepreneurs trained in trade and investment	22,826	39,605	65,000	🟡
women	5,250			
men	17,576			
3.4.2 Regional and sub-regional integration agreements and cooperation initiatives supported	5	16	10	🟢
3.4.3 Cross-border and transnational projects supported (infrastructure, and customs, etc)	3	21	22	🟢
3.4.4 International trade transactions financed	1,374	2,501	1,000	🟢
3.4.5 Mobilization volume by NSG financed projects/companies	$3.7 billion	$11.3 billion	$31.2 billion	🔴
5 - PROTECTING THE ENVIRONMENT, RESPONDING TO CLIMATE CHANGE, PROMOTING RENEWABLE ENERGY, AND ENHANCING FOOD SECURITY				
3.5.1 Power generation capacity from low-carbon sources over total generation capacity funded by IDB	61%	68%	93%	🟡
3.5.2 People given access to improved public low-carbon transportation systems	1,039,900	2,638,917	8,500,000	🔴
indigenous	3,250			
Afro-descendants	7,313			
3.5.3 National frameworks for climate change mitigation supported	3	5	5	🟢
3.5.4 Climate change pilot projects in agriculture, energy, health, water and sanitation, transport, and housing	3	8	10	🟡
3.5.5 Number of projects with components contributing to improved management of terrestrial & marine protected areas	15	20	30	🟡
3.5.6 Farmers given access to improved agricultural services and investments	1,085,858	3,467,791	5,000,000	🟡
women	553,824			
men	532,034			
indigenous	21,433			
Afro-descendants	1,700			

Read the stories behind these numbers on page 84

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Read the stories behind these numbers on page 130

🟢 *On Track*
🟡 *No Clear Trend*
🔴 *Off Track*

[A] Progress includes disaggregated data where available. u/d was used for unavailable data.

Lending Program Indicators

Table C

The lending program indicators capture the volume of approvals of sovereign-guaranteed (SG) and non-sovereign-guaranteed (NSG) loans directed at the following four Bank priorities: (i) small and vulnerable countries; (ii) poverty reduction and equity enhancement; (iii) climate change, sustainable energy (including renewable) and environmental sustainability; and (iv) regional cooperation and integration. Table C presents 2013 approvals as an indication of progress, but since the final achievement of the IDB-9 lending program targets will be based on 2015 approvals, significant changes in status could occur in a single year. The approvals are expressed as a percentage of total lending by volume.

While none of the four indicators are off-track, two deserve further remarks. First, indicator 1.3 (lending to support climate change initiatives, sustainable energy (including renewable) and environmental sustainability) was on track in 2012, but its 2013 value is slightly below the 2015 target. As compared to 2012, there was a noticeable reduction in volume for qualifying operations in several sectors in 2013—specifically, water and sanitation, energy, and environment and natural disasters—which contributed to the lower value in 2013. Second, there has been a marked increase in the value for indicator 1.4 (lending to support regional cooperation and integration) since 2012 (from 16% to 33%) and the 2013 value is more than double the 2015 target. The approval of six SG loans for over US $300 million as well as a significant growth in the number of loans supporting regional integration approved under the Trade Finance Facilitation Program—from 6 in 2012 to 19 in 2013—both contributed to the increase in this indicator's value for 2013.

	Baseline 2006–2009	Progress 2013	Target 2015	Status
LENDING PROGRAM INDICATORS				
1.1 Lending to small and vulnerable countries	27%	35%	35%	🟢
1.2 Lending for poverty reduction and equity enhancement	40%	50%	50%	🟢
1.3 Lending to support climate change initiatives, sustainable energy (including renewable) and environmental sustainability	5%	20%	25%	🟡
1.4 Lending to support regional cooperation and integration	10%	33%	15%	🟢

🟢 On Track 🟡 No Clear Trend 🔴 Off Track

Note: Percentages may not total 100 because loans may qualify for more than one category

Operational Effectiveness and Efficiency

Table D

The Bank has been progressively adapting its systems and processes to better track its performance through a comprehensive set of operational effectiveness and efficiency indicators set forth in Table D. In particular, during 2013, the Bank advanced in the implementation of its External Feedback System (EFS), a tool that captures external partners' satisfaction with IDB products and services and their opinions on the Bank's strengths and areas for improvement. The EFS uses a series of online surveys to gather continuous feedback from both public and private sector counterparts directly involved in the delivery of the Bank's products and services. More detailed information on the EFS is available here.

With respect to the **effectiveness** indicators, 14 indicators are on track and only one is off-track. Underperformance on the percent of NSG projects with satisfactory ratings on development outcomes at completion (indicator 4.2.8) is in large part because projects lacked proper indicators to measure results. This highlights the need to continue improving project design so that results can be properly measured. The new Development Effectiveness Matrix and toolkit for NSG operations will help to address this issue starting in 2014.

Regarding **efficiency**, while six of the indicators are on track to achieve the 2015 targets, four are off-track. The Bank acknowledges the need to continue to make efficiency improvements in areas that are lagging and particularly those where the trend from 2012 to 2013 was contrary to the desired trend (e.g., cofinancing, cycle times for SG loan disbursement). The Bank is also exploring ways to establish enhanced metrics to monitor both effectiveness and efficiency.

Finally, with respect to the **human resources** indicators, the only off-track indicator relates to the decentralization process. Given the current level of partner satisfaction and the costs of relocating staff, Management does not believe there is a compelling business case to move additional staff from Headquarters to Country Offices (except in the case of some of the private sector windows). As such, the CRF target to have 40% of staff located in Country Offices by 2015 may no longer be appropriate. As currently defined, this indicator does not fully reflect the Bank's level of direct interface with, and support to, country counterparts as it includes nonoperational staff at both headquarters and Country Offices and excludes the Bank's complementary workforce (consultants). Interestingly, nearly half (48%) of all employees (both staff and complementary workforce) whose functions are concentrated in operational work were located in Country Offices as of December 31, 2013.

	BASELINE 2006–2009*	PROGRESS 2013	TARGET 2015	STATUS
1 - EFFECTIVENESS – COUNTRY STRATEGIES				
4.1.1 Percent of country strategies with satisfactory scores in evaluability dimensions	27%	100%	85%	
Percent of country strategies that have satisfactory results that can be validated at completion for:				
4.1.2 Sector outcomes	100%*	100%	65%	
4.1.3 Financial outcomes	100%*	100%	75%	
4.1.4 Progress on building and using country systems	65%*	68%	55%	
2 - EFFECTIVENESS – LOANS				
Approvals – SG Operations				
4.2.1 Percent of new operations with satisfactory scores on evaluability dimensions	26%	100%	85%	
4.2.2 Percent of projects with high environmental and social risks rated satisfactory in implementation of mitigation measures	75%*	86%	85%	
Portfolio Performance (Execution) – SG Operations				
4.2.3 Percent of projects that have satisfactory performance	60%*	61%	70%	
4.2.4 Percent of projects with satisfactory rating on development results at completion	70%*	88%	60%	
Approvals – NSG Operations				
4.2.5 Percent of new operations with satisfactory scores on evaluability dimensions	100%*	100%	85%	
4.2.6 Percent of projects with high environmental and social risks rated satisfactory in implementation of mitigation measures	98%*	88%	85%	
Portfolio Performance (Execution) – NSG Operations				
4.2.7 Percent of projects that have satisfactory performance	91%*	92%	70%	
4.2.8 Percent of projects with satisfactory ratings on development outcomes at completion	60%	33%	65%	
3 - EFFECTIVENESS — TECHNICAL COOPERATION (TCs)				
4.3.1 Percent of completed TCs with results that can be validated	80%*	86%	100%	
4.3.2 Percent of completed TCs with satisfactory results	60%*	71%	65%	
4 - EFFECTIVENESS — PARTNER SATISFACTION				
4.4.1 Percent of external partners satisfied with Bank delivery of services for country strategies	72%*	75%	70%	
4.4.2 Percent of external partners satisfied with Bank delivery of services for loan operations	87%*	89%	70%	
4.4.3 Percent of external partners satisfied with Bank delivery of services for TCs	80%*	87%	70%	
5 - EFFICIENCY				
4.5.1 Co-financing (percent of Regular Lending Program)	29%	20%	30%	
4.5.2 Trust Funds (percent of Regular Lending Program)	2%	2%	3%	
4.5.3 Total administrative expenses per US$1 million approved**	$41,900	$33,447	$34,000	
4.5.4 Total administrative expenses per US$1 million disbursed**	$50,150	$41,771	$45,000	
4.5.5 Percent of administrative expenses in operational programs	61%	66%	68%	
4.5.6 Cycle time: country strategy (Inauguration to delivery of Strategy to Government)	20 months	10.4 months	6 months	

	BASELINE 2006–2009*	PROGRESS 2013	TARGET 2015	STATUS
4.5.7 Cycle time: SG loan preparation time (Profile to approval)	9.5 months	5.8 months	8 months	●
4.5.8 Cycle time: SG loan disbursement period (eligibility to first disbursement)	19 days	29 days	19 days	●
4.5.9 Cycle time: NSG loan preparation time (Profile to approval)	12 months	5.2 months	6 months	●
4.5.10 Cycle time: NSG loan disbursement period (eligibility to first disbursement)	8 days*	7 days	10 days	●
6 - HUMAN RESOURCES				
4.5.11 Percentage of professional and executive staff who are women, grade 4 or above	28%	36%	40%	●
4.5.12 Percentage of upper management staff who are women (Executive staff and Representatives/EVP and Vice-Presidents)	18% / 0%	32% / 25%	38% / 40–60%	●
4.5.13 Percentage of professional staff based in COF	26%	32%	40%	●

● *On Track* ● *No Clear Trend* ● *Off Track*

* Baselines marked were established in 2012. They were not available at the time targets were set, but are included here to begin establishing a trend.
** Target figures for administrative expenses are set in 2009 dollars.

Countries Eligible for the Fund for Special Operations

The Fund for Special Operations (FSO) provides concessional loans to the poorest countries of the region: Bolivia, Guyana, Honduras, and Nicaragua. Tables E, F, and G show specific achievements made by these four countries in 2013 in terms of the applicable Corporate Results Framework indicators.[5]

Table E

Output Contribution to Regional Development Goals in FSO Countries

	PROGRESS 2013	TOTAL 2012–2013
1 - SOCIAL POLICY FOR EQUITY AND PRODUCTIVITY		
3.1.1 Students benefited by education projects (girls, boys)	0	89,437
3.1.2 Teachers trained	2,856	3,542
3.1.3 Individuals receiving a basic package of health services	163,143	827,948
3.1.4 Individuals receiving targeted anti-poverty program	470,982	1,289,422
3.1.5 Individuals benefited from programs to promote higher labor market productivity	3,890	4,622
3.1.6 Number of jobs added to formal sector	267	267
2 - INFRASTRUCTURE FOR COMPETITIVENESS AND SOCIAL WELFARE		
3.2.1 Households with new or upgraded water supply	6,644	39,557
3.2.2 Households with new or upgraded sanitary connections	6,598	31,315
3.2.3 Km of inter-urban roads built or maintained/upgraded	596	1,270
3.2.4 Km of electricity transmission and distribution lines installed or upgraded	1,973	2,604
3.2.5 Households with new or upgraded dwellings	2,535	4,625

[5] There are no baselines or targets specific to the FSO tables.

	PROGRESS 2013	TOTAL 2012–2013
3 - INSTITUTIONS FOR GROWTH AND SOCIAL WELFARE		
3.3.1 Micro / Small / Medium productive enterprises financed	10,969	13,490
3.3.2 Public Financial systems implemented or upgraded (budget, treasury, accounting, debt, and revenues)	0	0
3.3.3 Persons incorporated into a civil or identification registry	2,867	5,914
3.3.4 Municipal and other sub-national governments supported	73	74
3.3.5 Cities benefited with citizen security projects	0	1
4 - COMPETITIVE REGIONAL AND GLOBAL INTERNATIONAL INTEGRATION		
3.4.1 Public trade officials and private entrepreneurs trained in trade and investment	9,636	20,747
3.4.2 Regional and sub-regional integration agreements and cooperation initiatives supported	1	1
3.4.3 Cross-border and transnational projects supported (infrastructure, and customs, etc.)	1	5
3.4.4 International trade transactions financed	182	182
3.4.5 Mobilization volume by NSG financed projects/companies	$10 million	0
5 - PROTECTING THE ENVIRONMENT, RESPONDING TO CLIMATE CHANGE, PROMOTING RENEWABLE ENERGY, AND ENHANCING FOOD SECURITY		
3.5.1 Power generation capacity from low-carbon sources over total generation capacity funded by IDB	100%	100%
3.5.2 People given access to improved public low-carbon transportation systems	0	0
3.5.3 National frameworks for climate change mitigation supported	1	1
3.5.4 Climate change pilot projects in agriculture, energy, health, water and sanitation, transport, and housing	0	0
3.5.5 Projects with components contributing to improved management of terrestrial and marine protected areas	0	0
3.5.6 Farmers given access to improved agricultural services and investments	27,958	33,711

FSO Countries Lending Program Estimates

Table F

	Progress 2012	Progress 2013
LENDING PROGRAM INDICATORS		
1.1 Lending to small and vulnerable countries	100%	100%
1.2 Lending for poverty reduction and equity enhancement	58%	47%
1.3 Lending to support climate change initiatives, sustainable energy (including renewable) and environmental sustainability	21%	22%
1.4 Lending to support regional cooperation and integration	33%	41%

Note: Percentages may not total 100 because loans may qualify for more than one category

FSO Countries Operational Effectiveness and Efficiency

Table G

	Progress 2012	Progress 2013
1 - EFFECTIVENESS – COUNTRY STRATEGIES		
4.1.1 Percent of country strategies with satisfactory scores in evaluability dimensions	100%	100%
Percent of country strategies that have satisfactory results that can be validated at completion for:		
4.1.2 Sector outcomes	100%	100%
4.1.3 Financial outcomes	100%	100%
4.1.4 Progress on building and using country systems	57%	68%
2 - EFFECTIVENESS – LOANS		
For sovereign guaranteed (SG) operations (approvals)		
4.2.1 Percent of new operations with satisfactory scores on evaluability dimensions	100%	100%
4.2.2 Percent of projects with high environmental and social risks rated satisfactory in implementation of mitigation measures	76%	84%
Project portfolio performance satisfactory from monitoring reports (execution) - SG		
4.2.3 Percent of projects that have satisfactory performance	75%	67%
4.2.4 Percent of projects with satisfactory rating on development results at completion	79%	81%
For non-sovereign guaranteed (NSG) operations (approvals)		
4.2.5 Percent of new operations with satisfactory scores on evaluability dimensions	100%	100%
4.2.6 Percent of projects with high environmental and social risks rated satisfactory in implementation of mitigation measures	100%	100%
Project portfolio performance satisfactory from monitoring reports (execution) - NSG		
4.2.7 Percent of projects that have satisfactory performance	100%	100%
4.2.8 Percent of projects with satisfactory ratings on development outcomes at completion	100%	0%
3 - EFFECTIVENESS – TECHNICAL COOPERATION (TCs)		
4.3.1 Percent of completed TCs with results that can be validated	n/a	88%
4.3.2 Percent of completed TCs with satisfactory results	n/a	88%
4 - EFFECTIVENESS - PARTNER SATISFACTION		
4.4.1 Percent of external partners satisfied with Bank delivery of services for country strategies	75%	n/a
4.4.2 Percent of external partners satisfied with Bank delivery of services for loan operations	74%	85%
4.4.3 Percent of external partners satisfied with Bank delivery of services for TCs	85%	89%
5 - EFFICIENCY		
4.5.1 Cofinancing (percent of Regular Lending Program)	0%	0.9%
4.5.2 Trust Funds (percent of Regular Lending Program)	1%	3.6%
4.5.3 Total administrative expenses per US$1 million approved	n/a	n/a
4.5.4 Total administrative expenses per US$1 million disbursed	n/a	n/a
4.5.5 Percent of administrative expenses in operational programs	n/a	n/a
4.5.6 Cycle time: country strategy (Inauguration to delivery of Strategy to Government)	11 months	n/a
4.5.7 Cycle time: SG loan preparation time (Profile to approval)	7 months	4.7 months
4.5.8 Cycle time: SG loan disbursement period (eligibility to first disbursement)	8 days	21 days
4.5.9 Cycle time: NSG loan preparation time (Profile to approval)	11 months	4.9 months
4.5.10 Cycle time: NSG loan disbursement period (eligibility to first disbursement)	5 days	5 days
6 - HUMAN RESOURCES**		
*** Disaggregation for FSO countries not applicable*		

SHOW. DON'T TELL.

See what is going on in the field with your own eyes

Launched in 2012, MapAmericas is part of a series of measures taken by the IDB in recent years to increase its transparency and accountability, an integral part of the Bank's push towards improving development effectiveness.

MapAmericas allows external users to better follow the results and progress of the Bank's projects currently being implemented in its 26 borrowing member countries in Latin America and the Caribbean. In order to be able to provide external audiences with detailed information about its results, the IDB had to completely change the way it designed, monitored and measured the results of its projects. It also had to revamp its internal information technology systems, a process that it is still ongoing.

Now anyone with a computer, tablet or even a smart phone can quickly learn about the actions and benefits IDB projects are generating in the region. Data as well as photos and videos documenting what is being implemented and achieved are displayed in an interactive map showing results at their exact location.

MapAmericas currently displays results of 539 active sovereign guaranteed projects and 236 operations from the Bank's private sector windows. Information about IDB results are updated at least twice via the Bank's project monitoring and reporting tool. During field visits, project team leaders use their mobile devices to geolocate and document with pictures and videos showing progress in project implementation and delivered outputs.

Visit MapAmericas at **www.iadb.org/en/MapAmericas** to see for yourself the results of these efforts and join the conversation on twitter using #MapAmericas.

See it on MapAmericas

In this report, look for project stories with this icon to access detailed results displayed in MapAmericas.

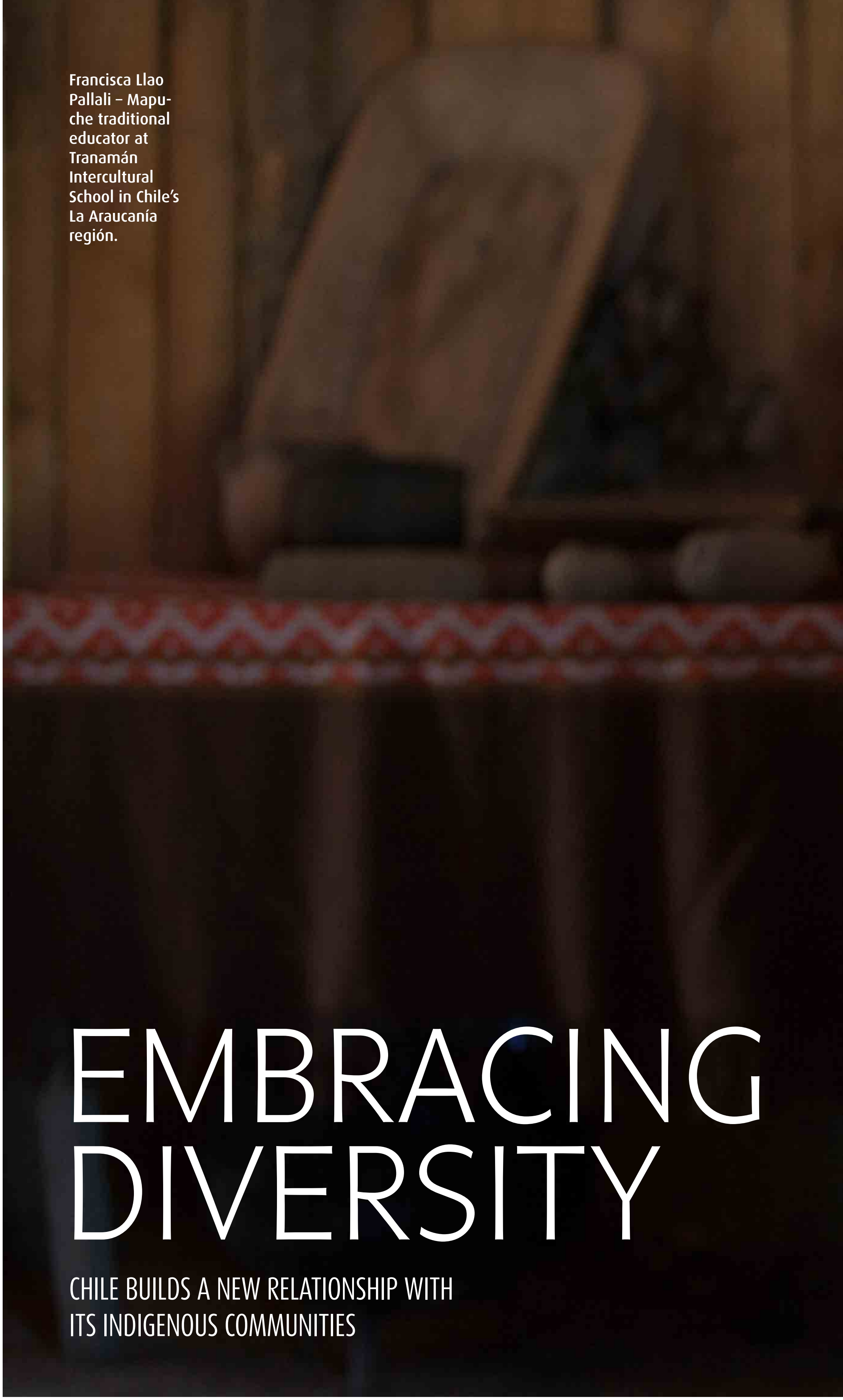
Join us in telling the story of development #MapAmericas

STORIES OF ACHIEVEMENTS & CHALLENGES

Inside you will find stories about how we are working with our borrowing member countries to solve some of the most pressing development challenges. You will read about the development approaches, the results we are achieving on the ground and, more importantly, the lessons learned from projects in our portfolio.

CRIAR Project in the town of Zudañez, Bolivia

SOCIAL POLICY FOR EQUITY & PRODUCTIVITY



Francisca Llao Pallali – Mapuche traditional educator at Tranamán Intercultural School in Chile's La Araucanía región.

EMBRACING DIVERSITY

CHILE BUILDS A NEW RELATIONSHIP WITH ITS INDIGENOUS COMMUNITIES

Latin America has a long and contentious history with its indigenous population, which has often been marginalized, underserved, and unrecognized by governments and society for centuries. For the past dozen years, however, Chile took the ambitious step to try to change this historical paradigm by implementing the region's largest program focused exclusively on supporting indigenous groups.

The program, known as *Orígenes* and supported by the IDB, was unprecedented in Chile and the region for its scale and methodology to empower nearly 2,000 indigenous communities to carry out their own development projects. The ultimate goal was to establish a new relationship between the government and indigenous peoples by strengthening indigenous identity and culture and improving living conditions.

The project developed an innovative methodology to empower indigenous communities.

From the start, the implementation of Orígenes was challenging because it involved changing the paternalistic approach traditionally employed by government agencies in working with indigenous communities. Under the program, the communities themselves took the lead role in selecting and executing projects, so government agencies had to sustain an effective dialogue to help those communities prepare coherent and decentralized long-term development plans.

"The innovative aspect of this project was that while we were provided with the resources, we ourselves had to decide how to use them," said Zunilda Santos, a member of an indigenous community in Belén in northern Chile.

Not surprisingly, such an approach proved much more difficult to execute than anticipated because neither the communities nor the government were prepared to deal with the scale and complexity of the program. On one hand, many indigenous communities had little knowledge about project planning and execution or government processes. On the other, the government had limited understanding of how to work collaboratively with indigenous communities. For example, the government initially organized communities based on their legal status, without considering their ancestral or territorial ties.

The result was that the project initially put too much emphasis on developing small projects to solve short-term community needs rather than planning such investments to foster the long-term development of indigenous territories. Moreover, the program suffered long delays in approving and delivering resources for community projects because, in part, third-party consultants without ties to the communities failed to incorporate local priorities and get community validation for the projects they submitted on the communities' behalf. For their part, the communities often struggled to meet deadlines and properly report how they were spending program resources.

To solve some of these issues, the government provided communities and their leaders training on project planning and management; began working with beneficiary communities according to family relationships and economic, cultural, and historical ties; and set realistic goals and deadlines so both the government and communities could meet their obligations.

"Fixing the program took a lot of work, and the first step was to regain the trust of indigenous leaders with dialogue and going out to the field," explained Karina Doña, an Orígenes program coordinator.

Watch the interview with Karina Doña at deo.iadb.org

Watch how Chile has worked with the indigenous at deo.iadb.org

Small town in Arica in the north and Araucania in the south were among the biggest beneficiaries of the project.

THE TAKE AWAY

Despite its initial difficulties, Orígenes established 874 long-term territorial development plans 2 and carried out more than 3,500 community development projects, ranging from the restoration of churches building community infrastructure to providing financing for nearly 9,000 families to buy productive assets such as cattle and forestry and agricultural equipment. Families that received financing to purchase productive assets in the first phase of the program reported an increase of 11 percent in their real incomes between 2003 and 2011.

The program has led to increased self-identification of indigenous ethnicity and helped improve recognition among project communities. In 2011, 32 percent adults identified themselves as indigenous compared with 29 percent in 2003. However, some results fell short of expectations. Some of the long-term development plans lacked strategic vision to strengthen the local rural economy and failed to diminish persistent migration of community members to urban centers, the biggest threat to the preservation of indigenous cultures. One reason cited for this problem was that the program did not include traditional indigenous leaders—who are not formally recognized by the political system—in its dialogue with communities. In addition, procedures required from communities to account for project expenditures were quite cumbersome. Despite initial concerns about accounting for all expenses, at the end of the project only approximately 0.5 percent of the proceeds of the IDB loan was unaccounted for, in great part because some communities had lost receipts and delays by other government agencies in providing documentation for the funds spent. “The most important thing is that resources were not lost. We checked and the projects had been implemented,” Doña added.

Despite its shortcomings, the project empowered indigenous communities and improved relationships with the government. The number of indigenous communities registered with CONADI, the Chilean agency in charge of indigenous affairs, increased 65 per-

ORÍGENES IN NUMBERS

1,828
communities participated

57,952
indigenous families benefitted

3,500
community development projects carried out

8,815
families received financing to buy productive assets

6,147
civil servants trained to work with indigenous cultures

301
primary schools incorporated teaching of indigenous language and culture in their curriculum

386
health units or centers offer culturally pertinent health services to indigenous groups

See the photo blog at deo.iadb.org

cent during the 12 years of the program. Moreover, 67 percent of communities that participated in Orígenes have accessed funds from other government agencies to carry out other development projects.

For the government, Orígenes' most important legacy was the creation of a workforce that understands how to work with indigenous communities. Chile Indígena, a new government program to promote the development of indigenous communities put in place after Orígenes was completed, is currently using a similar methodology to empower communities and establish an organized and decentralized dialogue with them. This time, the dialogue includes traditional indigenous leaders.

"Governments want to believe that all their citizens are equal," explained Doña. With Orígenes, she noted, "Chile has embraced the diversity of its people—the program taught us how to deal with our diversity." ■

SERVICES TAILORED TO THE NEEDS OF INDIGENOUS PEOPLES

An important objective of Orígenes was to adapt public services to make them more responsive to the cultural profiles of different indigenous groups, especially in education and health. To that end, CONADI, the executing agency for the program, formed partnerships and transferred resources to other government agencies to develop interventions, train staff, and provide the necessary equipment and infrastructure to adapt their services.

By the end of 2012, Chile had 301 bilingual primary schools in rural areas that teach students the local indigenous language and culture. These schools have on staff traditional educators selected by indigenous communities who work hand-in-hand with the school principal. The initiative also helped increase the number of indigenous children aged 6 to 13 in participating communities who can understand and speak their native language from 34 percent in 2003 to 46 percent in 2011.

In terms of health, the program financed 376 projects to expand service delivery in indigenous communities, including establishing 10 health centers that provide services adapted to the local culture, and purchasing equipment so practitioners of indigenous medicine can provide services. For example, in Tirúa, in the south of Chile, the public health center regularly refers and transports patients to consult with practitioners of indigenous medicine in cases deemed medically appropriate. The center also has cultural facilitators on staff to help indigenous people better understand and access regular health services offered by the government.

In sum, Orígenes helped mainstream indigenous issues into the operations of other government agencies, contributing to a ten-fold increase in public spending on programs benefiting indigenous populations between 2002 and 2012. Orígenes also helped improve perceptions about government services among beneficiary communities. According to a 2012 survey with 515 families that participated in the project, 55 percent of beneficiaries said that public services improved.




ENHANCED CONDITIONAL CASH TRANSFERS

The Dominican Republic Adjusts its Solidaridad Program to Help the Poor

Conditional cash transfers programs have proven over the years to be an effective tool to reduce poverty and inequality in the short term. The transfer program in the Dominican Republic introduced in 2005, known as *Solidaridad*, has had just such positive effects, improving the weight and height of children under five years old and helping to reduce teen pregnancies and the probability of young people repeating grades or dropping out of secondary school.

The IDB has played a key role in supporting the design and implementation of the transfer program as well as other improvements to the Dominican Republic's social safety net. The country has improved its targeting mechanisms, strengthened the compliance of beneficiaries with their co-responsibilities, enhanced the links between the supply of services and case management, and significantly increased investments to improve the quality of primary health care services.

To further maximize the impact of *Solidaridad*, the government, with technical assistance from the IDB, moved in 2012 to consolidate the program with another social program called *Progresando*, which supports socio-educational interventions. The merger has enabled the conditional cash transfer program to adopt a more systematic approach to improving health education by expanding its geographical reach and boosting the number of case workers working regularly with families through monthly home visits. The ration of households

SIZE & IMPACT OF SOLIDARIDAD

Why are transfers important?

655,394 low-income households nationwide are benefiting from the program. That is 82% of all eligible households

The transfers account for over 50% of the country's social assistance expenditure

What has been the impact of the transfers?

2.3% reduced poverty levels. Poverty gap reduced 6.5%

Reduced the risk of teen pregnancy by 3% points for adolescents girls in the program compared to those not in the program

Improved the height & weight of children under five; children under a year old grew from 0.70 to 0.83 cm while those under five grew 0.65 cm on average

Reduced the risk of repeating a grade or dropping out of secondary school

Watch "A Story of Success in the Dominican Republic" at deo.iadb.org

per caseworker has decreased to 50 from 350 before the merge.

Caseworkers help connect families to a wide range of government social services and also verify whether households are meeting their co-responsibilities, which include sending their children to school and taking them for regular health check-ups.

The country has also added new features to the program, which is now known as *Progresando con Solidaridad*. These include helping young people in beneficiary households access job training, and improving the coverage and design of education co-responsibilities in order to encourage teens to stay in school. Monthly stipends have been extended to families in the program with children in school up to 21 years old, and the amount of the stipend is now pegged to grade levels—the more teens advance in secondary school, the greater the stipend their families receive from the program.

In 2013, the IDB approved another loan to help the Dominican Republic expand the reach of *Progresando con Solidaridad*, which is now the pillar of the country's social safety net. The loan will also finance an impact assessment of the revamped conditional cash transfer program to determine whether the recent changes are working. Besides benefiting the Dominican Republic, the findings will provide important lessons for other countries in the region seeking to maximize the development impact of similar programs. ■

»DO AWAY

Improving access to information and communication technologies is a top priority for any government seeking to reduce poverty and inequality. That's because wired classrooms have the potential to enhance the quality of education, keep children in school longer, and improve test scores.

Uruguay began addressing the digital divide in 2007 by undertaking a program to provide all teachers and students with a low-cost durable laptop computer with access to the Internet. Uruguay was the first country in the world to implement a one-laptop-per-child program on a national scale.

In the five years since, the country has distributed more than 1 million laptops under its Plan for Educational Connectivity/Basic Computing for Online Learning (Plan CEIBAL, for its Spanish acronym). Today, all public school students are taught how to use an Internet browser and look for the information they need. The laptops also make possible interactive learning games and classes with remotely connected teachers when needed. Children take their computers home to do their homework and share them with family members, who can use the computer to navigate the web by using one of the free Wi-Fi connections made available by the government in public spaces.

After expanding access to computers in primary schools, the main challenge for the program was to improve their use in the classroom. So in 2009, the IDB approved a loan to provide training and develop digital tools to help Plan CEIBAL achieve that goal. The project has also financed measures to expand access to computers in secondary schools and build institutional capacity in the school system to better use technology to improve learning outcomes.

The project has contributed to expand educational materials and training teachers. Some 1,000 educational applications, including language and math courses, science classes, and interactive games, have been developed. In parallel, the project has trained more than 14,000 teachers in the new online teaching and learning methodologies. The project has also created special platforms to enable teachers to communicate with each other and share experiences and lessons learned about the use of computers in the classroom.

See it on MapAmericas

A 2012 study by an independent group of researchers showed that the investments are starting to pay off. Teachers are now using CEIBAL computers in the classrooms between 3.5 and 4 hours per week (out of 20-hour week). As much as 80 percent

WITH THE DIVIDE

LAPTOPS IN PUBLIC SCHOOLS IMPROVE ACCESS TO ICTS

of students now use computers for school work in class while about half use it for homework and reading books several times a week. Eighty-three percent of students report using their laptops to access the Internet to research information, 49 percent use it for programming and another 44 percent use for writing.

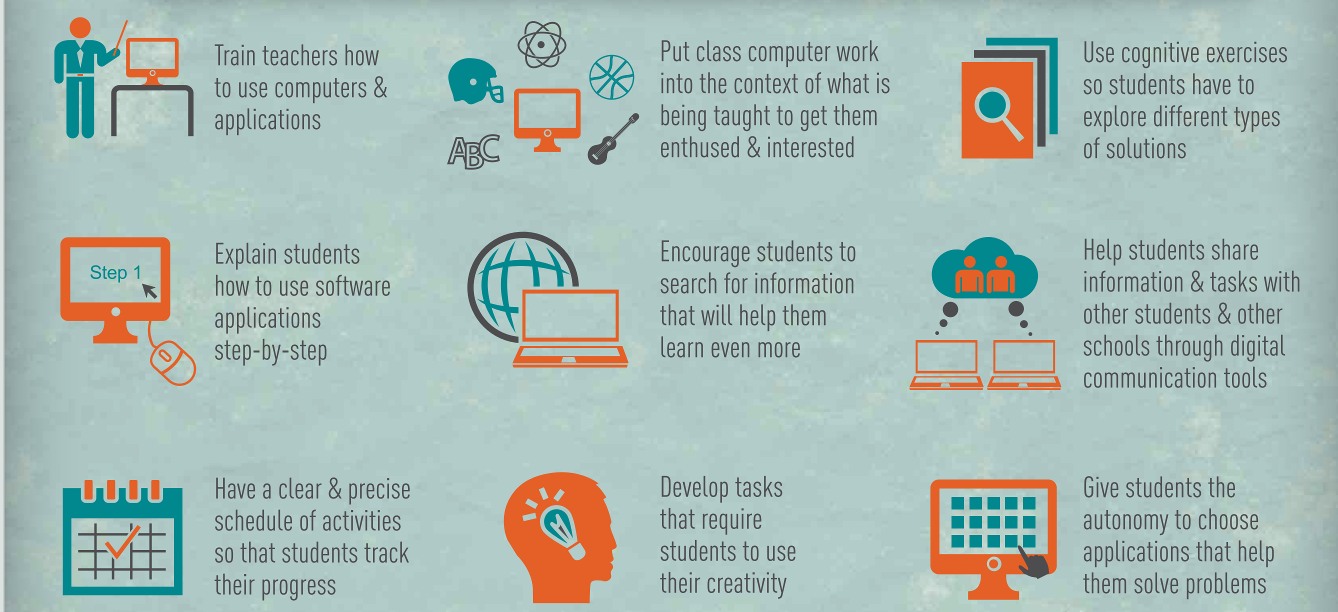
Despite the multiple achievements, there is still a lot to be done. CEIBAL's main challenge is to strengthen connections with the education system to become an instrument for improving student learning. That will take time to mature because incorporating technology into the classroom involves changing deep-rooted behaviors, developing different methodologies, and experimenting.

Over the longer term, however, the more engaging learning environment facilitated by the Plan CEIBAL has the potential to bring about a broad range of positive results, including better quality of education and improving student retention, the major challenges facing the country's education system. By improving the way computers are used by teachers and students, Uruguay has taken an important step to fully realize that potential. ■

BETTER ACCESS TO COMPUTERS

- 73 percent of Uruguay's poorest families now have access to a computer compared with just 5 percent when Plan CEIBAL started.
- A quarter of the poorest families had internet connection in 2013 compared with just 1 percent in 2007

How to Make the Best Use of Computers in the Classroom



Source: Impact of the Ceibal Plan on Primary School Teaching Practices, July 2012, Educational Evaluation Institute.

A Good Teacher Makes All the Difference

CLOSING THE LEARNING GAP IN ECUADOR

Inequality in Latin America and the Caribbean starts early. Gaps in cognitive development between children from poor households and those from better-off households emerge well before students start first grade. In Ecuador, for example, by five years of age the poorest children are on average 1.5 years behind their better-off peers in terms of cognitive development.

Evidence suggests that besides a conducive home environment, teachers are the most important factor affecting student learning. To determine the best policies to improve teaching and help close the learning gap, the Ecuadorian government and the IDB have embarked on the most ambitious research endeavor ever undertaken in the region to measure the impact of teacher quality on learning outcomes of poor children.

The study, called Closing the Gap, aims to better understand what makes some teachers better or worse than others, and how teachers can help compensate for a poor learning environment at home. The study is collecting and analyzing the characteristics and performance of a sample of 15,000 students and their respective teachers from the moment they started kindergarten in 2012 until they complete first grade in the 2013–14 school year.

Only two other studies could be comparable in design and breadth of the Ecuadorian study: the STAR project in Tennessee, which started in the 1980s, and the ongoing "Measuring Effective Teaching" study funded by the Bill and Melinda Gates Foundation.

THE SAMPLE

The Ecuador study involves 204 schools, each with two to six kindergarten classes. Students have been randomly assigned to their teacher and had their cognitive development levels individually assessed for baseline comparison through a receptive vocabulary test. This type of test measures a child's ability to name, with one word, objects, actions, and concepts presented in pictures.

To collect data on teacher characteristics and quality, each classroom is filmed during an entire school day, and the teacher-student interactions in the resulting videos are coded following a methodology known as the Classroom Assessment Scoring System (CLASS). This methodology, widely used in the United States to evaluate educational programs such as Head Start, measures the quality of student-teacher interactions in three critical dimensions: teacher sensitivity to students' views and opinions; class organization, which includes productivity and learning formats; and pedagogical support. International research suggests that children with teachers with high CLASS scores learn more.

PRELIMINARY FINDINGS

Preliminary findings from the study's first year of implementation show that a good teacher alone can have a significant impact on closing the gap between high- and low–performing students.

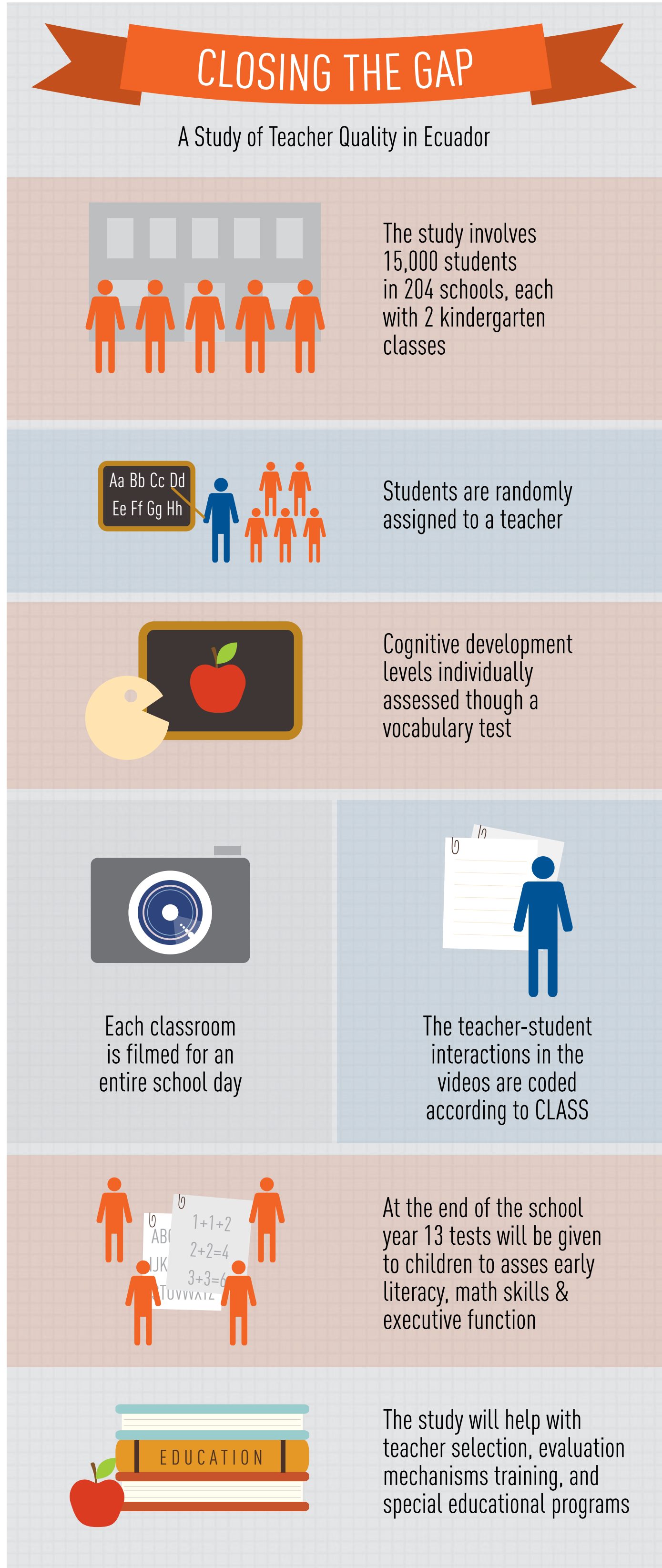
On average, students assigned to the best teacher in the school reduced their probability of falling into the lowest quintile in learning by nine percentage points. This effect is significant in all of the three dimensions studied: language, math, and executive function.

More importantly, the study shows that teachers who had the greatest impact on average students also had the greater impact on students with the lowest scores. These results suggest that a poor student who is in the lowest 20 percent income bracket in Ecuador, but is assigned to a highly effective teacher, can perform as well as a child who is in the richest 20 percent but has a less effective teacher. This means that a very good teacher alone can completely close the learning gaps that are present at the beginning of the school year.

The same conclusion can be drawn when taking into consideration the level of education of a child's mother. If assigned to an effective teacher, a child whose mother has only a basic education can perform as well as a child whose mother has a complete secondary education but is assigned to an ineffective teacher.

The study has also found that the impact of an effective teacher exceeds the impact on learning of conditional cash transfers. In the case of Ecuador, this effect is almost twice the effect of receiving stipends through the country's conditional cash transfer program.

Findings from this ongoing project can have important policy implications for Ecuador and other countries in Latin America and the Caribbean. Students from the region currently perform poorly on international tests when compared to students from other regions with similar income levels. The study can help governments design effective teacher selection and evaluation mechanisms, as well as develop teacher training and special educational programs for disadvantaged children, in order to close the learning gap and address the problem of inequality early on. ■



Social Security Scrutinized

DATA FOR A NEW WAVE OF REFORMS

How protected are workers in Latin America and the Caribbean if they lose their jobs, if they get sick, or when they retire? This apparently simple question is one that most countries in the region are struggling to answer.

Despite years of reforms and sustained economic growth, most Latin American and Caribbean workers still have little or no access to social security benefits such as health services and pensions. In order to understand why, the IDB and five countries in the region have embarked on an unprecedented and ambitious survey to compile information to help governments identify aspects of social protection systems that are not working.

DESPITE YEARS OF REFORMS & SUSTAINED ECONOMIC GROWTH, MOST LATIN AMERICAN & CARIBBEAN WORKERS STILL HAVE LITTLE OR NO ACCESS TO HEALTH SERVICES & PENSIONS.

Reforming these systems is increasingly important given that the percentage of people of retirement age in the region is increasing rapidly. The countries need to expand access to social security—currently only 30 percent of the economically active population in the region is enrolled. At the same time, countries need to ensure that they will be able to pay for the protection they offer workers.

The Longitudinal Social Protection Survey will help governments gather detailed and comparable data every two years to better understand the challenges they are facing and measure the cost-effectiveness of policies. The project will create a shared methodology based on a common questionnaire about such issues as job quality, employment trajectory, participation in pension systems, and access to social protection.

The survey incorporates novel features that will provide countries with more in-depth information about their workforces, such as the level of financial literacy or the reasons for participating or not in pension programs. Information from the extensive questionnaires will be complemented with historical information contained in official labor and social security records.

A key feature of the survey is that it will collect and compare data on the same variables from the same workers over a long period of time. This feature of the data will allow governments to measure the impact of policy reforms that are implemented during the life of the survey.

The survey was inspired by the successful Chilean Social Protection Survey, which was instrumental in promoting consensus prior to the 2007 Chilean pension reform and has also proved invaluable for evaluating the effects of the reform. To date, Colombia and Uruguay have implemented the first round of the survey, while Ecuador, El Salvador, and Paraguay are in the implementation phase. More countries in the region are expected to join the project in the near future—in each case marking an important step forward in obtaining the information needed to make the tough decisions on social protection the region faces in the years ahead. ■

PROJECT LEADER: DAVID KAPLAN, DKAPLAN@IADB.ORG

THE HEALTH PARADOX

WHAT IS THE BEST POLICY APPROACH TO FIGHT OBESITY & MALNUTRITION IN A POOR COUNTRY?

With increasing rates of obesity in populations that suffer from malnutrition, more countries have to deal with this paradox: high-energy versus low-nutrient content in their diet

Guatemala is probably the most dramatic example of this problem in Latin America and the Caribbean. Chronic child malnutrition rates in Guatemala are worse than those in Africa, and four times higher than the rate for its Latin American peers. Half of the country's women are overweight or obese, and nearly a third of all pregnant women and half of children between six months and five years of age suffer from anemia.

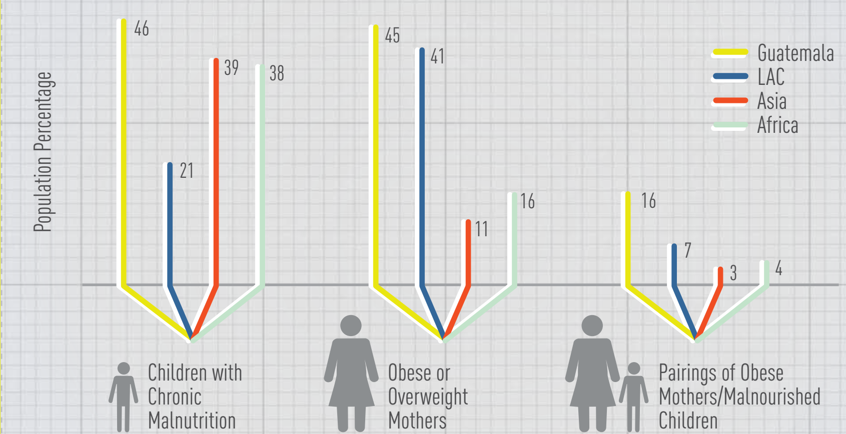
Such health problems can have detrimental effects on a country's long-term development. Obesity increases the incidence of chronic diseases, robbing years of productive life, while malnutrition undermines physical and cognitive development of children, limiting their learning and future earnings. For governments in poor countries, the dual problem of obesity and malnutrition is a perfect storm for already cash-strapped public health systems.

With this mind, the IDB published a study in 2013 entitled "Interventions and Policy Options for Combating Malnutrition in Guatemala" that analyzes the public health situation and provides recommendations for integrated and cost-effective policies. One of the main recommendations is for Guatemala to tackle obesity early on by targeting interventions to pregnant and breastfeeding women and children under age two. According to the study, effective policies and interventions that focus on the first 1,000-days of a child's life—starting when they are still inside their mother's womb—can significantly reduce the risk of death, stunted growth, and reduced intellectual capacity.

The study also recommends improving the quality and availability of health services and making them available for the target group regardless of social status. Services should include promoting breastfeeding, including exclusive breastfeeding during a baby's first six months, and supplemental breastfeeding until two years of age. It also recommends promotion of adequate infant feeding practices and the use of fortified complementary foods to combat anemia and micronutrient deficiencies among children; water, sanitation, and hygiene interventions; administration of prenatal iron and folic acid supplements to mothers; immunizations; and the use of zinc and oral rehydration to treat diarrhea.

Finally, the study urges governments to implement strategies to increase demand for health services and promote their use among the vulnerable population, since obesity and malnutrition are often associated with ethnicity and poverty. ■

Incidence of Chronic Malnutrition among Children & Obese or Overweight Mothers in the Same Household, by Region



Source: R. Garrett and M.T. Ruel (2005), Stunted Child-Overweight Mother Pairs: Prevalence and Association with Economic Development and Urbanization, Food and Nutrition Bulletin (26(2): 209-21).

INVESTING

MORE, EARLY, AND WELL

STUDY PROVIDES A SNAPSHOT OF EARLY CHILDHOOD PROGRAMS IN 19 LATIN AMERICAN AND THE CARIBBEAN COUNTRIES

The quality of care and interaction during the first five years of life has a major impact on childhood development and is a critical determinant of a child's future health, behavior, and intellectual abilities. In Latin America and the Caribbean, access to early childhood programs has increased over the past two decades, particularly for the poor, and preschool services are now available to 69 percent to the population, according to data from the United Nations.

Despite the increased availability of services, however, no systematic information has been available until recently about these programs. Information is needed not only for policymakers to ensure that the quality of such services is acceptable and regulated, but also for parents themselves to be able to choose the daycare center that is the best fit for their children, close to their home or office, affordable, clean, and well run.

To better understand the current situation and challenges, the IDB surveyed 42 programs that offer childcare or parenting services in 19 countries in Latin America and the Caribbean. The study mostly examined government programs, although it also looked at services run by civil society organizations and private entities, given their reach in certain regions. The resulting report published in 2013, *Overview of Early Childhood Development Services*, is the first systematic review of such programs in the region. It focuses on understanding program design, components, coverage, costs, and quality. Data was collected through in-depth interviews with the managers of the programs.

According to the survey, there is a wide range of models currently in place in the region to serve children under age three. In the Andean countries, for example, community-based models have been established where a mother feeds and looks after groups of 8 to 10 children in her own home and is paid by the government (and in some cases by parents). By contrast, in the Southern Cone, services operate largely through formal institutions where children are grouped by age and are cared for by professional educators.

THE

5

FIRST YEARS OF LIFE ARE CRITICAL IN A CHILD'S DEVELOPMENT

PRESCHOOL SERVICES ARE NOW AVAILABLE TO

69%

OF THE POPULATION

DAYCARE SERVICES AVERAGE

6

CHILDREN YOUNGER THAN 1 PER CAREGIVER IN THE REGION

THAT IS AT LEAST

2X

THE OPTIMAL RATIO

MAIN FINDINGS

The study points to the need for early childhood program to increase hiring of qualified professionals and decrease the child–to–adult ratio, a key determinant of quality. In the region, daycare services average six children per caregiver for children under one year of age. That's double the recommended rate for children in that age group. The region average ratios are also higher than the optimal rates for other age groups.

PROJECT LEADER: MARÍA CARIDAD ARAUJO, MCARAUJO@IADB.ORG

DEVELOPMENTAL CHALLENGES FACED BY SMALL CHILDREN IN LAC:

CHRONIC MALNUTRITION – STUNTING IN CHILDREN UNDER AGE FIVE IS

+20%

IN 9 OF THE 20 COUNTRIES WITH RECENT STATITICAL DATA

COGNITIVE DEVELOPMENT – AT 6 YEARS OLD CHILDREN IN THE POOREST SEGMENTS HAVE A LEVEL OF VOCABULARY EQUIVALENT TO THAT OF A

3.5 y/o

IN NICARAGUA,

4 y/o

IN ECUADOR & PERU, AND

4.5 y/o

IN COLOMBIA

ACCESS TO PRESCHOOL HAS INCREASED, BUT INEQUALITY STILL REMAINS. THE GAPS IN ACESS TO PRESCHOOL BETWEEN THE RICHEST & THE POOREST IS BETWEEN

8

PERCENTAGE POINTS IN URUGUAY TO MORE THAN

25

PERCENTAGE POINTS IN BRAZIL, DOMINICAN REPUBLIC, EL SALVADOR, NICARAGUA, PANAMA AND PERU

Watch "Take Good Care of Santiago" to learn about the importance of quality care at deo.iadb.org

More training and better pay is necessary to improve the quality of care. According to the survey, staff are underpaid, and their rudimentary educational credentials and competencies in early childhood development are well below the levels required for such programs. On average, early childhood teachers have completed only 2.6 years of post-secondary education, teaching assistants have barely finished high school, and caregivers have only 10 full years of education, meaning they have not finished high school. To attract qualified professionals, programs should offer competitive salaries and increase training, mentoring, and supervision of staff with low levels of education.

Increased monitoring of services is needed. Only 44 percent of daycare centers are regularly monitored on matters of safety and hygiene. Since the immune system of young children is still in development, hygiene and security issues pose particular risks for them. The study recommends that countries establish institutional arrangements in which quality standards are defined for the operation of childcare centers. It also recommends that systematic monitoring be put in place for government programs and for private programs.

Nutritional services can be channeled through childcare centers. Many countries of the region still face significant challenges in terms of providing adequate nutrition for children up to five years old. Childcare services can do more to ensure that children get the foods and micronutrients they need and have access to growth monitoring, and that families receive nutritional counseling.

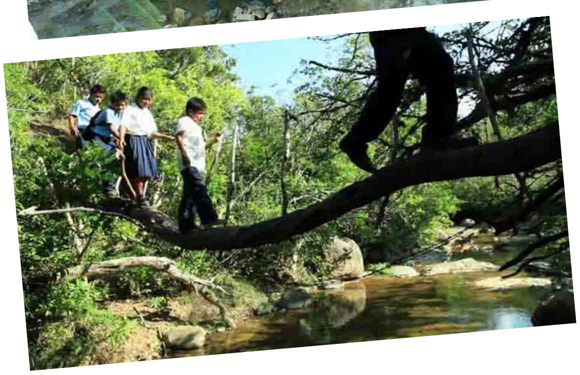
Finally, the findings show that a significant improvement in the quality of childcare services is impossible without a significant budget commitment by the countries to make it happen. There may not be much short-term political gain for authorities to make such a commitment, but the investment is critical to ensure better prospects for children who are the most vulnerable. ■

Magdiel Santos, 11, and her brothers in the comarca of Ngäbe Buglé in Panama brave an hour walk through the woods, including crossing a river, to get to school.

Watch the story of Magdiel and her siblings at deo.iadb.org

THROUGH THE RIVER & OVER A TREE

BETTER SCHOOLS & TEACHING IN REMOTE INDIGENOUS AREAS IN PANAMA



In Panama, over a third of indigenous people are illiterate and school retention rates in indigenous areas known as *comarcas* are half the national average. The Government of Panama, with IDB support, is trying to change that by improving primary and secondary school infrastructure, training teachers, and providing learning materials.

Even under the best of conditions, accessing many of these schools can be difficult, so it is important to make the environment as appealing as possible in order to maximize learning and retain students. For example, 11-year old Magdiel Santos braves an hour walk through the woods—including crossing a river on a precarious bridge that is nothing more than a tree trunk—in order to reach the Batata school in the hills of Ngäbe Buglé, 300 kilometers northwest of Panama City.

"I want my children to continue studying to prepare themselves to be adults," says Magdiel's mother, Juana Santos, who has nine other children. "I was so happy when I saw the school after the work was done on it."

Batata is among 46 primary or secondary schools in the *comarcas* of Ngäbe-Buglé, Emberá-Wounaan, and Kuna Yala that are being rebuilt or upgraded by the project. At the Batata school, the project put in a floor and replaced a leaky and noisy metal roof with a tiled one. An adobe hut that housed teachers who have to live at the school given its remote location was replaced by a brick-and-mortar house with a bathroom and electricity.

The project complements another government initiative to keep indigenous students in school by paying families a stipend of up to $200 annually for each student who

THE EDUCATIONAL GAP

35% of indigenous people in Panama are illiterate. The national average is 5%

+50% of indigenous women are illiterate

10x the proportion of the indigenous population with no education to that of nonindigenous people

13% indigenous people have studied beyond primary school

stays in school until the secondary level.

Since most of the schools under the project are in remote locations with poor road infrastructure, communities are getting involved in repairs by helping carry construction materials on their backs to the school site.

"We transported sand and cement for days, and we did this for the future of our children," said Esmeralda Pérez, the leader of another indigenous community, Llano Bonito, that has benefited from the project.

The project is also supporting a comprehensive training program in mathematics and Spanish for over 32,000 teachers in collaboration with Panama's Ministry of Education. Teachers are learning to introduce interactive educational methodologies and adapt didactic content to the socio-linguistic and cultural circumstances of each *comarca*. Teachers are also trained on formative evaluation techniques to better match learning activities with the real needs of their students.

The broad reach of activities under the $30 million project is expected to have a comprehensive effect on indigenous retention and literacy rates in Panama. In the isolated *comarca* of Ngäbe-Buglé alone, the project has built or repaired 17 schools, benefiting nearly 4,000 indigenous children. One of them—Magdiel Santos—might become the first among her nine siblings to complete secondary school. ■

The old school and teacher's quarters in Llano Bonito were renovated by community members who helped build the new Virotal school.

See it on MapAmericas

cies may be hard to find, the job seeker's skills may not exactly match what a company needs, and employers may be reluctant to hire someone they don't know per- come such barriers, Bolivia began to expand and enhance coverage of its Employment Services Program – SPE) in 2010 to include a range of job intermediation services. The program, which is supported by the

BOLIVIA EXPANDS EMPLOYMENT SERVICES PROGRAM

Finding a job is never easy—information about vacancies may be hard to find, the job seeker's skills may not exactly match what a company needs, and employers may be reluctant to hire someone they don't know personally.

To help job seekers overcome such barriers, Bolivia began to expand and enhance coverage of its Employment Services Program (*Servicio Plurinacional de Empleo* – SPE) in 2010 to include a range of job intermediation services. The program, which is supported by the IDB, provides a one-stop shop for job seekers where they can learn about vacancies, attend job fairs, receive personalized job counseling and referral services, and participate in training and workshops.

Bolivia is among a growing number of countries in Latin America and the Caribbean in recent years that have decided to invest in job intermediation to improve the functioning of their labor markets. Evidence from OECD countries and the region indicates that these services are cost-effective in helping workers find jobs and that individuals who use the services have a better chance of finding work than those who search by other means.

The project has financed the operation of 10 new employment service offices and is currently developing a Web portal and a call center that will enable job seekers to access services from anywhere in the country. The goal of the project is to double the number of job seekers it serves to 20,000 a year, and to increase the number of vacancy announcements by employers using the service by 6,000 annually. In particular, the project is looking to reduce the information asymmetry that affects job seekers from poorer households, especially for their first job.

Need a Job?

YOUNG ADULTS

Another project component that benefits young adults who have little access to employment opportunities that would give them the on-the-job training and experience they need to land a permanent job. More than 2,500 young Bolivians have participated in on-the-job training through the project since 2010. Participants receive accident insurance coverage and a three-month stipend paid by the program to cover transportation and other expenses during the training period.

Watch the documentary on our website at deo.iadb.org

Bolivia is currently evaluating its employment services in order to ensure that all job seekers receive the same quality of services, to strengthen monitoring capabilities, and to guarantee that the results of an impact evaluation to be undertaken in the future will be scientifically accurate.

"Finally, a real opportunity"

For her part, Nadyd Alborta certainly knows what the project has done for her. A 27-year old tourism student, Alborta learned through the project about an on-the-job training program offered at Boliviana de Aviación, the state-owned airline. She enrolled

See it on MapAmericas

and referral services, and participate in training and workshops. Bolivia is among a growing number of countries in Latin America and the Caribbean in recent years that have decided to invest in job intermediation to improve the functioning of their labor markets. Evidence from OECD countries and the region indicates that these services are cost-effective in helping workers find jobs and

job seekers where they can learn about vacancies, attend job fairs, receive personalized job counseling

WHAT IS THE IMPACT OF JOB TRAINING PROGRAMS?

Job training programs are among the most common active labor market initiatives in Latin America and the Caribbean. The programs support job placement for vulnerable groups (young people, women, and others) and provide the skills that give them access to optimal employment opportunities. Evaluations show that the effect of job training on employment varies by age, gender, and region, but that it frequently has a positive effect on employment rates. Aside from boosting job placement, it also has a positive impact in terms of the quality of employment.

in the program in 2012, and soon after completing the three-month training landed a permanent job with the airline.

"I studied tourism and wanted something related," she said. "I couldn´t find opportunities but then the program open me the doors to fly. Finally, a real opportunity." ■

that individuals who use the services have a better chance of finding work than those who search by

UNIVERSAL HEALTH CARE

EL SALVADOR BUILDS AN INTEGRATED & ACCESSIBLE PUBLIC HEALTH SYSTEM

LIKE MANY COUNTRIES IN LATIN AMERICA AND THE CARIBBEAN, EL SALVADOR IS FACING A CHANGE IN THE TYPES OF DISEASES THAT AFFLICT ITS POPULATION, WITH CHRONIC ILLNESSES SUCH AS HEART DISEASE AND DIABETES ON THE RISE AND INFECTIOUS DISEASES BECOMING LESS COMMON.

To address the emerging health needs of its population, El Salvador embarked on a project to build a system of integrated and universal health care networks in line with best-practice recommendation from the Pan American Health Organization.

Services from these networks are mainly delivered through primary care units. Experience has shown this approach to be best suited for dealing with the burden of chronic diseases, given the proximity of the units to different communities, their accessibility, and their capacity for treatment follow-up and for coordinated care with secondary and tertiary health service providers.

The IDB is currently helping El Salvador build integrated networks in the metropolitan area of San Salvador, in the departments of San Miguel, Chalatenango, and Sonsonate, and in 14 of the country's poorest municipalities. The works include construction and expansion of primary care units, purchase of equipment, hiring and training of human resources, acquisition of vehicles, and the design of new management structures and referral procedures for the networks.

Health workers at a primary care center in El Salvador provide services to mothers and small children. Health workers regularly visit vulnerable neighborhoods to conduct health checkups in women and their children.

Watch "Results in Health" to learn more about the project at deo.iadb.org

By the end of 2013, 24 family health centers have been built by the project, while another 17 centers will be repaired by the project's end.

In terms of human resources, the project is funding the creation of 45 community health teams that work in the health centers and routinely travel to communities to provide health services, especially for two of the most vulnerable groups: pregnant women small children. This arrangement also facilitates care for patients in vulnerable communities who cannot get to primary health units because of poor public transportation or gang violence.

The project is complemented by investments from the Health Mesoamerica 2015 Initiative, which is supporting improvements in maternal child health and is contributing to the operation of 74 additional community health teams in the country's 14 poorest municipalities.

The project has resulted in an increase in preventive versus curative health care. For example, between 2008 and 2013, the rate of prenatal and postnatal care increased by about a third. The project has also supported the distribution of micronutrients to approximately 14,200 children through the primary care units and the creation of a geo-referenced management system for primary care.

In addition to strengthening primary care, the project is supporting the modernization of public health laboratories, the creation of a master health data system for timely decision-making on clinical issues and patient management, and a national health emergency system, which includes improving hospital equipment and facilities and training staff at emergency departments in 16 hospitals. 36 regional health laboratories will be constructed and equipped by the project's end.

By implementing a cost-effective and integrated health management model, El Salvador is on the right track to make access to health care universal. ■

To the Next Level

TRINIDAD & TOBAGO OVERHAULS ITS EDUCATION SYSTEM

Over the past four decades, Trinidad and Tobago has dramatically increased school enrollment from early childhood through secondary school. Still, the quality of education remains a challenge all along the way: as of 2009, 65 percent of early childhood centers were in poor condition and only 30 percent of the teachers at this school level were certified, while nearly a third of students entering secondary school had failing grades in math and language arts.

To tackle the problem at its roots, the country began a sector-wide reform in 2009 with a special emphasis on early childhood care and education (ECCE) and primary education. This followed the Secondary Education Modernization Program also supported by the Bank, whose aim was to prepare a highly educated and skilled labor force to help the country diversify its economy and reduce its reliance on commodities. Taken together, ECCE and primary education reforms aim to develop a seamless education system capable of fostering life-long learning. To this end, the IDB is now supporting a three-phase program to help the country improve the quality, equity and relevance of its educational system, as well as its management. A key component of the program's first phase is to increase access to quality early childhood care and education for three- and four-year olds. Trinidad and Tobago wants to achieve universal access to early childhood care and education by 2015.

The new program is financing the construction, upgrading, and equipping of ECCE centers and the development and implementation of an extensive training program

REFORMS AIM TO DEVELOP A SEAMLESS EDUCATION SYSTEM CAPABLE OF FOSTERING LIFE-LONG LEARNING

for staff to replace outdated teaching methods with ones that actively engage students in learning. Phase one also seeks to strengthen the capacity of primary schools to provide quality education to students with a wide range of learning needs. Resources are being used to revise the curricula in nine subject areas in primary education to ensure alignment with the new early childhood and secondary education curriculum and to produce and distribute new teacher guides and instructional materials. With the support from international specialists the Ministry of Education has created a team of 51 curriculum writers who are school teachers to periodically review and update the curriculum and support its subsequent implementation in the country's 578 primary schools. The program is also promoting the introduction of foreign languages by providing training for teachers in selected primary schools, and supporting other activities to improve language instruction.

One important aspect of the IDB-financed program is to improve coordination between early childhood care centers and primary schools to better address learning challenges faced by pupils before they reach secondary school. Toward that end the program is financing a teacher baseline study to inform future teacher training policies.

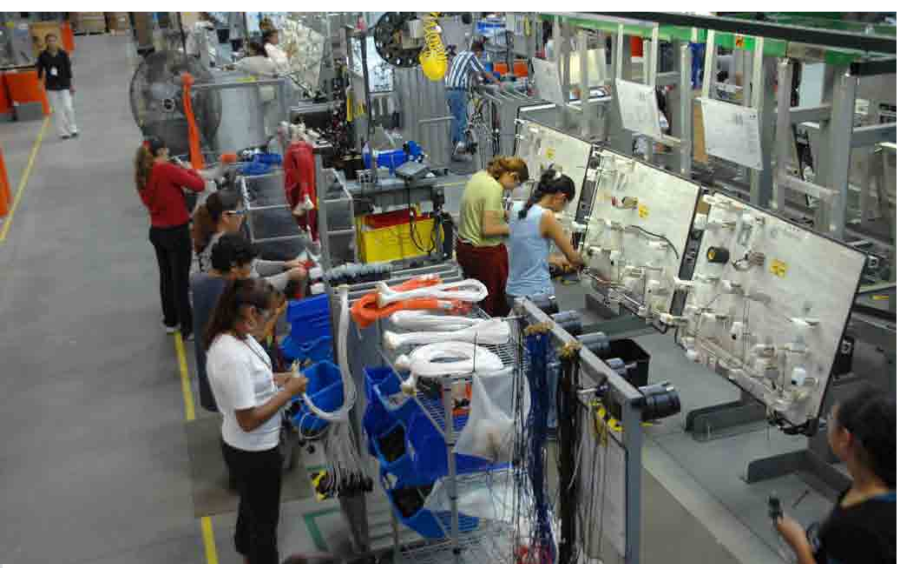
The program also includes the outfitting of 16 demonstration schools—eight in ECCE and eight in primary education. The aim is to develop inclusive education practices and provide a knowledge base for best practices to meet diverse student needs. These schools will offer specialized support services in child psychology and speech and language therapy for students with special needs. Building on the results of this initial stage, the program will subsequently be expanded nationally and will add activities at the secondary level.

As of 2013, nearly half of 50 early childhood development centers to be built by the program were near completion and nearly 300 early childhood education teaching staff had received training. Overhauling an education system takes time, but Trinidad & Tobago seems well on its way toward developing the type of seamless education system that is the nation's goal. ■

See it on MapAmericas

BETTER JOBS

LESSONS FROM MEXICO'S EMPLOYMENT PROGRAM



Over the past 20 years, Mexico has built one of the most comprehensive and successful employment service programs in Latin America and the Caribbean. The Multiphase Training and Employment Support Program (PACE) is improving the country's labor market by making it easier for employers to find workers with the right set of skills and for the unemployed to find better jobs.

See it on MapAmericas

The program has created a dynamic nationwide network of employment offices and online services that provide training, counseling, job search support, and entrepreneurship assistance for the jobless and underemployed. Since 2010, more than 12.7 million job seekers have benefited from the program's intermediation services. Seventy percent of the beneficiaries were women. About 66 percent of the more than 600,000 people who have taken part in PACE's on-the-job training program have found jobs.

Several impact evaluations, including a study by the IDB, a long-time supporter of the program, have shown that people who receive training through PACE have a higher probability of getting a job, are more likely to work in the formal sector of the economy, and earn more than nonparticipants.

What can be learned from these impressive results? For countries looking to create better job opportunities for their workforces, four lessons stand out.

Previous page: Beneficiaries receive on-the-job training at different companies.

Next Page: Beneficiaries like Juan Miguel Veloz Martínez (left photo), get hired by the companies where they receive on-the-job training.

1

Learn from your failures by measuring your results

PACE marked a sharp departure from previous less successful approaches to employment interventions in Mexico. Prior stand-alone worker training programs were insufficiently linked to companies' real needs, and beneficiaries often ended up with mismatched skills. PACE used lessons learned, evaluations, and results-based analysis to partner with firms to create an innovative on-the-job training program in which employers cover the total cost of training while the program covers stipends for participants. The initiative, known as BECATE, started as a tool to counteract the effects of the 2008 global financial crisis on Mexico's job market, but quickly became an integral part of the menu of services offered by the program.

2

Find strategic partners

PACE has set up strategic partnerships with key stakeholders, including local governments, companies, and nongovernmental organizations. The partners help gather information on local job vacancies and, more importantly, help tailor the program's services to local needs. Employers play a big role in the program's efforts to expand job vacancy listings throughout the country by participating in job fairs, listing their openings with the service, and conducting outreach activities. State and municipal governments have joint responsibility for regional employment centers through a direct cost-sharing arrangement. By sponsoring events and community outreach, the governments have expanded the program's local reach and increased the number of beneficiaries. NGOs have also been particularly important partners for the most vulnerable populations. One key initiative is called New Employment Opportunities for Youth, which forms alliances to identify job openings for young people in the state of Nuevo León. Another initiative is *Todos Somos Juárez*, a comprehensive federal strategy to reduce violence in Ciudad Juárez that has provided training workshops on employability, social skills, and responsibility for more than 25,000 people. NGOs have also acted as intermediaries to support the training and placement of disabled workers and help find job opportunities for workers who have been repatriated.

3 Don't be afraid to adapt

PACE is constantly monitoring and evaluating its own initiatives, keeping a close eye on emerging needs. As a result, less effective subprograms are reformed or phased out and more resources are devoted to expand programs that have proven to be effective, such as on-the-job training, and also to test new types of interventions. Given the greater number of women beneficiaries, for example, the program has included gender-based training for job counselors and businesses and now disaggregates key indicators by sex to allow for a more complete market analysis to help women find better jobs. Monitoring indicators include the number of women served and who have found a job, while evaluation indicators include the employment rate, income, and social benefits. Together, these indicators provide policymakers with information on how to better adapt specific program activities on an ongoing basis. During the 2008 global financial crisis, the program tested different initiatives to protect workers from mass layoffs, and two of those initiatives have now been incorporated into the program: training for temporarily laid-off workers, and an employment contingency program, activated only in times of crisis, under which workers receive temporary financial support from PACE if their employers agree to maintain their jobs for a certain period of time.

4 Be technologically savvy

To respond to the change in information technologies over the life of the program, PACE has been adding new tools, including job search workshops, computer-based job search centers, and an employment portal known as Portal del Empleo. Since 2010, more 1 million people have found jobs through the portal, which features both private and public employment exchange networks as well as virtual job fairs, some with a specialized focus on youth or high-tech skills.

See it on MapAmericas

Mexico's success with its employment service program has inspired other countries in Latin America to launch their own initiatives, many of them also supported by the IDB. By thinking ahead of the curve and constantly monitoring and evaluating results, Mexico has managed to build a job service program that meets the needs of an increasingly fast-paced and globalized labor market. ■

A Healthy Approach

RECIFE COMBATS NEGLECTED TROPICAL DISEASES WITH EARLY DETECTION & TREATMENT

Students from the São João Batista School in Recife (Brazil) participate in the contest "Singing for Health", one of the health education activities of the NTD control program

In the shantytown of Alto do Carroceiro in Recife, Brazil's fifth largest city, 10-year old Emily Eduarda Belo de Oliveira dreams of one day becoming a teacher, even as she helps her mom take care of four other siblings in their one-bedroom, windowless home. And being poor is not Emily's only hurdle: she also has leprosy, a disease that, if left untreated, can cause permanent damage to the skin, nerves, limbs and eyes.

Emily is one of the 100 million people in Latin America and the Caribbean affected by a group of neglected tropical diseases that includes leprosy, elephantiasis, blinding trachoma, and intestinal parasites. This diverse group of infections thrives in conditions of poverty, poor sanitation, unsafe water, and malnutrition.

The diseases carry a social stigma and rob years of productive life. One of the biggest challenges in overcoming them is to identify them early enough so treatment can begin before their debilitating impact. Diagnosis in public health systems often comes too late because providers are not trained to detect these diseases and their symptoms.

As a result, in 2010, the IDB joined forces with the Pan American Health Organization and the SABIN Vaccine Institute to launch several demonstration projects in Latin America and the Caribbean to test ways to combat neglected tropical diseases on a regional level. These projects support educational campaigns, community mobilization, and integrated health interventions to identify and treat the diseases. Demonstration projects are currently taking place in Recife, Georgetown, Guyana, Chiapas, Mexico, and in Guatemala and Haiti.

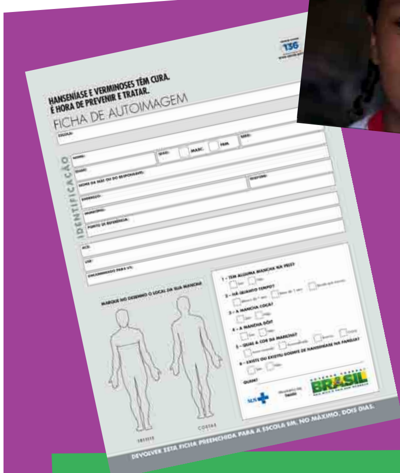
SELF-REPORTING

In Brazil, where 34,000 new cases of leprosy were detected in 2011–the second highest rate of new infections in the world after India–the project supported an education campaign in public schools in impoverished areas of Recife to increase self-reporting and diagnoses of leprosy, elephantiasis, soil-transmitted helminthiasis, and schistosomiasis.

That was how Emily found out she had the disease. After health educators made a presentation in her school, she realized that a lesion in her leg could be an early sign of leprosy. She filled out a sheet where she carefully described her lesion. Such self-detection forms have made the screening process for potential cases easier for health agents, and in Emily's case it led to her getting tested for the disease and starting treatment. The methodology has been so successful that the leprosy self-detection form is now being used nationwide.

Educational campaigns and community mobilization activities have directly benefited more than 17,000 students from 6 to 14 years old in three municipalities of Recife, and have indirectly benefited some 70,000 others. Students in 42 public schools are receiving medications to reduce the prevalence of intestinal parasites.

With integrated health actions such as that being carried out in Recife, controlling and eliminating neglected tropical diseases in Latin America and the Caribbean is achievable. That means more children like Emily will be able to detect and treat these types of diseases early and go on to have normal and productive lives. ■



Watch "A Small Revolution" to learn more about Emily's story at deo.iadb.org

KEY FACTS ABOUT NEGLECTED TROPICAL DISEASES

- Over a billion of the world's poorest people are affected by such diseases
- The effects of the diseases are measured in terms of healthy years of life lost as a result of either disability or premature death
- More people are at risk of neglected tropical diseases than tuberculosis, malaria, and HIV combined
- Treating most of these diseases is safe, inexpensive, and easy. Many of the medicines needed to treat them are donated by pharmaceutical companies.

Higher Education Made Accessible

Student Loans Targeted to the Poor

Mariclere Alvarez was halfway towards a communications degree at a private university in Mexico when her parents told her they could not pay for her education anymore because of financial difficulties. Alvarez would have dropped out had it not been for FINAE, a Mexican financial institution that provides college loans to low-income students.

"I felt relieved because I had the option to continue studying," said the 26-year old Alvarez, who is one of more than 5,000 students since 2008 who have received loans from FINAE, one of Mexico's first for-profit student loan companies.

The company, which received support from the IDB, is helping Mexico make higher education more accessible, as a growing number of low-income students are flocking to private institutions because of the limited capacity of the public university system. About 70 percent of the country's college-age population comes from families earning less than $3,000 a year.

College enrollment in Mexico increased from 2.5 million students in the 2006–07 academic year to over 3 million in 2010–11, according to government data, and private schools now account for a third of the country's total university enrollment.

However, low-income students face several obstacles when they enroll in private universities. First, their families may not earn enough to afford tuition, which can range from $1,500 to $15,000 a year. Second, the quality of education varies widely. Finally, the degree they receive may not be in high-demand fields or may not be recognized by future employers.

FINAE's business model, based on partnering with accredited universities, is helping students overcome these barriers while allowing the company itself to reduce the risk of default. FINAE currently partners with 10 institutions in 24 states that account for approximately 30 percent of enrollment in Mexico's private universities. These institutions help process applications, share some of the costs related to a possible loan default, and market the loans. Alvarez, for example, learned about the FINAE loan program through her university.

FINAE finances between 20 and 100 percent of tuition fees. The loans require that students maintain higher than average grades and pursue a degree in a field where there is demand in the job market. An important feature of the loan program is flexibility: the company has created alternative repayment plans, allowing students to choose the option best suited for their economic situation.

See it on MapAmericas

LOW DEFAULT RATES

The FINAE methodology has reduced drop out risk and, as result, has helped the company keep default rates lower than the market average. That's particularly important considering Mexico has an overall college dropout rate of 38 percent, the highest among OECD countries. Moreover, through the selection of the universities and programs FINAE finances, it also ensures that the degree obtained by the student is recognized by the market, boosting a graduate's chances of finding a job and being able to repay the loan.

Besides making higher education more accessible, FINAE's loans also help students establish formal credit histories, which will help them access a variety of financial services in the future, from bank accounts to mortgages and business loans.

The IDB has approved around $12 million in loans and guarantees to FINAE since 2010, paving the way for the company to raise additional resources from third-party investors and increase lending from $2.2 million in 2010 to over $18 million in the second quarter of 2013. Nearly half of FINAE's clients come from families earning less than $2,520 a year. Approximately 70 percent of loan recipients are the first in their family to earn a college degree.

Moreover, guarantees provided by the IDB have made it possible for FINAE to securitize its loan portfolio by issuing its first education bond to local retail investors in Mexico in 2013. This operation has not only helped FINAE raise more resources to fund its expansion but also helped create a new asset class that channels funding from the capital market to students largely from the base of the pyramid. Funds raised through this transaction are expected to finance higher education for 40,000 Mexican disadvantaged students over a period of seven years.

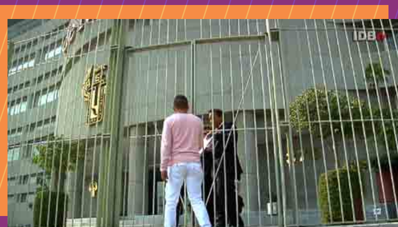
By scaling up its operations, FINAE was able to turn a profit for the first time in 2012. For every $1 invested in FINAE, an estimated $3.15 of social value has been created, according to Shaerpa, an organization based in Holland hired by FINAE to measure its social impact. The calculations took into consideration the average cost per student and the monetary benefits to multiple stakeholders, such as expected income after graduation as well as the increase in university revenues stemming from lower student dropout rates.

FINAE's experience shows that making higher education accessible to the poor is more than just doing good. It's good business. ■

Another story of opportunities

Watch "On the Road to College" to learn about Mario Alberto Espinoza's story at deo.iadb.org



IT

Information Technology in the Classroom

Education Reforms in Barbados for Changing Times

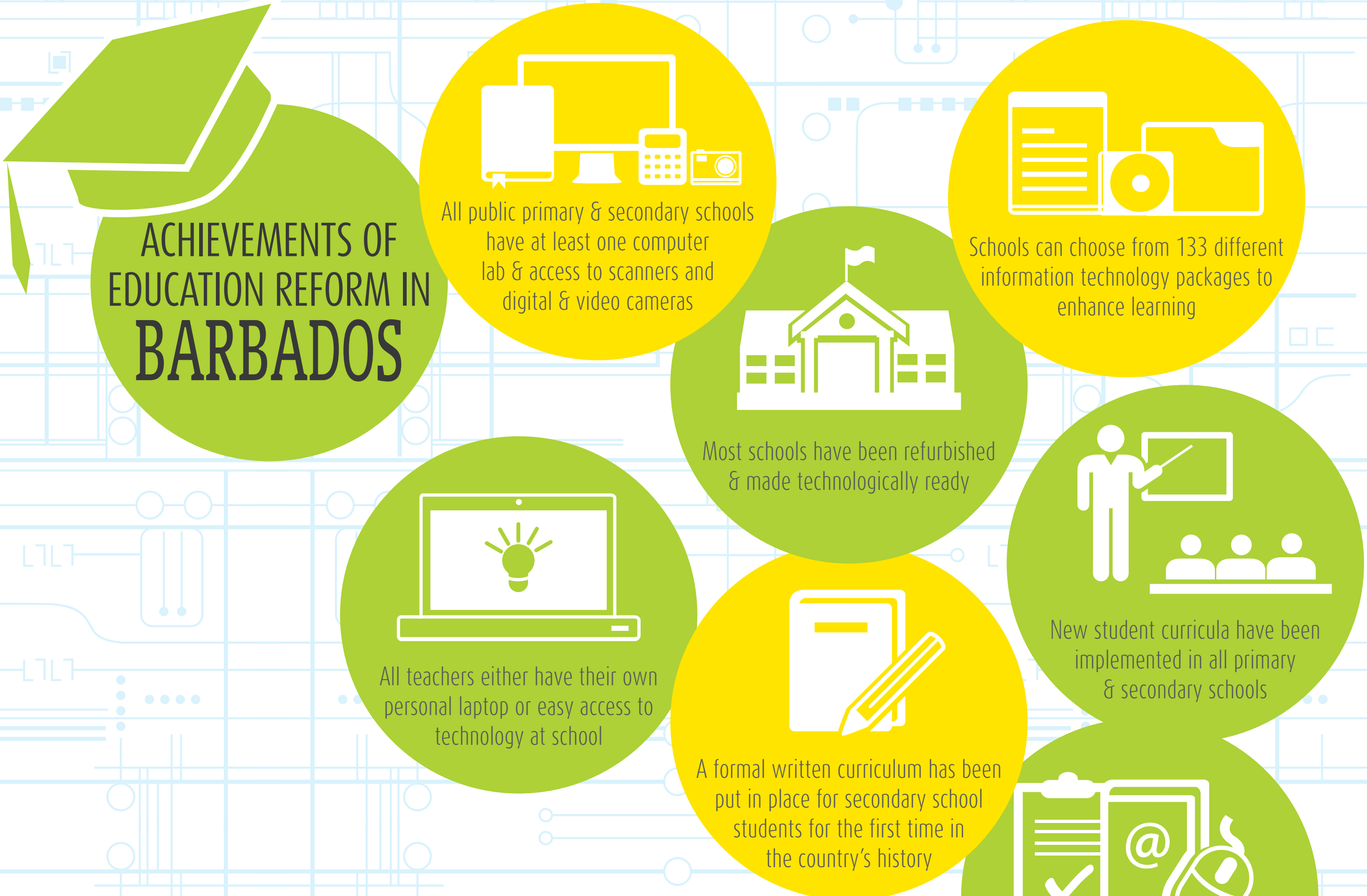
For more than 15 years, Barbados has been implementing an ambitious program to revamp its public school system at the primary and secondary levels. The aim has been to ensure that students will be prepared to work in a globalized world reliant on information technologies.

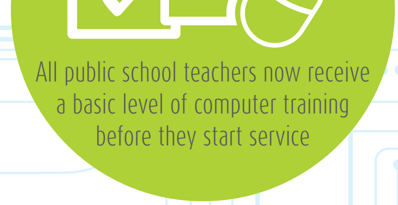
The IDB began supporting the program in 1998 with a loan to help Barbados modernize school infrastructure to promote the use of computers in classrooms, update the national curricula for students, and train teachers. The loan was the largest the IDB had made to a Caribbean country at that time and marked the Bank's first large-scale collaborative project with the Caribbean Development Bank.

Modeled after the British system, the education system in Barbados has been hailed as the best in the Caribbean, catering to approximately 50,000 students at the primary and secondary levels. Conditions seemed favorable for smooth execution of the reform, but implementation proved to be a challenge due to the project's broad scope, unforeseen changes in technology, and a revised concept of the civil works required. As a result, the project was completed in 2009, four years later than initially planned.

What can we learn from such an experience? An ex-post evaluation of the program completed in 2013 by the government of Barbados provides some lessons for any country looking to undertake major reforms of its educational system. The evaluation's recommendations included the following:

- Set realistic time frames. Reforms usually involve many stakeholders, which in turn require a lot of communication, collaboration, coordination, and time.
- Do it well even if it takes longer. Initially, the civil works planned for schools involved providing the necessary infrastructure to support computers in classrooms, including building computer laboratories, installing electrical wiring, providing dust-free environments and installing protection systems for hardware and software. However, after surveying the schools, the government realized that most of them first needed extensive improvements to more basic infrastructure such as replacing roofs and adding support beams. Others had to be completely rebuilt. As a result, the scope of the civil works had to be expanded.
- Incorporate technological changes (it can save you money). The project initially called for schools to provide Internet access via computers connected using ca-





bles. In the meantime, however, wireless technology was developed and soon became popular and affordable. Barbados incorporated this new technology into the project, reducing the need for certain civil works and quickening the pace of introducing computers in the classroom.

- Get teacher buy-in. Instead of bringing in external experts to develop the new curriculum, government officials chose top-performing teachers in the different localities to complete the task, thus ensuring greater buy-in from the teaching force. Teachers who assisted in developing the new curriculum were later re-assigned to schools to assist in its implementation. This paved the way for rapid implementation of this component of the program. Today, all schools follow the new curriculum, which contains attainment targets for students at every level.
- Provide timely training. Teachers were trained in the use of computers in the classroom, but the training took place more than a year before computers were placed in the schools. The lag between the training and the start of computer-based instruction discouraged teachers who were initially excited about the use of technology and increased resistance from teachers who were already reluctant to implement the new pedagogical strategies. Additional training from the Ministry of Education, Technology and Innovation rekindled teachers' enthusiasm for the project, but avoiding the lag time in the first place would have been a more practical approach.

Despite the delays, the project achieved most of its expected results. Even though challenges remain in terms of integrating the technology into the classroom and setting up systems to better evaluate and monitor school and student performance, the reforms have started to make a difference on learning. A government report showed that the percentage of students scoring less than 30 (on a scale of 0 to 100) in math and English on the Barbados Secondary Schools Entrance Exam dropped by half in 2009 in comparison with 2000.

Education reform is never easy, given not only resource constraints but the almost innate resistance to changing tried and true methods that in some cases have been used for generations. Undertaking such a reform during a time of historic and rapid technological change only makes the challenge greater. But Barbados has shown that governments willing to adjust reforms to ensure their effectiveness ultimately reap the benefits of changing times. ■

Social Housing Program in Villa Cristina, a neighborhood in Tegucigalpa, Honduras

INFRASTRUCTURE FOR COMPETITIVENESS & SOCIAL WELFARE

beyond the political cycle

Montevideo's Sanitation Project Stands the Test of Time

See it on MapAmericas

The pressure to obtain short-term results is not exclusive to the corporate world. Development projects are also subject to the same type of pressure. While CEOs feel compelled to show profits to shareholders every quarter, politicians need to show voters the results of their development projects every election cycle. That can make it difficult to implement long-term projects for which voters won't see immediate results. To make matters worse, projects started under previous administrations are sometimes changed or even abandoned by the incoming administration.

When a country manages to overcome such challenges, its achievement should be duly noted—and that is what has happened in Uruguay, which has been successfully implementing a large-scale sanitation project in Montevideo with support from the IDB for nearly four decades.

The Uruguayan capital—whose 1.3 million residents make up nearly half the country's population—was the first city in South America to build an extensive sewer system, which now covers nearly 91 percent of its urban population compared with 69 percent when the project started. Thanks to this system, 60 percent of the sewage is now safely discharged through a submarine outlet, which has allowed Montevideo to clean up its most popular beaches, and reduce contamination of rivers cutting across the city. By 2015, 100 percent of the sewage collected will be treated and the Montevideo bay organic polluting load will be reduced in 65 percent, due to the construction of a second submarine outlet in the west side of the city.

HOW DID URUGUAY SUCCEED WHERE OTHERS HAVE FAILED?

Here is how it beat the odds:

- **Long-term mentality:** When the project started, only downtown Montevideo and a small number of neighborhoods were connected to an antiquated sewerage system that dated to the beginning of the 20th century.

Montevideo was the first city in South America to build an extensive sewer system, which now serves 91% of its urban population

Most wastewater was untreated and dumped along the River Plate coast and popular recreational beaches. Authorities realized that nothing less than a comprehensive plan would solve the problem, and that implementation would require a large investment—more than $500 million—that could only be executed over a long period of time.

- **Stakeholder buy-in:** Improving sanitation conditions was considered a top priority by Montevideo's residents for years. That was fundamental to making the project a long-term priority for the city, the executing agency, and the national government, which has been financing the project.
- **Laying a solid foundation:** The city has worked with national and international experts to devise a long-term development plan that, on the one hand, laid the technical foundation for the project by incorporating best practices in urban development and sanitation, and on the other, helped future administrations understand the "big picture" and the importance of continuing the works.
- **Show, don't tell:** This IDB was among the first to conduct a comprehensive cost-benefit analysis using a methodology known as "contingent valuation," which allows beneficiaries to quantify in monetary terms project benefits that do not have a market value—such as less pollution of their favorite beaches. This evaluation showed in a clear and measurable way the project's economic benefit to Montevideo's citizens. It was also a fundamental tool that enabled different administrations at both the national and municipal levels to validate their investments in the project and maintain their commitment.
- **Good governance:** Since the beginning of the project, the city of Montevideo has been the executing agency responsible for its design and implementation. The city has created a highly qualified technical team to manage the project. The team's responsibilities, purpose, and personnel have changed little over the years, despite several changes in administration. This continuity—the team is currently working on the fourth phase of the project—has helped ensure that any project changes were solidly based on technical grounds.

Overcoming the political cycle is a difficult task for any government seeking to leave a tangible and lasting legacy. Montevideo's sanitation project shows that this goal is achievable if policymakers dare to think long term and lay the proper institutional and political foundation to ensure that a project can endure changes in administrations, political differences, and the test of time. ■

Give them credit

ECUADORIAN CREDIT UNION PROVIDES CREDIT IN REMOTE REGIONS

Ramiro Lopez could not hide his pride at the news: his youngest daughter, Alicia, had passed with honors the entrance exam to study biochemistry and pharmacy at an university and become the first ever to go to college in this family of craftsmen in the town of Chordeleg in the Azuayo province of Ecuador, where .60 percent of its 1.95 million inhabitants live on less than $100 a month.

This positive result had a lot to do with the effort, sacrifice and dedication of Alicia and her parents. It also had to do with the fact that her school Santa Maria de la Esperanza had been able to get a $30,000 loan to finally build and equip a modern chemistry lab , in addition to a physics and three new computer labs.

The loan was from Jardín Azuayo, a local credit and savings cooperative, that has developed a business that supports projects that improve living standards in small towns and villages in the region. With financing from the IDB and a group of impact investors, Jardín Azuayo provides affordable credit with flexible repayment schedules for small infrastructure projects and business ventures. The business developed by the cooperative is helping promote development in rural areas where governments usually have few resources because the taxpayer base is small.

See it on MapAmericas

Since 2011, the Cooperative has extended some 270 loans totaling $9 million for community development in the provinces of Azuay, Cañar, Loja, El Oro, Guayas, Santa Elena, and Morona Santiago.

The borrowers are civil society organizations, community associations, and small farmers and microentrepreneurs. The projects have benefited nearly 260,000 people in the region, a third of whom live in conditions of extreme poverty. More than half the loans were used to boost small-farm productivity by financing the construction of greenhouses and nurseries, acquisition of agricultural equipment, and irrigation systems. Another 30 percent were used to finance basic community infrastructure such as paving roads, remodeling and equipping vocational schools, and renovating town squares, sports facilities, and community centers to promote local arts and handicrafts. The remainder financed a wide range of small projects, including the acquisition of medical equipment and computers.

The initiative also promotes community and stakeholder participation by factoring in contributions of local labor and through counterpart arrangements in which communities or organizations contribute additional resources.

By improving access to credit in small and distant communities, Jardín Azuayo is lending a helping hand to cash-strapped local governments, creating favorable long-term conditions to stimulate local economies, and improving the quality of life of those who are most vulnerable.

Lopez could not be happier. He is convinced that education will allow his daughter to strike gold, which seems to be the logical consequence of a dream that started in a small town known for the best goldsmiths of the country. ■

SUSTAINABLE ENERGY

TRANSMISSION LINES TO DEVELOP ARGENTINA'S NORTE GRANDE REGION

See it on MapAmericas

Since mid-2000, Argentina has undertaken a historic and comprehensive strategy to promote sustainable development in the Norte Grande region, one of the poorest areas in the country.

The centerpiece of the strategy is to provide prompt, good-quality, and low-cost electricity that can improve the competitiveness of businesses and spur new economic activity in the nine provinces that make up the region: Catamarca, Corrientes, Chaco, Formosa, Jujuy, Misiones, Tucumán, Salta, and Santiago del Estero.

Toward that end, the government, with support from the IDB, has built a 1,220-kilometer 500 kV-electric power transmission line and associated substations that links the Northwestern and Northeastern regions of Argentina. More than 300 kilometers of provincial and regional transmission and sub transmission lines have also been built.

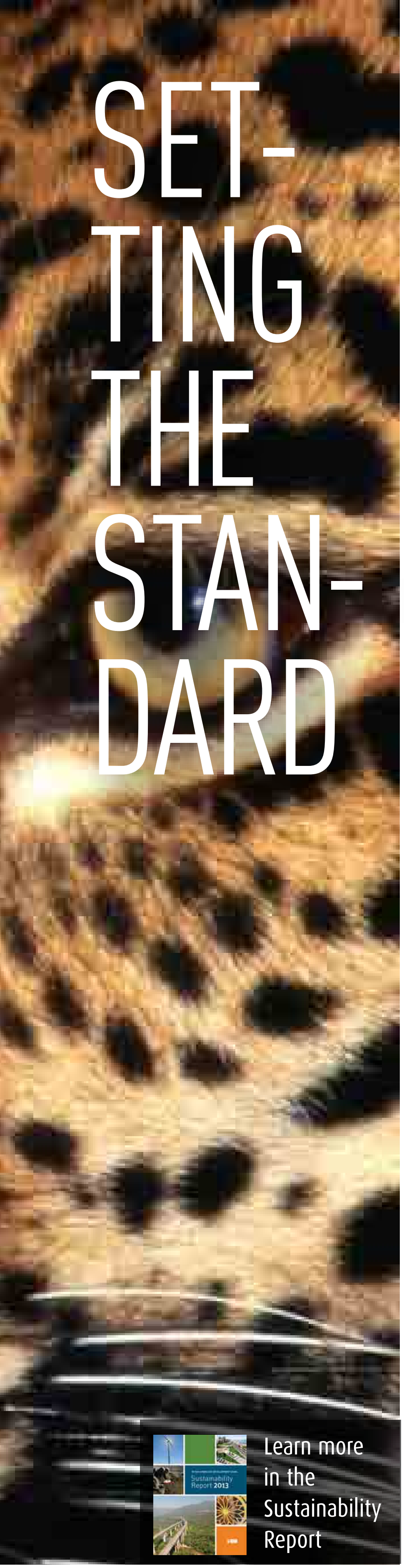
The project has enabled ranchers like Pedro Fernández in Chaco Province to cut the cost of bringing water to his cattle because he no longer needs to pump the water using diesel-fueled generators, also reducing the amount of CO_2 emissions.

"It completely changed our lives," he said of the electricity project. "Our water pump costs were very high, and now with electricity our pumps can run day and night with no problems."

The government had to clear the right-of-way area for the transmission lines, to offset the project's environmental impact, the project is planting close to a million native trees. A partnership was developed with stakeholders, including local communities, schools, and municipalities, as well as with local agricultural schools to create and maintain nurseries for native trees.

By investing in critical infrastructure with a sustainable framework to neutralize the impact of its construction, Argentina is providing a much-needed boost to economic and social conditions in Norte Grande while also doing its part globally to protect the environment. ■

Watch "A Much Needed Reforestation" to learn about the efforts to offset this project's evironmental impact at deo.iadb.org



COSTA RICA HYDROPOWER PROJECT MEETS ENERGY NEEDS & PROTECTS BIODIVERSITY

Demand for electricity is increasing faster than ever, particularly in Latin America and the Caribbean, where an emerging middle class is moving into homes with modern conveniences ranging from hot showers to Internet access. The growing demand is forcing countries to make difficult choices about how to boost energy production without damaging the environment.

Costa Rica, for example, is building Central America's largest hydropower plant on the Reventazón River, which flows from the central highlands to the Caribbean Sea. This is just the type of project with the potential to cause environmental damage. But with support from the IDB, Costa Rica is taking unprecedented steps to ensure that the project protects the environment and mitigates any effects on biodiversity.

The 306-megawatt plant will account for 10 percent of the country's total installed capacity when it begins operation in early 2016, supplying about a fifth of the expected increase in electricity demand in the next decade. But the project requires construction of a 130-meter-high dam and an eight-kilometer-long reservoir that will flood 6.9 square kilometers of land, creating a partial barrier to animal migrations through the Barbilla Destierro Biological Subcorridor. This patchwork of pastures, farms, tree plantations, and forest forms part of what is known as the "Jaguar Corridor," a critical pathway where jaguars can move unharmed in search of prey and mates from Mexico to Argentina. The plant will also will block the ability of native fish species to migrate along the length of the Reventazón, given its downstream location from four existing dams.

This is where the project's environmental safeguards kick in. To preserve safe jaguar routes, the national power company, the Instituto Costarricense de Electricidad (ICE), is taking steps to protect areas along the reservoir and working closely with local communities to raise awareness about jaguar conservation and the importance of restoring degraded lands by planting trees that promote biodiversity and help attract felid prey.

See it on MapAmericas

The project is also the first to establish an offset for river habitat in Central America, which will lead to the protection in perpetuity of a free-flowing river system with largely intact ecosystems. Under the project agreement, the ICE will protect fish migratory routes in the Parismina River, which joins with the Reventazón on the coastal plain, and will not make any artificial modifications to the Parismina, including dams that would block migrations. The ICE has also committed to preserving or restoring the natural flow pattern and the river's biological integrity.

Finally, the ICE is working with landowners in both the Parismina and Reventazón watersheds to reduce erosion, sedimentation, and pesticide runoff into the rivers. Plans are also under way to restore vegetation on the Parismina riverbanks, which could create additional jaguar habitat and improve conditions for jaguars to move inside the country.

With its Reventazón Hydropower Project, Costa Rica is not only addressing its energy needs but also showcasing an ambitious solution to preserve biodiversity–in the process setting a new habitat protection standard for large-scale infrastructure projects in the region. ■

LAST MILE

GUATEMALA BRINGS ELECTRICITY TO OFF-GRID RURAL COMMUNITIES

Some 300,000 families in Guatemala, about 16 percent of the population, have no access to electricity, with many of them living in extremely poor and isolated areas not connected to the electricity grid. In partnership with the IDB, the country has devised a cost-effective and rapid way to bring electricity to these communities using a combination of renewable generation, traditional transmission and distribution.

The project—part of the country's Rural Electrification Master Plan—provides technical assistance and finances the construction of renewable energy based stand-alone electrical systems such as micro and small hydro, solar photovoltaic, among others that are both environmentally sound and more affordable, since connecting particularly isolated locations to the grid would be too costly. In addition to these off-grid energy solutions, the project is financing construction of around 175 kilometers of power transmission lines in rural areas, as well as substations and distribution infrastructure to enable user connections.

Since the end of 2010, 22,133 customers in impoverished and remote areas have been connected to the grid. That number will rise soon, as construction began in 2013 on the first two off-grid renewable energy projects—one solar photovoltaic and one mini hydropower.

With access to electricity, rural communities limit deforestation by reducing their use of wood for daily activities. Moreover, having electricity reduces the use of dangerous chemicals such as diesel, kerosene, and other hydrocarbons that emit toxic fumes.

By thinking out of the box, Guatemala has found a way to get to the last mile in rural electrification. ■

See it on MapAmericas

HOUSING FOR THE POOREST

GUYANA DEVISES TAILORED SOLUTIONS IN LOW-INCOME HOUSING PROGRAM

Watch "New Homes for Guyana" to learn about creating communities through housing at deo.iadb.org

See it on MapAmericas

Improving the quality of life is not always as simple as it may seem. Understanding particular circumstances and putting programs in place that respond to actual needs required seeing the big picture.

Take the case of Leoni Hinds, a 41-year old widow and single mother of three in Georgetown, Guyana. She used to live in her brother's house, but a family row in 2010 forced her out of the house. Unable to rent or buy a home with her meager income of $240 a month, she managed to put together a shack on a lot ceded by the government under an IDB-backed housing program on the outskirts of the city.

Still, her situation remained dire—built with discarded materials, her precarious lodging had no bathroom, potable water, or electricity. Many of the family's belonging were scattered about outside because there was no room inside to put them.

For someone as poor as Leoni Hinds, it turned out, a piece of land was not enough to lift her out of extreme poverty.

Hinds' life began to change in 2010, when Guyana put in motion a much-needed project to upgrade low-income housing, also with support from the IDB. In Guyana there is a deficit of 19,400 homes for households earning less than $300 per month, which constitute 26 percent of all low-income households in the country.

The new program provides basic infrastructure in new or existing low-income housing sites and squatter settlements, as well as financing and technical assistance so poor residents can build their own homes in well-ser-

THE PROJECT IN NUMBERS

6,054
lots serviced with effective drainage, water & electrical connections

123
core houses built

122
incremental housing subsidies implemented

1,060
titles transferred to beneficiaries at project intervention sites

973
lots in selected squatter settlements upgraded, including paving of access streets and installation of drainage, septic tanks, and water supply

Previous page: Clockwise, Leoni Hinds' house before she took part in the program,her new core house with access to basic services, and finally the upgraded home.

viced locations. For the poorest and most vulnerable citizens like Hinds, the program provides a subsidized core single-room house made of wood and concrete, equipped with a septic tank, toilet, and multipurpose sink, and built at a location with access to sanitation, electricity, and public transportation.

To provide such a range of services in a single program, Guyana has had to coordinate the work of several agencies in areas ranging from sanitation to housing and transport. Providing poor families with access to comprehensive services is not easy but Guyana is doing it: the program has already serviced more than 6,000 lots with effective drainage, water, and electrical connections, and has achieved a number of other milestones. The program is also implementing three pilot projects to better understand what type of self-construction financing schemes are best suited to improve housing conditions of poor communities in different regions of the country. With the core home and the serviced land provided by the program, Hinds' assets are now worth over $10,000. She was able use these assets to secure an $8,000 loan from a financial institution to build three new rooms using bricks and mortar, more than doubling the size of her core home. Even with her modest income, she will be able to pay off the loan in 12 years—meaning that she is servicing a manageable mortgage that keeps her family in a decent home. She moved into the new home in 2011.

"I am much more comfortable now," said Hinds. "My children are happy. When you are living with other people, it got to all kinds of problems. My children could not sit in their chair and all kind of things. Now we got our own house. We got our own chairs, and we got enough space." ■

To learn more about IDB's research on housing click here.

HOUSING FOR AMERINDIAN COMMUNITIES

For the first time ever, Guyana's government is implementing a project in the countryside to test a new scheme to improve housing for Amerindian communities, a population afflicted by high rates of unemployment and poverty.

According to a 2009 IDB study of 321 households across eight Amerindian communities, half of the families do not have access to a stable source of income and 74 percent live in inadequate and overcrowded housing, often lacking access to basic water and sanitation services.

Most Amerindian households cannot even afford to pay their portion for a highly subsidized house, so the project has developed a scheme in which beneficiaries help pay for new homes or home improvements through their own labor. Under this system, families help build the house together with other people hired from their own community.

This solution, being tested in Regions 1 and 9 in Guyana, is creating local employment, helping preserve traditional knowledge in construction, and fostering the use of local building materials that are abundant and more affordable. So far, 194 families have benefited from the pilot project. What were once thatched-roof huts with no walls have been replaced by homes equipped with toilets and a rainwater harvesting system that provides potable water.

It's just a start, but for the poorest of the poor such pilot programs can bring hope that they can access the basic necessities for a better life.

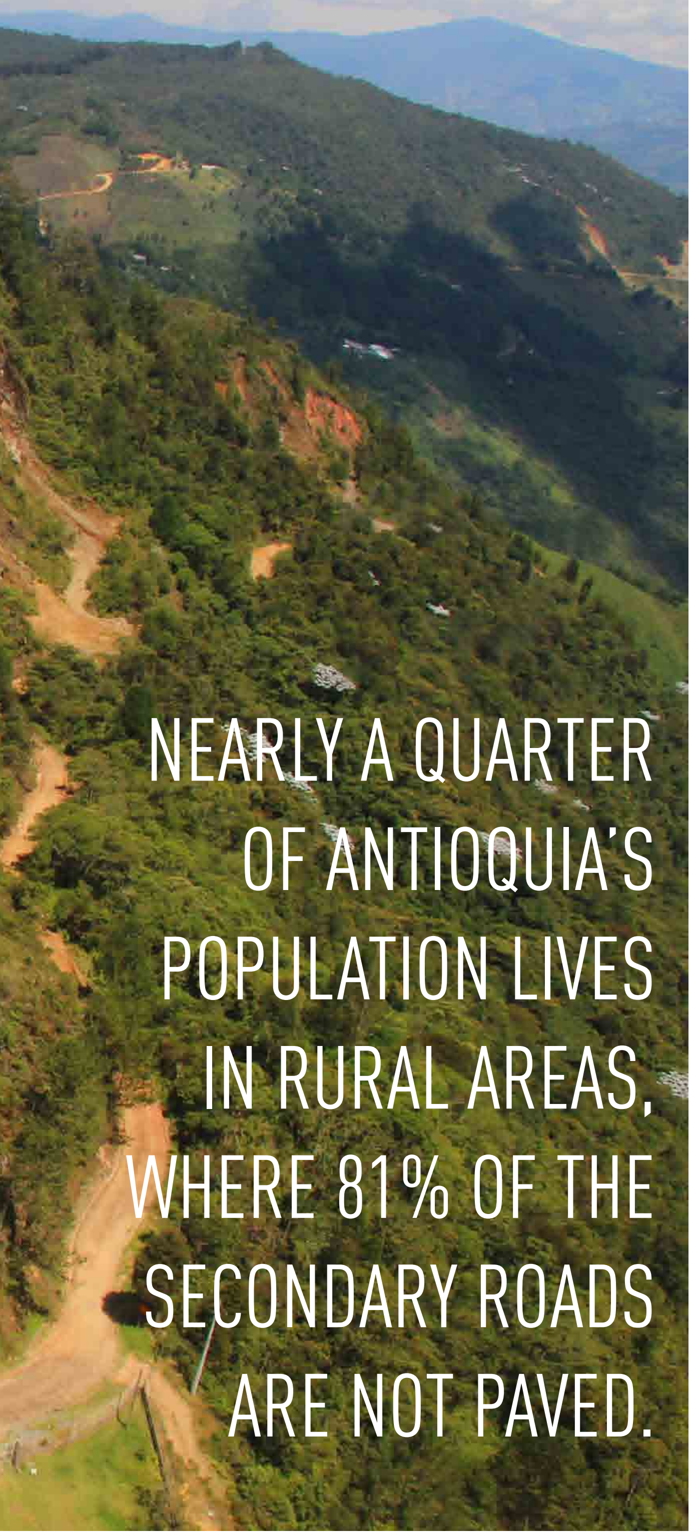
Scenic but CHALLENGING

Rural Roads in Antioquia

See it on MapAmericas

The roads that wind through the mountains and valleys in the department of Antioquia in Colombia's central northwest offer spectacular views of the Andes, but they also represent a transportation challenge for rural isolated communities that need the road network to access markets and social services.

Nearly a quarter of the department's total population lives in the rural area of this mountainous region, yet only 19 percent of the secondary roads linking municipalities there with other towns and the primary road network are paved. Practically none of the smaller access roads are paved, and these roads constitute nearly two-thirds of Antioquia's network and



THE PROJECT IN NUMBERS

611	kilometers of roads rehabilitated
98	small bridges built or recovered, benefiting 58 communities
3	rural cableways systems built in the municipalities of Nariño, San Andrés de Cuerquía, and Yarumal
58	rural communities connected to the road network, improving their accessibility to the capital
46%	municipalities benefited

connect municipalities with their districts or districts with each other.

The national government and Antioquia have partnered with the IDB since 2007 to improve and rehabilitate the department's road network. Besides maintaining new roads, the project has built or repaired small bridges to shorten distances and cut travel time, and constructed cableways in communities where rough topography make building a road too costly. The current focus is on road repair, with more than 600 kilometers of roadway already rehabilitated. In all, people from 58 out of the 125 municipalities of the Department have benefited from the project to date.

LONG-TERM ROAD MAINTENANCE

The project in Antioquia incorporates important lessons from past road projects the IDB has financed in other Andean countries, particularly related to long-term maintenance and economic sustainability. For secondary roads that represent the critical link between rural communities and nearby towns, the department will provide technical assistance and help pay for public works, but the local municipalities and communities will take joint responsibility for maintenance. This process integrates community involvement into the institutional arrangement for long-long-term maintenance.

Antioquia is also working with local communities to improve housing along these roads and undertake environmental education campaigns that encourage the planting of trees and other activities to protect the environment.

Heavy rains in 2010 damaged several key roads in the department, and as a result some project funds initially allocated for maintenance had to be diverted to repair secondary roads and bridges. Such adjustments, however, are not expected to affect the main project objective to improve the transport situation for Antioquia's remote rural communities. ■

There is where the sun shines

SOLAR POWER PLANTS IN THE CHILEAN DESERT

The Atacama Desert is among the driest regions on earth, with minimal cloud cover and high levels of solar radiation, making it the ideal place for Chile to harvest solar energy.

To help the country tap into this potential, the IDB and the Canadian Climate Fund for the Private Sector in the Americas are providing long-term financing to build the country's first large-scale solar power plants. Resources will be used to build two solar photovoltaic power plants with a combined output capacity of 26.5 megawatts peak.

The investment, approved in the first quarter of 2013, represents the biggest step to date to help Chile use solar power to diversify its energy matrix and meet rising demand, which is expected to grow as much as 7 percent annually by 2020. The investment will help Chile advance on its plans to more than double renewable energy generation capacity over the next decade. That´s critical for a country whose generating capacity is 75 percent dependent on imported fuels.

The power plants, which will be named Pozo Almonte and be built by Solarpack Corporación Tecnológica, will supply energy to two of Chile's largest mining companies. Clean energy generated by the plants will prevent the release of approximately 56,000 tons of carbon dioxide each year. Financing provided by the IDB and the Canadian Climate Fund has been key to overcoming one of the biggest barriers to the development of solar power in Chile: lack of long-term credit. Unlike most solar projects around the world, these plants will receive no government subsidies in terms of feed-in tariffs or tax incentives.

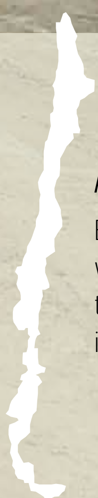
The financing arrangement is expected to show other potential investors how to viably harness Chile's solar power. The potential is stunning: If even just 10 percent of the Atacama were used to produce electricity through photovoltaic power plants, it would generate 601,600 terawatt hours (TWh) of electricity over a century. In contrast, if all of the oil in the deserts of Saudi Arabia were burned, it would generate 177,143 TWh, based on comparable efficiency models. More simply put, solar plants in Atacama have the potential to produce more electricity than almost any other place on the planet.

For the mining industry, the development of solar power plants in northern Chile could help mitigate concerns about the impact of its operations on the environment and facilitate future expansion. This could greatly benefit the Chilean economy since the industry is responsible for 19 percent of the country's GDP and 18 percent of the total electricity consumption.

Watch "Sun Over Atacama" at deo.iadb.org

By utilizing a local energy source that is clean and abundant to bridge the gap between energy supply and demand, Chile's economic prospects seem brighter than ever. ■

ENERGY POTENTIAL: ATACAMA DESERT VERSUS SAUDI ARABIA



Atacama Desert:

Even if just 10% of the Atacama desert's territory were used to produce electricity through photovoltaic power plants, it would generate 601,600 TWh in a period of 100 years.

Saudi Arabia:

Proven reserves: 268 thousand million barrels of oil equivalent. If all this oil were to be burned it would generate 177,143 TWh of electricity, assuming a 39% efficiency rate in the conversion of thermal energy into electricity.

Assumptions: Global daily irradiation equal to the irradiation of Pozo Almonte's plant, a two-axis tracking PV plant with 80% plant efficiency and 18.7% module efficiency.

CHILE | SECTOR: ENERGY | PRIORITY: INFRASTRUCTURE

PROJECT LEADER: ELIZABETH ROBBERECHTS, ELIZABETHE@IADB.ORG

PAVING THE WAY

COSTA RICA UPGRADES ROADS TO IMPROVE COMPETITIVENESS

Costa Rica has one of Latin America's highest density road systems. However, the condition of many roads has deteriorated over the years because of insufficient maintenance due to poor planning. According to government data, only about 35 percent of the 7,906 kilometers of roads managed by the central government and 13 percent of the 34,524 kilometers of rural roads managed by municipalities are in good condition.

Considering its potential impact on production, trade, and tourism, deficient transportation has become a real threat to Costa Rica's economic future. To address this issue, the IDB has been working with the country since 2008 on a comprehensive plan to improve transportation infrastructure. An $850 million credit line, the highest amount approved for Costa Rica in the IDB's history, is financing investments in a range of transport sectors supervised by the Ministry of Public Works and Transportation, including co-investments with municipal governments for rural works.

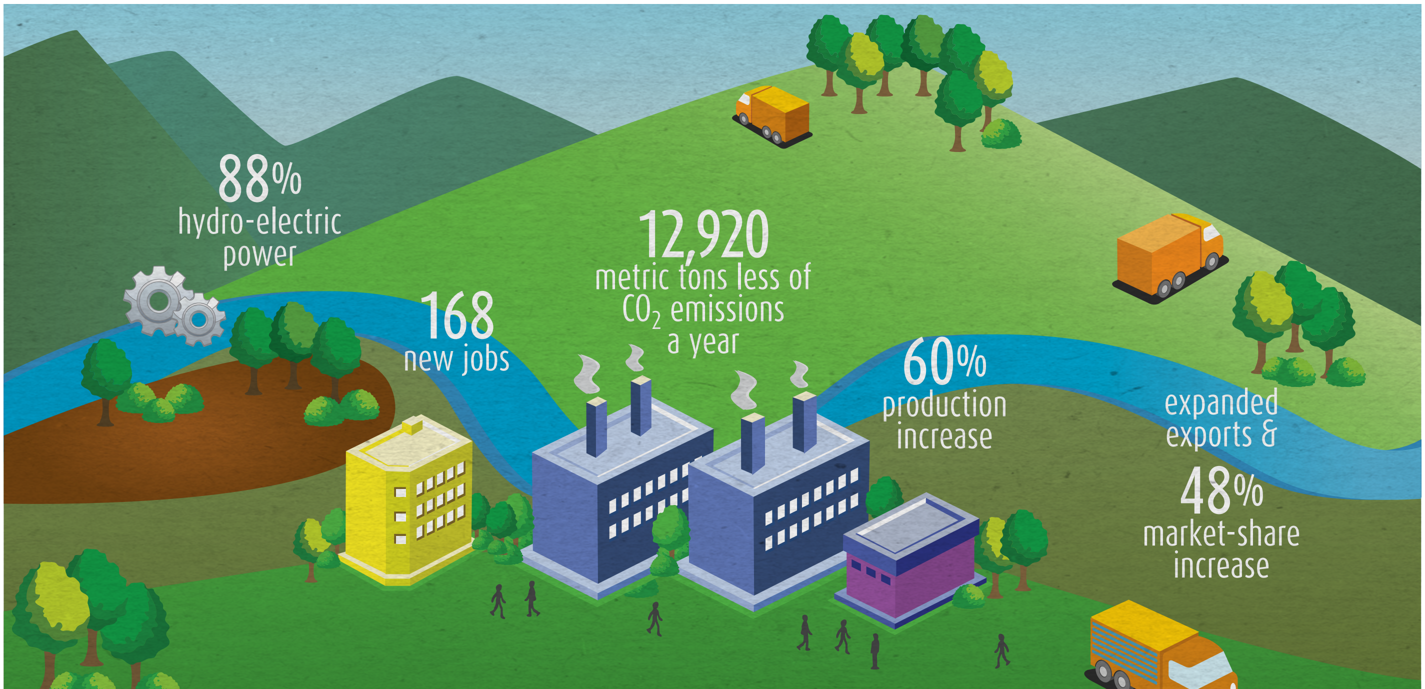
The first loan approved under the credit line is being used to improve the country's highway network, including rehabilitation and expansion of 51 kilometers of highway linking Cañas and Liberia, besides 18 bridges and three overpasses along the way, which is currently the biggest road project being carried out in the country.

A second loan is financing reconstruction and repair of approximately 282 kilometers of secondary and tertiary roads as well as construction of almost 900 meters of bridges. And, in 2013 a third loan was approved to continue financing investments on primary network.

Implementation of the first loan started slowly due to a lack of human resources with experience on planning and managing large infrastructure projects at the executing agency, and delays in procurement processes. Despite these initial problems, however, works are now being executed at a steady pace and the project has begun to yield results: about 41 percent of the Cañas-Liberia highway has been paved and eight bridges along national highways have been rehabilitated.

Costa Rica needs a modern and efficient road system to keep its competitive edge and spur growth. By making transportation infrastructure an investment priority, the country is moving forward to address one of its most important economic and social challenges. ■

See it on MapAmericas



POWER TO EXPAND

DENIM COMPANY IN ECUADOR INVESTS IN RENEWABLE ENERGY

Access to reliable and sustainable sources of energy is vital for any manufacturer trying to compete in a global world. For Vicunha Ecuador S.A., one of the country's oldest textile manufacturers, that has meant investing in renewable energy to support its expansion plan.

With financing and technical assistance provided by the IDB in 2007, the denim manufacturer acquired a new turbine for its small run-of-river hydropower plant located on the Guayllabamba River. Run-of-river plants harness the power of water flowing into a river or a stream to produce electricity by diverting the river flow and returning the water downstream without the need for large reservoirs, which minimizes their impact on the environment. Today the plant supplies 88 percent of the company's electricity, resulting in a reduction of 12,920 metric tons a year of carbon emissions.

The IDB loan was also used to add new denim production lines, modernize spinning mills and other equipment, purchase new weaving machinery, and improve utility connections. The upgrades led to a 60 percent increase in production and the creation of 168 jobs, more than the 120 initially envisioned by the project.

See it on MapAmericas

The investments also enabled the 90-year old firm, formerly known as La Internacional, to improve energy efficiency by reducing consumption, increase the production of clean energy to meet capacity growth, and better access more sophisticated markets through enhanced quality control.

The results of those efforts have been profitable: within a year after the IDB loan was fully disbursed in 2011, Vicunha Ecuador S.A. had expanded exports to the Andean region, its main export market, and boosted its market share in destination markets by 48 percent.

The company is looking to further boost energy savings as a result of an energy audit that was part of the IDB financing and technical assistance package. It revealed that small adjustments such as upgrading steam boilers, pumps, a compressed air system, lighting, and engines for the transportation of materials could enable the company to slash energy use and reduce emissions even further.

"We have gotten extremely valuable information from the energy efficiency audit," said Eduardo Veintimilla, the company's industrial director. "There are a series of recommendations, including some issues that we have never even noticed which are very important for the future of our company."

With its gains in production and exports—and the power to expand—the future of Vicunha Ecuador S.A. looks bright indeed. ■

Tailored to the Middle

INNOVATIVE INVESTMENT FUND SUPPORTS SUSTAINABLE INFRASTRUCTURE

Investment in infrastructure in Central America amounts on average to 2 percent of the region's GDP, only half of what would be considered ideal to help these countries boost their competitiveness.

To help close this gap, the IDB and other development institutions created the first Central American Mezzanine Infrastructure Fund (CAMIF) in 2006 to finance infrastructure projects of mid-sized companies in the subregion and in Colombia and Mexico. The $150 million Fund, which includes a $60 million investment from the IDB, seeks to help firms overcome two major obstacles: first, private investors often overlook smaller markets due to the smaller size of infrastructure projects, and second, long-term financing is scarce for small and medium-sized businesses.

The Fund offers what is called "mezzanine lending," a financial instrument that combines debt and equity features widely used to finance long-term infrastructure projects. Since its inception, the Fund has partnered largely with family-owned, mid-sized infrastructure companies that share the common goal of linking long-term financial revenues with social and environmental benefits for their communities. Fund management teams work hand-in-hand with the businesses to transfer knowledge about good business practices, environmental and social practices that go beyond local regulations, and increased employment and capacity-building for local communities.

The investments have built strong and profitable businesses that incorporate socioeconomic and environmental benefits into their business model. To date, the Fund has financed eight projects in five countries—Colombia, the Dominican Republic, Guatemala, Honduras, and Mexico—focused on renewable energy, transportation, telecommunications, and natural resources.

One investment supports the acquisition of an equity stake in a 45-megawatt run-of-river power plant on Las Vacas River which is a repository for much of the untreated waste water and sewage from Guatemala City. In order to make the plant operational, the company that operates the hydropower plant has hired and trained local staff to systematically remove and recycle plastic from the river, which is helping to reduce solid waste. The plant is contributing to the reduction of 90,000 metric tons of carbon emissions a year.

Another Fund investment supports the expansion of ProPalma, a palm oil producer in Chiapas, Mexico. The company sources most of its raw material from 2,000 small farmers and provides them with technical assistance to help maximize production. After the Fund's investment, ProPalma joined the Roundtable for Sustainable Palm Oil, an industry association working on an international sustainability standard expected to become the worldwide norm for the entire palm oil value chain.

Given the high demand for investments, the IDB approved a $100 million loan for a second phase of CAMIF in 2013. The Fund, which will continue to have the participation of other development institutions, has a target size of $250 million and will also finance infrastructure projects in the Caribbean. ■

PRIORITY: INFRASTRUCTURE | SECTOR: FINANCIAL MARKETS | REGIONAL

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come together

Neighborhood Upgrading Program Gets Community Involved

Works in Villa Cristina and Villa Franca in Tegucigalpa done by the communities

Like most Latin American capitals, Tegucigalpa, Honduras has grown in recent years mainly through the expansion of informal urban settlements. Today, an estimated 64 percent of the city's population lives in *barrios marginales* that lack properly planned roads, drainage, schools, health posts and public spaces. Moreover, many of these marginal areas are crime-ridden and suffer from gang violence. Community organization is weak and there is little or no police presence.

A pilot neighborhood upgrading project implemented under an IDB-financed social housing program has shown that these problems can be overcome. By engaging with marginal communities, the program was able to improve living conditions for the neediest citizens. The project financed investments in street paving and lighting, drainage and sewerage, water connections, child care centers, schools, and sports facilities in Villa Franca and Villa Cristina, two of Tegucigalpa's poorest neighborhoods.

A major obstacle to project implementation was the escalating violence in both neighborhoods due to gang wars that prevented contractors from entering the communities. Project officials also had to overcome the communities' skepticism toward the initiative, borne of failed efforts in the past to address social problems.

The key to overcoming both problems was community involvement. The executing agency—the Honduran Social Investment Fund—started a dialogue with community leaders and then undertook a door-to-door awareness campaign in order to encourage community input and participation. More than 140 training sessions on topics ranging from community organization and governance to conflict resolution and life and job skills provided a strong incentive for members of the community to put a stop to the turf wars and collaborate with the project. The training, which focused on youth and women, also prepared community members for jobs with the construction company involved in the project. In addition, to ensure transparency and accountability, community leaders were trained on the selection process for contracting the construction company.

See it on MapAmericas





The project's construction works, completed in 2013 included paving 5 kilometers of streets and building 16 kilometers of drainage systems. Nearly 2,000 households were connected to the sewer system and another 242 were provided with water connections.

The project also helped many of the estimated 10,000 residents of Villa Franca and Villa Cristina feel like they were part of a community and that their families had been strengthened—perceptions that can be critical to combating violence. Respondents to a community survey said that capacity-building courses and participation in the neighborhood upgrading project helped improve community leadership and cohesion. Youth and women respondents also reported that job and life skills training not only helped participants start their own businesses but also improved relations among family members and neighbors.

There's no easy fix to the serious problems of marginal communities in Tegucigalpa or anywhere else in Latin America. But the pilot project in Honduras is demonstrating that getting community members involved in fixing their own problems can be an important first step toward making marginal communities safer and more prosperous. ■

Watch "Colonias de Oportunidad" to learn about the efforts to reduce violence through an engaged community at deo.iadb.org

See the photo blog at deo.iadb.org

HOUSING SUBSIDIES & ACCESS TO MORTGAGES

The IDB-backed social housing program in Honduras also provided subsidies to 7,429 low-income households nationwide to help them purchase homes or finance improvements. An evaluation shows that the program reached the targeted number of beneficiaries and that its investments increased the value of houses. The project's impact was enhanced by nongovernmental organizations that offered additional financing and technical assistance to households receiving the subsidies.

However, there was only a limited impact in improving access to mortgages, which had been another project objective. Only 19 percent of the subsidies leveraged additional credit from a private financial institution. A possible explanation could be the program's targeting of the most vulnerable households, whose incomes were below the threshold needed to qualify for mortgages currently offered on the market. This highlights the need for social housing programs to develop better ways to engage financial intermediaries in the development of affordable mortgage financing.

Children in Port-au-Prince, Haiti

INSTITUTIONS FOR GROWTH & SOCIAL WELFARE

BRIDGE OVER TROUBLED WATERS

COMMUNITY PARTICIPATION CAN BREAK THE CYCLE OF VIOLENCE

Watch how hope is built on our website at deo.iadb.org

Community Leader Denise Johnson (standing up) is among a group of volunteers working with the Jamaican government to fight violence in Parade Gardens, in downtown Kingston.

In Parade Gardens, a poor neighborhood in downtown Kingston, several street corners have a name and an owner—that of an armed young man who is willing to protect his turf no matter the cost.

These young men are usually raised by impoverished single-mothers, live in overcrowded homes, and in many cases have suffered physical and psychological abuse at an early age. Many use drugs regularly (mainly marijuana), father children when they are still in their teens, and abandon school to work for local gangs, where they get the money and recognition they crave. They are also both the biggest perpetrators and primary victims of violent crimes in the country.

Such is the way of life for many young people in inner-city communities throughout Jamaica. Against this backdrop, Jamaica, with support from the IDB, has been carrying out a citizen security program for more than a decade in 15 communities in the Kingston area to break this vicious cycle of crime and violence that traps so many young men and women.

A key component of the program has been to provide a package of violence prevention services targeting children, teens, and young adults. These services—provided through nongovernmental organizations already working in the communities—include alternative dispute-resolution training, mentoring, job and life skills training, remedial education, parenting programs, and drug abuse prevention and treatment.

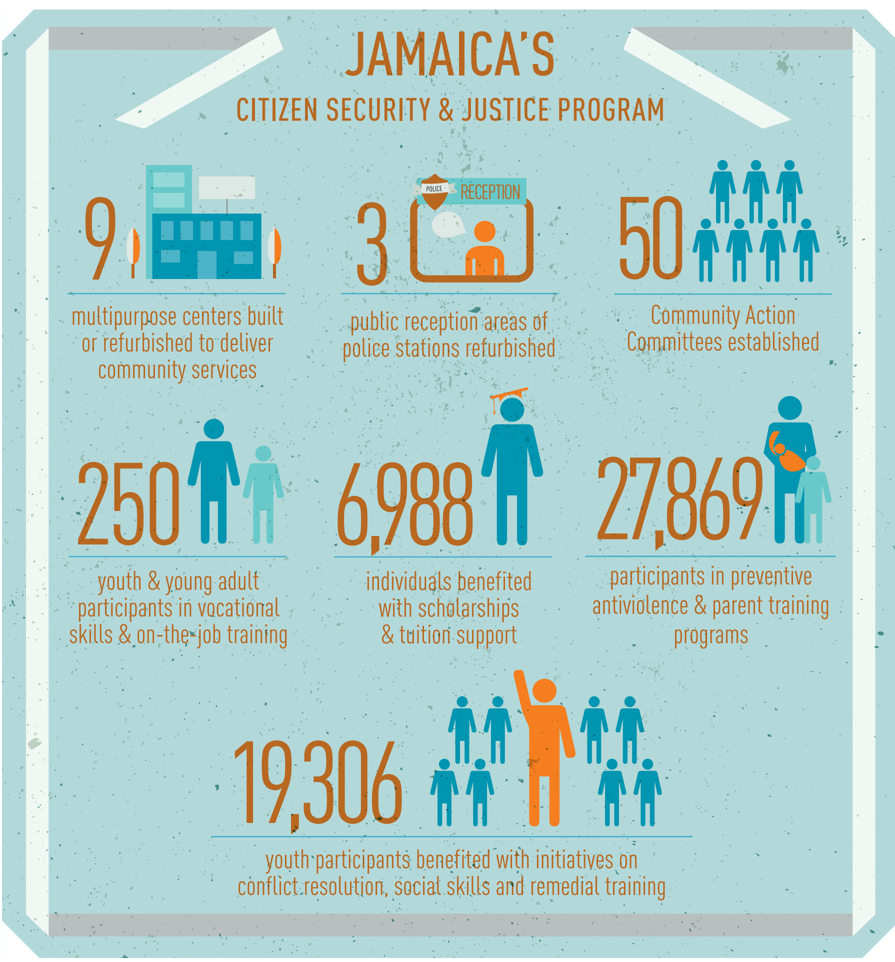
COMMUNITY EMPOWERMENT

To reach these young people, the project had to overcome a major obstacle: the lack of trust in the government because of past unfulfilled promises. To overcome the problem, Jamaica decided to make the communities their main partner. It started by reaching out to local leaders of different political factions so the program would not be perceived as benefiting a particular group. Members of the communities were hired to liaise directly with project coordinators, individuals and communities themselves chose the services that were most needed, and local civilian leaders were encouraged to become champions of the programs. These community representatives then helped enlist vulnerable youth in the training programs.

To improve lines of communication, the program also helped communities set up a formal governance system through Community Action Committees, responsible for elaborating development and safety plans to meet the needs of the local population and help solve a wide variety of issues, ranging from trash collection and sanitation to building homes for the elderly.

The arrangement has made the communities more self-confident and self-reliant, greatly facilitating project implementation and the delivery of services to the targeted groups, according to a 2013 report by the IDB's Office of Evaluation and Oversight. In Parade Gardens, for example, where problems with youth gangs were paramount, a program intervention helped create the conditions that lead rival factions to sit down and negotiate an end to a turf war. The community also created a non-profit organization capable of raising money to fund its own development projects.

The IDB report noted that hiring NGOs to provide services also contributed to better implementation because these groups already had trained professionals with intervention protocols in place. The end result is that the program has been able to offer prompt and personalized follow-ups to beneficiaries. According to a special study published by the IDB about the program entitled *Life Stories of At-Risk Youth in Jamaica*, it is not uncommon for the youths involved to describe the program staff as family members whom they would not want to disappoint.



IMPACT

Crime data for the targeted communities show that the number of homicides and violent crimes decreased by more than 60 percent from 2002 to 2008, when the first phase of the citizen security program was completed. However, another IDB evaluation conducted in 2010

sounded a cautionary note, indicating that this result cannot necessarily be attributed to the project because of small sample sizes and limited data. The evaluation also found limited effects of the program on household violence and school dropout rates, suggesting that some problems are too serious and deep-rooted even for program beneficiaries to overcome. On the other hand, the same evaluation showed that the program helped improve the willingness of beneficiary communities to report crime.

Jamaica began implementing the second phase of the program in 2009, also with support from the IDB. In this phase, the government is expanding crime prevention services—which are now being delivered by community-based organizations—and improving governance in another 28 communities. Under this phase, the government has also introduced an on-the-job training program in partnership with Jamaica's Defense Force.

MAIN LESSONS

The IDB evaluations of Jamaica's citizen security program offers valuable lessons for Latin America and the Caribbean, especially at a time when governments are increasing investments in projects to combat violence. A recent study estimates that, on average, 13 percent of the region's GDP is lost because of the violence.

One lesson is that countries need to strengthen reliable information systems to enable them to measure the impact of programs and support decision-making. A second lesson underscores the need for more research to understand and quantify the determinants of crime and violence in the region so new types of interventions can be developed and tested.

The achievements of the first phase of Jamaica's citizen security program cannot be underestimated, particularly when taking into account how services were delivered. Citizen security projects are by nature complex because they involve the delivery of different types of interventions aimed at a diverse group of beneficiaries. There is still little understanding about the best ways to implement these projects effectively.

The most important lesson from Jamaica is that community buy-in is vital to implementing these types of interventions and ensuring their sustainability. The involvement of community leaders, and the relationships they develop with beneficiaries and program staff, can help ensure that the services most needed are delivered to those who need them most. ■

Community leaders and government officials work together on programs to train, educate and guide the youth in Kingston.

Watch the interview at deo.iadb.org

See it on MapAmericas

Green credit where credit is due

LENDING & GREEN FINANCING FOR SMALL BUSINESSES IN COLOMBIA

Nearly all of the estimated 1.6 million businesses in Colombia are micro, small, or medium-sized enterprises (MSMEs). Across the board, if you ask owners of these firms what the biggest challenge is to grow their businesses, the answer is almost unanimous: access to credit.

Growth of MSMEs is critical to the Colombian economy because they generate more than 80 percent of the country's jobs and 40 percent of its goods and services. Yet, because financial institutions often face a shortage of long-term deposits to fund their lending, they tend to focus their operations on large, well-capitalized firms, which are perceived as carrying lower risk than small or medium-sized firms.

BANCOLDEX & THE IDB: KEY RESULTS

$300m	Total IDB financing from 2008 to 2012
20,000	Estimated number of beneficiary micro, small & medium-sized enterprises from 2008 to 2012
20%	Increase in employment & productivity rates
30%	Increase in output
2.5x	Leveraging of IDB resources
3-5.45	Years on payback periods for financing micro, small & medium-sized enterprises.

To address this problem, Colombia has been expanding lending through Bancoldex, a government-owned development bank that is using an onlending strategy to funnel credit to smaller firms. Drawing on $300 million in long-term loans provided by the IDB since 2008, Bancoldex has channeled financing through regulated financial institutions to fund investment projects, productive restructuring, and promote development of business and export activities among MSMEs.

According to data from two IDB impact evaluations, Bancoldex's strategy is working. The studies found that companies accessing Bancoldex investment lines get loans that are bigger and that carry lower interest rates and longer maturities than loans obtained by non-beneficiary firms. Moreover, the studies show that beneficiary firms have experienced increases in output, employment, investments, and productivity.

Learn how green financing works on our website at deo.iadb.org

SUSTAINABILITY

In addition to providing financing to Bancoldex, the IDB has worked closely with the bank to develop a full-fledged environmental and social sustainability strategy that includes improving Bancoldex's own operations and developing green financing lines. Bancoldex has created a special team to manage the sustainability strategy and has developed internal systems to promote the analysis of environmental and social opportunities and risks in its portfolio. The bank has also set aside about $90 million to finance green projects for MSMEs, including renewable energy, energy efficiency, sustainable transport, water and solid waste treatment, and local pollution control and recycling programs. 58 percent of the Bancoldex green lines in 2012 were dedicated to MSMEs projects.

Bancoldex has also been innovative in the design of financial green instruments. A good example is the energy efficiency credit line for Colombia's service sector, developed in partnership with the IDB and the Clean Technology Fund, which offers a series of different instruments so financial institutions channeling resources from this line can better manage risk and demand

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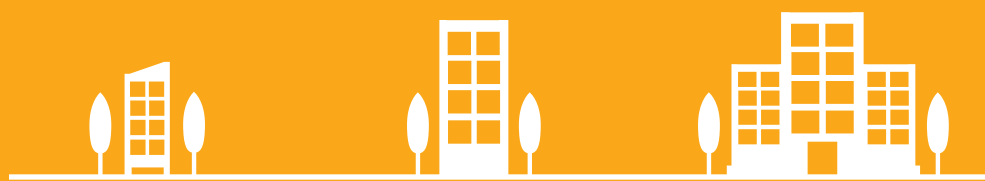
for this type of financing. The instruments include a concessional financing line, energy savings insurance, standardized contracts for energy efficiency projects that clearly define the rights and obligations of investors and technical service providers; and third-party technical reviews, monitoring, reporting, and verification of all projects.

By boosting credit to MSMEs and creating innovative products to improve sustainability, Bancoldex is helping MSMEs boost productivity—and helping Colombia overcome one of the biggest obstacles to its economic development. ■

MICRO, SMALL, & MEDIUM-SIZED ENTERPRISES IN COLOMBIA



1,533,704
microenterprises—firms with fewer than 10 workers & less than $161,000 in assets

47,729
small enterprises—firms with 11 to 50 workers & assets between $161,000 - $1.6 m

7,955
medium-sized enterprises—firms with 51 to 200 workers & assets between $1.6 m - $9.7 m

Colombia defines micro-, small and medium-sized enterprises according to their number of employees and the value of their total assets, expressed as multiples of the country's minimum wage. Colombia's monthly minimum wage for 2013 was 589,500 pesos, equivalent to US$323 at an exchange rate of 1,825 pesos to the dollar.

LOCAL DEVELOPMENT BANKS CAN IMPROVE ACCESS TO CREDIT

Government-owned development banks can play a crucial role in channeling public funds to MSMEs. Until recently, however, evidence to back up that claim has been scant and the few studies analyzing the impact of direct lending to companies by government-owned banks have shown benefits to be either nonexistent or even negative.

Two IDB impact evaluations found that results may be different for second-tier development banks such as Colombia's Bancoldex, which channels resources through commercial banks at low cost so they can be on lent to firms. The studies, among the first to use highly disaggregated lending and firm data, analyzed the impact of Bancoldex lending on access to credit and economic performance of beneficiary firms over the past decade.

The first study found that firms tapping Bancoldex credit lines got loans with lower interest rates and longer maturities than firms that did not. Moreover, beneficiary firms expanded their credit relationships with other financial intermediaries, enjoying better credit conditions well after receiving Bancoldex's credit.

The second study found that beneficiary firms in the manufacturing sector increased output, employment, investment, and productivity in the four years after they get their first Bancoldex loan. The effects were large, ranging from around 20 percent for employment and productivity to around 30 percent for output.

These results show that Bancoldex offers some "additionality" and does not simply substitute credit that private sources would be willing and able to offer under similar conditions. This suggests that Bancoldex is actually playing an important role in in facilitating access to credit. But what makes Bancoldex's lending different than that of other government-owned development banks that have been less successful?

The reason is twofold. On one hand it may well lie in the fact that Bancoldex does not lend directly to firms. In contrast to the various forms of direct public support to businesses, credit from second-tier development banks is unlikely to be subject to political lobbying by potential beneficiaries. Loans are intermediated by commercial banks and other private financial institutions that take on the risk of default and, therefore, have all the incentive to perform an adequate evaluation of the prospects of the proposed projects.

On the other hand, Bancoldex—as other second-tier public bank—focuses its supply on products with high potential impact on firms' performances, especially when resources are targeted to fund long-term projects.

The studies do call attention to some potential drawbacks to second-tier lending by government-owned development banks that should be carefully considered by policymakers. For example, financial intermediaries may be more willing to lend to firms with the lowest perceived risk and less prone to finance those that, despite good performance and prospects, have an insufficient credit history. This problem could be solved by creating special lines targeting the latter types of firms.

Overall, the two impact evaluations found that Bancoldex has shown that development banks can be an effective tool to help smaller companies access credit, as long as such banks refrain from lending directly to firms and concentrate their efforts on channeling long term resources through financial intermediaries.

PUBLIC SEED INVESTMENT

A Formula for Innovation

Imagine a trip to your local supermarket where you don't have to pay extra for a package of antibiotic-free chicken breast. It may be coming sooner than you think thanks to a technological innovation program in Peru.

San Fernando, Peru's leading poultry and pork processing firm, has developed the world's first plant-based food additive that supports faster growth of disease-free chickens. For consumers, this could eventually mean lower prices for healthier chicken breasts. For San Fernando, it could pave the way to tap into the European market, where imports of chickens treated with antibiotics are prohibited.

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San Fernando teamed up with a Peruvian and French university to develop the additive, which is in the process of being patented. The 60-year old company is one of more than 300 firms since 2007 that have received financing from FINCYT, an investment fund created with resources from the IDB and the Peruvian government. The $36 million fund is currently one of the country's main sources of competitive science funding available to universities, institutes, and companies.

The program was designed to help Peru solve some of the key market failures that undermine its ability to innovate and diversify its commodity-based economy: a chronic scarcity of funds combined with a low level of scientific and technological research and weak linkages between universities and firms. The result is that in 2009, Peru was among the countries in Latin America that invested least in research and development, with an investment level of only 0.14 percent of GDP. That is less than a third of the regional average and well below the 2 percent average for OECD countries.

FINCYT offers different financial instruments, ranging from technological innovation projects for small and medium-sized enterprises to the development of new products and processes, basic and applied research, and fellowships and scholarships for doctoral and master degrees in science, technol-

Watch "Exportando Conocimiento" (video in Spanish) to learn more about this research alliance at deo.iadb.org

MORE ABOUT FINCYT'S INVESTMENTS

SUPER PRAWNS

In the mid-2000s, prawn-producing farms in Tumbes, Peru such as Marina Azul SA were losing domestic market share to cheaper imports from Ecuador because of rising feed costs and diseases. With financing and support from Peru's technological innovation program, farmers teamed up with the local university and research institute to develop a new technology that enables them to grow specific types of microorganisms and micro-flora that reduce the incidence of disease and promote faster growth of prawns.

Thanks to the new technology, Peru's prawn farmers have reduced the amount of artificial feed, improved the quality of water, and reduced the incidence of bacterial infections. They now produce disease-free prawn larvae that meet all domestic demand, replacing imports from Ecuador and Colombia. As a result, companies like Marina Azul are growing bigger prawns in a shorter period of time, boosting revenue and profits.

GAME CHANGER IN THE FIGHT AGAINST TUBERCULOSIS

The health sector has also benefited from Peru's innovation program. Thanks to financing provided by the technological innovation program, Cayetano Heredia University (UPCH) has developed microscopic equipment to help health professionals diagnose tuberculosis cases more rapidly in remote areas.

The equipment can replace the expensive digital inverted microscope that

ogy, and innovation. Since 2007, FINCYT has financed $12 million worth of projects, including 101 corporate innovation projects and 71 research projects at universities and research centers.

One of the main objectives of the program is to stimulate private investment in technological innovation. FINCYT has provided technical assistance to prepare technological innovation projects and created a competitive selection process with clear eligibility criteria and no reimbursable cofinancing, which can cover up to 70 percent of the project cost. This type of financial instrument creates an incentive for innovative companies to join the program and invest their own resources as well.

To improve coordination with different stakeholders, FINCYT created a governing body with representatives from firms, several government ministries, and universities and research centers. The group has regular contacts and consultations with the business community.

Finally, the program has financed the updating of technological equipment at universities and research institutes, the dissemination of new technologies, and short-term training and advisory services for firms looking to upgrade their technological capacity.

By investing in technological innovation and addressing the market failures that prevent companies from investing in research and development, Peru is not only helping firms like San Fernando succeed; it is also building the foundation for a more productive and diversified economy. ■

is used to diagnose tuberculosis using the Microscopic Observation Drug Susceptibility test, a culture method discovered by UPCH in 2000 that can diagnose the disease through the analysis of growth patterns in bacillus cultures treated with specific drugs for a week.

With the new microscopic equipment, health agents in the field can take photos of the culture and send the images using their own computer or mobile phone directly to UPCH in Lima, which can then provide a diagnosis in less than 48 hours. Before this project, the diagnosis could have taken up to one year. And there's more to come: the university is currently developing software to analyze the images and provide the diagnosis in just a few seconds.

OUT-OF-SEASON SEEDLESS GRAPES

In Piura on Peru's northern coast, seedless grapes are ready for export between September and November—just when the grapes are out of season for all other major grape producers around the world. As a result, Piura's grape farmers can fetch prices that are 80 percent higher than the price they would get during the regular season.

The region started reaping this competitive advantage after a local grape producer, in partnership with Piura University, identified and developed processes to grow seedless grapes adapted to the region's soil and climate. The research received financial support from Peru's technological innovation program. The techniques developed—later reproduced by seven other producers in the region—also cut production costs because the variety of grapes grown in the region consumes 23 percent less nitrogen, phosphorus, and potassium than regular grapes.

As a result of the technological breakthrough, Piura is now the fastest growing region for seedless grape crops in Peru. According to the Peruvian Association of Table Grape Producers, Piura is expected to become the country's biggest producer by 2016.

EVERLASTING WATER

REORGANIZATION OF WATER OPERATIONS IN PORT-AU-PRINCE

For more than three years after Haiti's devastating 2010 earthquake, water engineer Etienne Beauchum was unable to find a steady job, even though more than two-thirds of the population of metropolitan Port-au-Prince had no connection to water services.

He finally got a contract job in May 2013 with the Port-au-Prince water utility (Centre Technique d'Exploitation – CTE) to lead a team to survey water pipes, search for clandestine connections, and go door-to-door to regularize water services and billing. "This work is rewarding because I am helping a local institution get stronger by not only getting more customers but also more resources," Beauchum, 35, explained proudly.

Professionals like Beauchum are at the heart of an ambitious project backed by the IDB and the Spanish government to modernize CTE and establish water and sanitation service that is financially sustainable and reliable. The project is part of a multi-million dollar plan to expand access to potable water and sanitation services to 40 percent of the population in the capital as well as to other parts of the country.

Increasing water supply and sanitation coverage is vital to Haiti's economic future, especially after the earthquake disrupted government efforts to reform a sector plagued by insufficient maintenance and a lack of qualified personnel and planning. Without quick action, Haiti is exposed to growing health risks and a large-scale ecological disaster because of growing pollution of aquifers in large cities.

See it on MapAmericas

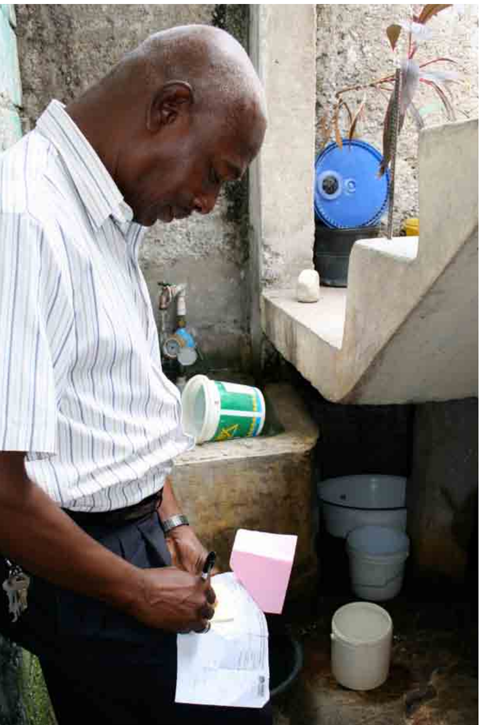
Watch how Haiti addresses its water challenge at deo.iadb.org

LONGSTANDING PROBLEMS

The situation at CTE was daunting even before the earthquake. According to a 2007 survey, it had only 30,000 active clients with individual water connections in a city with an estimated 500,000 households. More than 90 percent of its treated water was lost due to irregular connections and damaged pipes, and only 42 percent of clients paid their bills.

Kilometers of pipes were damaged by the earthquake, disrupting water quality and distribution. To make matters worse, clients stopped paying their bills, forcing the operator to stop paying salaries for several months.

"Everything was a disaster. There was no organization, no good structure. People did a little bit of everything and our construction workers did whatever they wanted." said Emmanuel Molière, a CTE official. "We realized that we could not go on expecting other people to do our work, it was time for us to take responsibility. The main goal is make CTE succeed and become a self-reliant public water operator."



TURNING CTE AROUND

Through an international bidding process, a consortium—Aguas de Barcelona/Lyonnaise des Eaux/United Water—was hired in 2011 to help CTE improve operational efficiency, cut water and financial losses, and expand quality services. Under the innovative three-year contract, consultants work as advisors to local management rather than actually take charge of CTE's operations. Their contracts not only provided a variety of specific deliverables but also offered monetary incentives based on achieving specific targets. The approach has empowered local management to implement the changes and given consultants some incentives to work toward achieving measurable goals.

As a result of the technical assistance, CTE implemented dramatic changes to its organizational structure and management, first by reducing its bloated workforce through early retirements and elimination of posts after employees left their jobs.

To attract and retain talent, CTE created a human resources department with qualified staff and transparent hiring processes. A merit-based system was put in place that set clear rules for compensation and promotion, which are now based on bi-annual performance evaluations. Managerial and technical training was expanded, providing staff with over 13,000 hours of training between 2011 and 2013 compared with less than 300 hours in 2009.

Moreover, a formal hiring process was established, with vacancies

CTE seeks to expand public kiosks to provide safe alternatives against polluted rivers

announced inside and outside the company, and with the involvement of the HR department in the interview process.

CTE also created a customer service department that launched a campaign—and hired professionals such as Beauchum to implement it—to regularize water connections. As a result, the number of paying customers increased significantly, and revenue jumped 35 percent between 2011 and 2013.

To improve water treatment, CTE increased the use of chlorine and reactivated its laboratory to measure water quality. Emergency generators were purchased to run water pumps and a maintenance plan was put in place to reduce reliance on the electricity network, which only provides energy a few hours a day.

Finally, the company created a department devoted to helping the poorest communities. Since 2010, the number of public water kiosks available in these neighborhoods has more than doubled and community committees have been set up to manage these kiosks and charge users to help make them sustainable.

WATER & SANITATION CHALLENGE IN HAITI

8.5% houses legally connected to a water distribution system

32% population that use water from rivers & uses spring water for drinking

29% population in urban areas with access to sanitation

12% population in rural areas with access to sanitation

0 The country has no sewer systems—most households are equipped with rudimentary latrines or a simple hole dug on the property

Source: 2003 household survey.

Learn more about Emmanuel's story at deo.iadb.org

See the photo blog at deo.iadb.org

A WORK IN PROGRESS

For all the progress that has been achieved, much remains to be done before CTE is able to balance its books and sustainably expand water service. The operator still loses 30 percent of its treated water because of faulty pipes and tanks, and about 50 percent of the water consumed is not billed, mainly due to illegal connections. Additional infrastructure is needed to improve the distribution as well as the quality of the water supply, which still has a high level of biological contaminants despite better treatment.

Revenue only covers 60 percent of the operation costs and CTE still needs budgetary assistance from Haiti's national water agency, DINEPA, to cover all other costs related to its operations. In an effort to balance its books by 2017, CTE is currently trying to win approval to simplify its water rates and adjust them for inflation, as they have been frozen for the past 10 years. Further improvements on CTE's operational and financial performance will depend on the renewal of the technical assistance contract with the consortium in 2014.

As for Beauchum, his personal circumstances reflect the same mix of advances and setbacks of the very sector in which he works. He has a job, and the work he is doing is helping to put his employer in a better position to succeed. But his own home was destroyed in the earthquake, and Beachum, like many other Haitians, still lives in a temporary one-room shack—with no water connection. ■

Power to the Women

Mibanco Helps Women Microentrepreneurs Expand Their Businesses

Women entrepreneurs are a powerful force in Peru. Besides Japan, Peru is the only country in the world where women are more likely to start a business than men. It also has one of the best overall business environments for women entrepreneurs in all of Latin America and the Caribbean.

However, the formidable entrepreneurial potential of Peruvian women remains constrained by limited access to finance and low levels of business capacity. Their companies are often trapped in the informal microenterprise sector.

Banco de la Microempresa S.A. (Mibanco), a leading Peruvian microfinance institution, is tackling this problem by expanding financing and providing training to women entrepreneurs. The IDB supports Mibanco through its Opportunities for the Majority Initiative and Multilateral Investment Fund.

Since 2010, Mibanco has provided loans to 95,519 women microentrepreneurs, a quarter of them first-time borrowers, to finance projects to upgrade business facilities or purchase new equipment. Mibanco provides medium-term loans of up to five years that usually do not require guarantees if less than $20,000, and that have flexible repayment plans to adapt to the client's income cycle.

See it on MapAmericas

Mibanco doesn't just provide financing, it also offers training to its clients free of charge in such areas as accounting, marketing, and decision-making skills. After completing the training, 80 percent of participants have begun to separate their

Business Environment for Women Entrepreneurs in Latin America & the Caribbean

Scores

Country	Score
Chile	64.8
Peru	62.4
Colombia	61.8
Mexico	60.2
Uruguay	60.0
Costa Rica	56.8
Argentina	54.6
Trinidad & Tobago	53.9
Panama	53.6
Brazil	53.3
Dominican Republic	52.3
Ecuador	52.2
Bolivia	47.7
Honduras	47.7
Nicaragua	46.6
Guatemala	45.6
El Salvador	45.5
Venezuela	45.5
Paraguay	44.3
Jamaica	42.2

Source:
WEVentureScope
www.weventurescope.com

household and business finances and 70 percent have started to prepare growth strategies for their businesses.

MiBanco also offers longer, more intensive training that is part of the Goldman Sachs "10,000 Women" initiative to strengthen women's business skills in developing and emerging markets. Participants take classes to help them select proper capital investments, manage employees, formally track revenues and expenses, and develop basic business plans. Many of the 729 small business owners who have graduated from the intensive training have reported significant increases in sales and revenue.

One such beneficiary is Maria Frisancho, a shoe manufacturer and retailer in downtown Lima. Since 2011, she has participated in both of Mibanco's training programs and has taken out loans to open a second shoe store. The training is helping Frisancho formalize her company in order to sell her shoes in other cities in the country.

Training program offered by Mibanco have received financial support from the IDBS's Multilateral Investment Fund, which is expected to complete in 2014 an evaluation of these programs to identify the instruments, methodologies, and capacity building models best suited to meet the need of women entrepreneurs.

"If you don't know how to do it, you are afraid to register your company," said Frisancho, 53, who employs five people and sells an average of 25 pairs of shoes a day. "I understand now that I need to formalize my company in order to send invoices because clients outside Lima need that document. I am pretty confident I will continue growing once I formalize my company."

Besides Japan, Peru is the only country in the world where women are more likely to start a business than men

Even the financing of Mibanco itself has been innovative. In 2010, it received the equivalent of \$36 million in loans denominated in Peruvian soles from the IDB and a group of impact investors including the Calvert Social Investment Foundation and the Oikocredit Ecumenical Development Cooperative. The transaction made Mibanco the first microfinance entity in Latin America to obtain a long-term loan in local currency from a group of international financial institutions. An additional \$3 million technical assistance grant from the IDB supports Mibanco's training program.

That financing has helped Mibanco grow—and has enabled clients like Maria Frisancho to break out of the informal microenterprise sector and start realizing the potential of their businesses. ■

BETTER STATISTICS

VENEZUELA STRENGTHENS ITS STATISTICS AGENCY

Reliable and timely statistical information is the foundation of any type of effective policymaking. It helps governments understand what is going on in different areas of the economy and society, select priorities, design policies, and measure impact.

To improve its production of statistics, Venezuela created the National Institute of Statistics (*Instituto Nacional de Estadística–INE*) in 2001 as part of a comprehensive plan to reorganize how the country collects, organizes, processes, and disseminates statistical information.

The INE, which replaced the Central Statistics and Data Processing Office, became a legally autonomous institution in charge of the country's national statistics system, reporting directly to the Ministry of the Office of the Presidency.

See it on MapAmericas

THE IDB BEGAN WORKING WITH VENEZUELA IN 2009 TO IMPROVE INFRASTRUCTURE, UPGRADE THE TECHNOLOGICAL PLATFORM, AND ENHANCE THE PRODUCTION OF STATISTICAL DATA.

Initially, the INE faced a range of challenges, including inadequate physical and technological infrastructure and a lack of processes, methodologies, and human resources. To help overcome these difficulties, the IDB began working with INE in 2009 to improve infrastructure, upgrade the technological platform, and enhance the production of statistical data.

As a result of the project, the INE has established 18 INE locations throughout the country, its headquarters has been refurbished, and the technology platform of several statistics units and offices has been upgraded. The agency has developed a results-based management system, established procedures and methodologies for statistical production, and launched a new user-friendly web site to improve public accessibility of data.

As a result of the project, the INE now geo-references 95 percent of urban maps used in the production of key statistics, including household surveys and the population and housing census. This improved mapping enables the government to more accurately calculate populations for specific regions, ensuring that the proper amount of funds are transferred to regional and local governments.

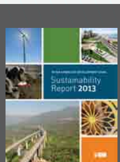
The project also financed a pilot census in 2010 that allowed the INE to test tools and processes to be used in the population census, and it is financing training for census staff. The tests and training are aimed at improving coordination and logistics to ensure timely collection and processing of data.

By strengthening its leading statistical agency, this project is helping decision-makers design, monitor, and evaluate public policies based on up-to-date and accurate information. ■

PIONEER$ OF GREEN CREDIT

A PROMISING OPPORTUNITY FROM PANAMA'S LARGEST BANK

Increasing awareness of climate change has boosted the interest of companies in improving the environmental sustainability of their operations. Aware of this business opportunity, Banco General, Panama's biggest bank, decided to launch a pioneering "green" financing line in 2009 with financial and technical support from the IDB.



Learn more in the Sustainability Report

The line targets small-to-medium-sized projects related to energy savings and efficiency, integrated waste management, water and wastewater treatment, renewable energy, and other carbon-mitigating investments, including the construction of energy-efficient buildings. Banco General has also received technical assistance from IDB which helped the bank identify green business opportunities, train its staff, design green eligibility criteria and measures environmental impact of green projects. The initiative helps fill an important gap in financing for environmentally-friendly investments because governments and international investors usually concentrate their efforts on large-scale projects.

As of December 2012, Banco General had provided $75 million for 14 projects in renewable energy, water treatment, energy efficiency as well the construction of LEED certified commercial buildings, which together have produced more than 140,000 MW-h in renewable energy and prevented the emission of 68,724 metric tons of carbon dioxide equivalent per year. The bank also provides technical assistance to help firms identify potential green projects and then develop and implement them so that they meet the credit line's eligibility criteria. Finally, Banco General has also taken steps to enhance its own sustainability by reducing energy and water consumption at its own facilities.

By helping finance green projects, commercial banks such as Panama' Banco General are not only tapping into a promising business opportunity, they are also helping scale up sustainability measures throughout the economy. This mainstreaming of green financing marks an important step forward in efforts to mitigate the effects of climate change. ■

Watch the video on CONACYT's innovative work at deo.iadb.org


A Casa Boller employee assembles the firm's remote controlled drone aircraft developed with support from Paraguay's innovation program.

BREAKTHROUGH

TECHNOLOGICAL INNOVATION PROGRAM BOOSTS COMPETITIVENESS IN PARAGUAY

Up until recently, Paraguay had one of the lowest investment rates in scientific research and technological innovation of any Latin America and Caribbean country reaching to less that 0.1 percent of GDP. The country also lacked trained professionals to develop research activities and innovation projects.

That is rapidly changing, however, as innovation projects funded by the country's Science, Technology and Innovation Development Support Program begin to bear fruit. The program was carried out between 2006 and 2013 by the National Council for Science and Technology (CONACYT), with support from the IDB.

Using the innovation funding, a team lead by Rodrigo Campos build the country's first remote-controlled drone aircraft, which weighs about four pounds and can fly as high as 3,300 feet to perform tasks such as mapping of cities and monitoring and surveillance of cattle to prevent theft.

Campos called the CONACYT funding "a vote of confidence" in his team, which undertook two years of research and development to complete the drone project. "This is the beginning of something that can become much bigger," he said.

The main goal of the CONACYT program was to increase the number of companies and universities capable of innovating and achieving technological breakthroughs. The new innovation system (SNIP by its acronym in Spanish) was designed to improve competitiveness of key productive sectors and, as a result, foster greater economic and social development for the country as a whole.

In all, the pioneering program financed the development of 19 innovation projects in various areas to generate new products and jobs, as well as 37 research projects to improve public health and add value to natural resources. To help fill the country's human resource gap in high-demand fields such as science, technology, and technology management, the program financed 11 new graduate and doctoral programs and awarded some 83 scholarships to undertake specialized training courses and post-graduation courses abroad.

The new master's and doctoral programs include studies in Soil Science and Land Management, Pharmaceutical Sciences, Environmental Management, Computer, Biomedical Sciences, Statistics and Research Methodology among others.

The project is improving the national research capacity by funding projects in the knowledge frontier in the region, including those to stimulate experimental studies with stem cells for the treatment of osteoarthritis, develop computer models to optimize the design of roads and road works, analyze the possibility of using bovine bone to develop materials that purify water for toxic metals and improve the performance of solar photovoltaic panels to maximize the amount and quality of energy generated.

See it on MapAmericas

"We want to be a competitive country, and that means we need to produce better and more," explained CONACYT President Héctor Dávalos. "To do that, we need to innovate, and to innovate we need to conduct research." ■

LacFlavors 2013 in Nicaragua

COMPETITIVE REGIONAL & GLOBAL INTERNATIONAL INTEGRATION

AT THE HEART OF OPPORTUNITY

NEW NICARAGUAN ROAD IMPROVES INTEGRATION

NICARAGUA | SECTOR: TRANSPORT | PRIORITY: INTEGRATION

PROJECT LEADER: ALFONSO SALAZAR, ASALAZAR@IADB.ORG

Nicaragua is in the heart of Central America, but poor road infrastructure has prevented the country from reaping the full benefits of its strategic location.

The road in southeast Nicaragua that links the country with Costa Rica is particularly important to trade and tourism, but until recently that road was unpaved and in poor condition. It took nearly seven hours to drive 146 kilometers, an average speed of less than 22 kilometers per hour.

That situation has begun to change since Nicaragua completed rehabilitation and paving of the road in 2012 with support from the IDB and other international agencies. The project, the largest road project in Nicaragua in the past four decades, has significantly improved transportation between the departments of Chontales and Río San Juan.

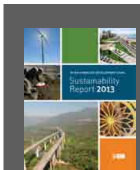
With travel time now reduced from seven to two-and-a-half hours, vehicle operating costs have dropped by 40 percent and traffic on the road has increased nearly four-fold. The new road has been a boon to the Chontales and San Juan River regions: the Nicaraguan government reports that between 2006 and 2013 agricultural production in the regions nearly tripled and fishing production increased by a third. In addition, revenue from tourism increased from US$3.1million to US$5.24 million.

The Acoyapa-San Carlos-Costa Rica's border road has also dramatically reduced travel time to schools and health centers. It used to take on average an hour to reach them, while now it takes just eight minutes.

Finally, the new road will also improve Nicaragua's integration with neighboring countries and access to international markets. As part of the Meso-American highway system, the road will offer a new option for international traffic once the construction of a bridge over the San Juan River near the border with Costa Rica is completed in 2014. The 362-meter bridge, financed by JICA, will replace the current private ferry service, which has limited availability. In addition, the road and bridge will eventually improve Nicaragua's access to ports in the Atlantic. Cargo from the country, and particularly Managua, will have a more efficient way to be shipped through the port of Puerto Limón in Costa Rica.

In short, Nicaragua now stands poised to take full advantage of what was once an unexploited opportunity—its central location. ■

This page: San-Carlos-Acoyapa border with Costa Rica Road 145.9 km before the intervention and after project completion
Previous page: Construction of the bridge over Santa Fe River in San Juan with a length of 360 linear meters.



Learn more in the Sustainability Report

IF IT WORKS, MAKE IT EVEN BETTER

CHILE TAKES ANOTHER STEP TO FACILITATE FOREIGN TRADE

Chile is one of the most open economies in Latin America and the Caribbean. The country has trade agreements with 52 countries, and foreign trade currently represents more than 70 percent of its GDP. Each year, some 85,000 Chilean firms and individuals process nearly 1.4 million transactions related to export and import operations.

Despite this success, Chile's foreign trade system still involves a considerable amount of red tape. Exporters spend an average of 22 days just preparing documentation because they have to seek approval from as many as 19 different agencies that do not coordinate with each another and have no standardized procedures. As a result of cumbersome procedures, it takes twice as long as the OECD average for Chilean companies to complete the export process.

This situation is expected to change soon as a result of a partnership between Chile and the IDB to implement an Integrated Foreign Trade System (SICEX), an electronic platform that integrates all documents and processes used by government agencies and serves as a single window to process all foreign trade transactions. The project is part of Chile's ambitious digital agenda aimed at expanding the use of information technology to improve the delivery of government services to boost competitiveness and lower costs.

The project began in 2011 and the platform is expected to be fully operational by mid-2014.

The platform will allow parties involved in trade and transport to provide standardized information and documents using a single entry point to fulfill all import, export, and transit-related regulatory requirements. If the information is electronic, then individual data elements only need to be submitted once, saving time and money for companies.

According to a study commissioned by the Chilean government, single windows lower trade and government costs, reduce time requirements, and simplify procedures related to permits and regulatory requirements. By using the single window system, Japan, for example, cut the time required to inspect ocean shipments by nearly 7 hours. Korea shortened the time required to clear goods by one day, while Mauritius reduced clearance time from 4 hours to just 15 minutes for non-litigious declarations. In Chile, the single window is expected to cut export processing time and costs by as much as 50 percent.

By the end of 2013, the project is expected to complete the software design and begin platform implementation in five of 15 agencies that will be part of the single window. Nearly 100 people have already been trained in how to use specific service modules of the platform, including the exports pilot module and the different navigation functionalities.

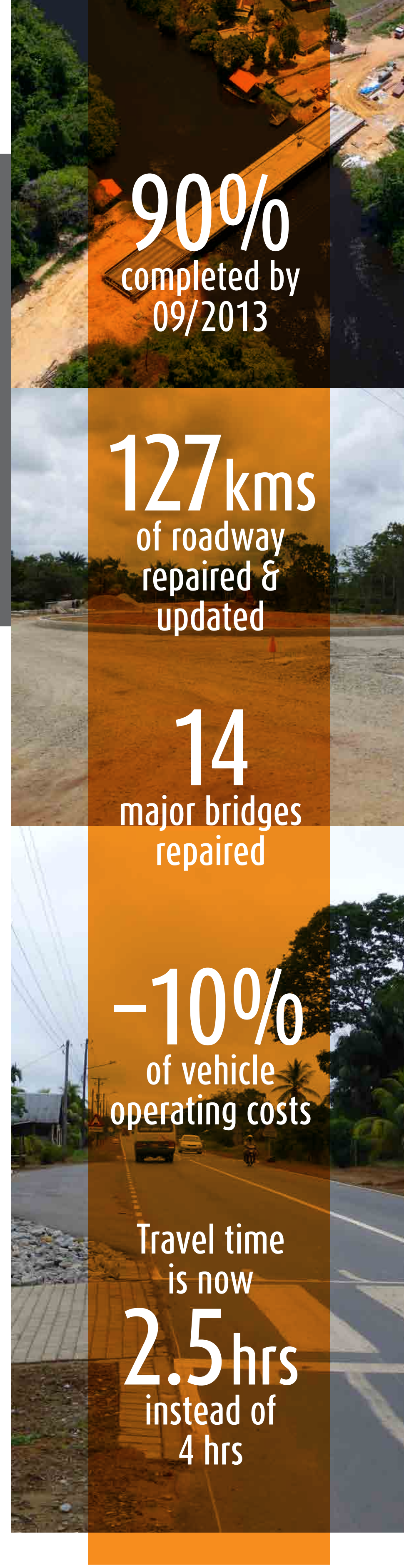
Foreign trade is already working well for Chile. By advancing the use of information technology to automate government processes, the country will make that trade process even better, enabling Chile to make the most of its trade agreements and reap the benefits of deeper integrate into the world economy. ■

Watch "A Single Window for Chile" to learn more about Chile's new integrated commercial platform, at deo.iadb.org

See it on MapAmericas

SAFER RIDE

SURINAME UPGRADES A CRITICAL ROADWAY



Making the 140-kilometer drive from Meerzorg near Suriname's capital of Paramaribo to Albina on the border with French Guyana used to be considered arduous if not outright dangerous. The pavement was heavily rutted, the lanes narrow, and the markings and signage limited. To make matters worse, motorists often felt compelled to drive down the center of the road to avoid the many potholes and to stay clear of the vegetation invading from roadside shoulders. Along certain portions of the road, poor drainage and the low level of the road embankment led to flooding during rainstorms, jeopardizing both local and long-haul traffic.

Suriname began working with the IDB and other international donors in 2008 to improve the road, which accounts for almost 10 percent of the national road primary network. This collaboration resulted in the Meerozorg-Albina Integration Corridor Rehabilitation Project, the largest multi-donor project ever undertaken in Suriname. The project is also a critical element of the Initiative for Regional Infrastructure Integration in South America because it is improving access and traffic conditions in the country's important economic east-west corridor, which links Suriname with Guyana to the west and with French Guyana and Brazil to the east.

See it on MapAmericas

The project, which received supplemental IDB financing in 2012, has successfully enabled the widening and reconstruction of the road to internationally accepted standards, as well as the construction of new bridges, upgraded culverts, and improved signage, and urban crossings. The financing has also allowed for new roadside amenities, including sidewalks, bus stops, roundabouts, and cycle lanes at key safety areas, such as school zones.

The project was more than 90 percent complete by end-December 2013, including repairs or upgrades to 127 kilometers of roadway and 14 major bridges. As a result, vehicle operating costs have fallen more than 10 percent and travel time from Meerzorg to French Guyana has been reduced from an average of 4 hours to 2.5 hours. Motorists no longer have to drive in the middle of the road, swerve to avoid potholes, or worry about what the next curve might bring. Thanks to the project, driving along one of Suriname's most heavily used roadways has become a much safer endeavor. ■


Nicaragua
Crow Together!

EL ANGEL
PROCOMER
COSTA RICA

Dominican Republic
UN PRODUCTO
Cortés
SOBRINO
al instante

Cocoa


ZAMORANO
Café
Molido
Chile Jalapeño

Guaraguao
CHOCOLATE
Embajador

CEI-RD
EL ANGEL
PROCOMER
COSTA RICA
CASABI


Nicaragua

BChef
EL ANGEL
Mermelada de Guayaba
EL ANGEL
Salsa de Tomate
Ketchup

mamá
mamá
PRODUCTOS
mamá
JUGO DE PIÑA
PINEAPPLE JUICE
mamá
GARBANZOS
mamá
Piña Colada

2

Matchmaker with Latin Flavors

A MARKETPLACE FOR SMALL & MEDIUM-SIZED EXPORTERS TO FIND CUSTOMERS

Until a couple of years ago, Honduran vegetable exporter Agroexportadora Dome had only one export market for its products: the United States. That changed when the family-owned firm decided to participate in LAC Flavors, an annual business fair that brings together small and medium-sized export firms from 10 countries in Latin America and the Caribbean and international buyers from the United States, Canada, China, South Korea, and Japan.

Created by the IDB in 2009, LAC Flavors is an annual specialized business event where exporters are provided with an agenda of bilateral one on one business meetings arranged through an innovative matchmaking system that pairs each seller with a potential buyer based on the specific profiles and interests of the participating enterprises. The results speak for themselves: according to surveys of event participants, more than $30 million in export deals have been generated by the fair since it started.

During LAC Flavor fairs, Latin American sellers showcase their products to international buyers.

The event targets companies that sell food or ethnic products with great export potential. In order to be able to participate, firms go through a selection process run by export promotion agencies in the countries where they are based.

After participating in LAC Flavors, Agroexportadora Dome began exporting to several parts of Canada, boosting its exports seven-fold and diversifying the portfolio of its food products.

"We have bigger sales and we are getting better prices," said Ramón Domínguez, one of the company's owners.

The impact has also trickled down to the company's supply chain. Agroexportadora Dome now buys products from more than 330 small farmers, compared with seven before it took part in LAC Flavors.

By matching buyers and sellers, and offering innovative, specialized seminars on market trends, export and import requirements, phytosanitary measures and gender and trade, among others,, LAC Flavors is helping to ensure that the benefits of globalization reach the small and medium-sized firms that constitute a large proportion of the business sector in Latin America and the Caribbean. Firms like Agroexportadora Dome are taking advantage of the opportunity to grow and prosper. ■

Sustainable Development Program in the State of Acre, Brazil

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

Duda Mendes, a Brazilian rubber tapper at Cachoeira Reserve in Acre, received training to sustainably manage his piece of the forest.

THE FOREST IS MY ATM

Acre Shows Intact Forests are Good Business

The biggest challenge in promoting development in the Brazilian Amazon is reconciling the equally pressing needs to reduce poverty and preserve the rainforest. The State of Acre's sustainable development program may have found a way to address this challenge.

BRAZIL | SECTOR: ENVIRONMENT + NATURAL DISASTERS | PRIORITY: ENVIRONMENT, RENEWABLE ENERGY, FOOD SECURITY

PROJECT LEADERS: EIRIVELTHON LIMA, ELIMA@IADB.ORG + JOHN HORTON, JOHNHO@IADB.ORG

More than a decade after the state began implementing the program, Acre has slowed the rate of deforestation while cutting extreme poverty by nearly a third. The state's economy has grown at a pace more than double the national average.

THE KEY TO SUCCESS

It's a simple idea: keep the forest intact as a viable economic activity for the population. It makes sense because Acre's estimated 14 million hectares of forest constitute 87 percent of its territory. Under the strategy, communities living in the forest sustainably harvest products such as latex, nuts, fruits, and wood, thus limiting the impact on the ecosystem and easing pressure to sell their land or cut down the forest to raise cattle or live off subsistence farming.

"Our biggest asset is the forest and we need to harness it in an intelligent and rational manner," said Márcio Veríssimo, the state's planning secretary.

Acre has worked with the federal government and several development institutions over the years to finance its plan. The IDB has been working with the state since the inception of the program in the early 2000s and has helped the state establish the foundation of its forestry-based economy.

Under the first phase of an IDB-financed project, completed in 2010, Acre created nearly 700,000 hectares of fully protected areas (more than double the area initially planned), expanded forest conservation areas (where sustainable use is permitted) by more than 1 million hectares, and regularized property and land use rights for more than 18,000 people. The project also improved the state's surveillance and oversight of its natural resources through capacity-building and the creation of information systems and regulations to prevent and control illegal logging and deforestation.

Project Coordinator Carlos Ovidio, who is also Acre's Secretary for Strategic Affairs of Forestry Development, noted the importance of training a "technical and highly qualified labor force in a state that in the beginning had very few conditions to implement its own policies."

ACRE'S PERFORMANCE AT A GLANCE

Less deforestation: 69% drop to 273 km2/year in 2010 from 883 km2/year in 2002

Faster growth rates: Gross domestic product grew in real terms 44%, more than double the national average between 2003 and 2009

Reduction in extreme poverty: 56,000 people were lifted out of extreme poverty, or more than 7% of its population, between 1999 and 2010

Source: Acre's state government

Watch "From the Amazon with Love: Green Condoms" to learn more about Antonio Teixeira Mendes' sustainable rubber tapping at deo.iadb.org

RUBBER TAPPERS

Among those who have benefited from the project have been rubber tappers such as Antonio Teixeira Mendes, who lives in the Cachoeira Extrativist Reserve. The project helped Mendes demarcate his property, map his assets, and put in place a plan to sustainably manage the forest, including identifying which trees on his property can be cut and when.

Mendes also learned how to organize his production so he has an income stream throughout the year. His production is sold through cooperatives, eliminating the role of intermediaries that in the past usurped much of the profit from the sale of the region's forestry products.

"The forest is my ATM machine," said Mendes, who has been a rubber tapper since he was nine. "For me, the forestry management plan is like a professor for my life and the lives of a lot of people. We came to understand how the forest works and how fantastic it is for us."

See the photo blog at deo.iadb.org

COMMUNITY ORGANIZATION

The project has also helped communities organize to manage the forest together and maintain a constant dialog with the state government. In the Antimari State Forest, the only public forest in Brazil to be certified by the Forest Stewardship Council, a group of 54 families is now in charge of supervising private companies that cut down trees under the forest's sustainable management plan.

Besides being paid by the companies for their services, the families legally harvest nuts from the forest. In the past decade, their average income has increased from 200 to 1,800 reais a month, according to Joao Camilo de Assis, one of Antimari's community leaders. Exploitation rights for a 900 hectare plot in Antimari are now worth 100,000 reais, in contrast to only 1,500 reais a decade ago, according to Assis.

Another important part of the equation was to improve roads in order to reduce transport costs and make products from the forest more competitive. Using a careful and environmentally sensitive plan that involved creating protected areas in strategic locations along the road and regularizing land tenure, the first phase of the project paved 70 kilometers of one of the state's main highways and repaired and built 45 kilometers of access roads.

Road built by the project to improve transportation to Antimari State Forest.

CHANGING PARADIGMS

NOT ALL ROADS IN THE RAINFOREST LEAD TO DEVASTATION

Initially, the paving of 70 kilometers of Acre's BR364 highway, one of the state's main transportation arteries, raised concerns that it would increase open access to conservation areas.

Acre managed to prevent that from happening by creating protected areas in strategic locations along the road before public works began, and by regularizing land tenure for the communities already living in these areas. Residents were trained how to sustainably use the forest, while at the same time monitoring and law enforcement in the area were strengthened.

The results of these efforts are supported by a 2011 impact evaluation conducted by the IDB and others. The study analyzed deforestation in Acre between 2000 and 2004 in several different types of protected areas. It showed that the creation of sustainable-use protected areas alongside roads scheduled for repair, combined with better surveillance and control, is an effective strategy to prevent deforestation.

Watch "Not All Roads Lead to Devastation in the Amazon", at deo.iadb.org

"OUR BIGGEST ASSET IS THE FOREST AND WE NEED TO HARNESS IT IN AN INTELLIGENT & RATIONAL MANNER"

-MÁRCIO VERÍSSIMO

CREATING VALUE CHAINS

After organizing the sustainable harvesting of forestry products, Acre needed to boost demand for them. The state built a condom factory, as well as an industrial park to build furniture using certified wood.

The condom factory, financed with resources from Brazil's National Development Bank, is the first in the world to exclusively use latex extracted from native trees in the Amazon. Built in 2008, the factory buys 250 metric tons of latex annually from 700 families, including those living in the Cachoeira Reserve, at prices that are three times higher than the level in international markets. The factory supplies 100 million condoms a year to Brazil's Health Ministry.

The industrial park, inaugurated in 2004, contains a design center and furniture manufacturing facilities that are rented by private firms. The design center helps firms develop products and improve production processes to boost efficiency and comply with international standards.

The sustainable management plan has also been a boon to the forestry sector, particularly for timber products. The industry currently represents 19 percent of Acre's economy, employs 36 percent of the labor force, and accounts for half of the state's international exports.

To further develop business, the IDB in 2013 approved financing for a second phase of the project to help Acre develop new forestry-based value chains and attract private investors to buy concessions to use its forests sustainably.

"Our plan is to attract more private investment in the state so we can consolidate the development of a green economy," concluded Veríssimo, Acre's planning secretary.

IMPROVED QUALITY OF LIFE

The end result of Acre's sustainable management plan, better roads, and improved value chains has been a dramatic improvement in the quality of life of communities living in the forest. Both Antimari and Cachoeira have gained access to electricity, primary schools, and public health services. Thatched-roof huts without walls have been replaced by larger and sturdier homes with multiple rooms and bathrooms.

"Life in the forest has improved a lot," said Mendes, who is currently adding new rooms to his house using bricks and mortar. "Rubber tappers today are preserving the forest, living in harmony, happy, and making good money." ■

Watch "Building a Green Economy: Lessons from Acre" to learn more about sustainable management of the Amazon forest, at deo.iadb.org

Carlos Ovídio (left), Acre's Assistant Secretary for Forestry Development Strategic Affairs, and Márcio Veríssimo (right), Acre's planning secretary, said the project helped break paradigms and build institutional capacity.

Building Resilience

TO FIGHT CLIMATE CHANGE, COUNTRIES HAVE TO THINK BIG

El Salvador's vulnerability to climate change has become a serious problem because of an increase in the intensity and frequency of tropical storms. Seven such storms have hit the country over the past 10 years alone, compared to an average of one per decade in the 1960s and 1970s.

These storms saturate the terrain, causing floods and landslides that cause deaths and destroy critical infrastructure. The disasters also trigger unexpected expenses and reduce tax revenue, straining the country's budget and threatening macroeconomic stability. This in turn diminishes El Salvador's capacity to rebuild damaged infrastructure and meet the socio-economic needs of the population.

To strengthen the country's resilience to these natural disasters, the government realized that it needed to strengthen public finances to be better positioned to plan and respond to emergencies. So in 2011, El Salvador partnered with the IDB to implement a series of comprehensive reforms that, for the first time ever in Latin America and the Caribbean, combine fiscal measures with specific actions to adapt infrastructure to the consequences of climate change.

On the fiscal side, the goal is to increase tax revenue to 17 percent of GDP by 2014, which would constitute an increase of more than a 5 percent over the 2009 level. To that end, the country created a tax on dividends and a minimum tax on corporate income, and also set up special units in charge of large taxpayers and taxation of foreign investment and international trade in order to improve collection and reduce evasion. In addition, the Finance Ministry established a unit dedicated to identifying and mitigating financial and fiscal risks related to natural disasters so the country will have the necessary resources to deal with future unavoidable costs of climate change.

Another aspect of the reforms aims to reduce the vulnerability of the country's infrastructure to natu-

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FISCAL REFORMS & INFRASTRUCTURE WORKS HELP PROTECT EL SALVADOR AGAINST CLIMATE CHANGE

ral disasters. El Salvador has updated its environmental policy to generate information about the vulnerability of different territories in order to improve planning, promote soil conservation, and create mechanisms to tap into international resources supporting climate change adaption and mitigation projects. It also passed a law regulating land use to prevent construction in high-risk areas and put in place nationwide construction standards with technical procedures for building more resilient infrastructure.

The country has also initiated programs to adapt its physical infrastructure to climate change, including plans to reduce the vulnerability of the San Salvador metropolitan area to floods and to restore certain landscapes and ecosystems in agricultural areas—a critical measure in a country where 75 percent of the territory suffers from land degradation and erosion.

Since natural disasters affect sectors across the economy and society, El Salvador has created mechanisms to improve coordination among different agencies for planning and mitigation. This includes the creation of a unit in the Environment and Natural Resources Ministry to enforce the application of international agreements, provide technical information, and coordinate activities in response to climate change among different government agencies. A challenge still on the agenda for El Salvador is to replicate the experience of the central government at the municipal level.

As a result of El Salvador's experience, other countries in Central America have started to pursue more comprehensive approaches to deal with the impact of natural disasters. In addition, a regional network of finance ministers has been established to share experiences and discuss new ideas.

There is no silver bullet to solve the serious problems caused by climate change, but El Salvador's comprehensive reforms have shown that building resilience starts with thinking big. ■











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SMALL SOLUTIONS

BIG IMPACT

BETTER TECHNOLOGIES FOR POOR FARMERS IN BOLIVIA

Despite the obstacles, Carlos Pacheco did not hesitate when he first heard about a government fair where he could buy subsidized technologies to boost and diversify his farm production. Pacheco, a potato and bean farmer in the department of Potosí, decided right then that he would make the grueling eight-hour walk to the fair through the Bolivian highlands in freezing temperatures in order to buy a greenhouse.

Farmer Carlos Pacheco signs documentation that will allow him to receive a government transfer to buy a greenhouse during a fair in Colquechaca. Farmers look at a grain milling equipment being sold at the fair.

Watch the documentary at deo.iadb.org

PROJECT EMPOWERS SUBSISTANCE FARMERS TO CHOOSE THE TECHNOLOGICAL PACKAGE BEST SUITED TO THEIR NEEDS.

"When I heard about the fair…I thought, with these types of technologies, I can get out of poverty," said Pacheco, 37. He plans to use the greenhouse to grow fruits and vegetables that otherwise would not survive the harsh weather conditions of the Andean plateau.

Pacheco is one of nearly 14,000 small farmers who have acquired everything from greenhouses to irrigation systems, metal plows, small silos, power feed milling equipment, and other types of technologies through Bolivia's Creation of Rural Agricultural Food Initiatives (CRIAR) Project. Backed by the IDB, the project supports Bolivia's strategy to boost the productivity of small farmers to combat rural poverty.

There are more than 600,000 such farmers in Bolivia, and nearly half of them face food insecurity. Most have no access to modern technologies adapted to the difficult geography of Bolivia's highlands and valleys, according to Nemesia Achacollo, Bolivia's Minister of Rural Development and Lands.

Many use outdated methods that are a major cause of soil degradation—an estimated 40,000 hectares of land in farming areas becomes unproductive each year because of infertile soil.

Under CRIAR, the government is providing eligible subsistence farmers in 43 municipalities in five departments with vouchers worth up to $900 to help pay for the technologies. The farmers are also receiving technical assistance under the project so they can learn how to use and maintain the equipment they are buying. Twenty-two private companies are providing some 180 different technological packages, which are sold through government-organized fairs such as the one Pacheco attended in the town of Colquechaca. Eligible beneficiaries have to pay for about 10 percent of the cost of the technology—no small investment for them, as it represents on average 30 percent of their annual income.

Different water pumps at display during the fair in Colquechaca. Farmer Jaime Rivera talks to a Criar Project member about the benefits of his solar-powered water pump.

Watch the interview with Minister Achacollo at deo.iadb.org

Cristian Rivero, national coordinator for the project, says CRIAR fits the needs of subsistence farmers.

Watch the interview with Cristian Rivero at deo.iadb.org

BEST PRACTICES

CRIAR draws on important lessons from similar projects that provide direct support to farmers in the region. The project focuses on the most vulnerable farmers, and eligibility is not based on crops, all are eligible explains Cristian Rivero, the project's national coordinator. However, to receive the subsidy, participants must own farms no bigger than 35 hectares and be on a roster of eligible producers prepared by local communities that, together with local authorities, exercise oversight to ensure transparency.

The project's simple execution mechanism—the fairs—allows eligible farmers to complete the paperwork necessary to receive the government voucher, decide which technology is best suited to their needs, make the purchase, and receive technical assistance all in a single day. Companies are expected to deliver the technology within 45 days, though it has taken longer than that for some types of equipment and in some locations. In some cases, the participants can pick up what they have purchased at the fair itself.

"The good thing was that they did not tell you that you have to buy this or that," said Jaime Rivera, a farmer in the town of Zudañez who bought a solar-powered irrigation system through the project in 2012. "To the contrary, they let you choose freely according to what you need."

See the photo blog at deo.iadb.org

See it on MapAmericas

According to government data, wheat farmers who purchased irrigation systems through the project are using water more efficiently, which has enabled them to double their planted area and boost yields by 16 percent per hectare. In the case of potatoes, farmers using metal plows purchased through the project have increased their planted area by 50 percent and boosted yields by a third compared with farmers using wooden plows. Powered corn shellers have enabled farmers to shell one metric ton of corn in a single day instead of five days, leaving them with extra time to work on other crops.

Implementation of the project's second component, which began in 2013, will help small farmers organize into cooperatives and develop and finance business plans to enable the cooperatives to process and market crops.

By giving farmers the means to improve their own crops, Bolivia has found a practical solution to combat rural poverty and improve food security among the country's most vulnerable population. ■

AT THE FOREFRONT

BELIZE REVAMPS SOLID WASTE MANAGEMENT

For years, solid waste from Belize City was disposed of at the Mile 3 open dumpsite off George Price Highway in an unstable, low-lying mangrove area. Vultures feasted on trash and hazardous chemicals oozed from decomposing materials, polluting soil and ground water and making the nearby population sick.

"There used to be big fires that lasted very long, up to one week. The smoke would reach here," said Wilfred Murillo, who lives near the old dumpsite. "We could not breathe. The stench was bad, like dead fish, burned tires, and batteries."

The situation changed dramatically in 2013 when the government completed construction of the first phase of a sanitary landfill at Mile 24 on the same highway, a safer and more appropriate location. The Mile 3 dumpsite was closed and a modern facility was built on the same spot to collect and sort trash before it is transferred to the landfill or recycling plants.

PROJECT RESULTS

- » Building of an access road, sites for solid waste and hazardous waste disposal, and leachate treatment ponds on Mile 24 landfill.
- » Closure of Belize old dumpsite and contraction of a solid transfer station on the same location.
- » Solid waste transfer station built for San Ignacio/Santa Elena.
- » Studies completed to assess current solid waste generation and support the design of a cost-recovery scheme to help pay for solid waste collection and disposal.

See the photo blog at deo.iadb.org

The turnaround has put Belize in the forefront of solid waste management in Central America and the Caribbean, as approximately half of its population now has access to proper solid waste treatment and disposal.

The works are part of a project financed by the IDB to revamp solid waste management in the country's Western Corridor, home of Belize's main tourism attractions. The project is addressing one of the biggest threats to Belize's economic development: ill-suited dumpsites serving the country's largest towns and tourist destinations are located close to coral reefs, threatening the environment and tourism, which accounts for 13 percent of the economy.

Besides improving solid disposal management for Belize City, the project aims to improve trash disposal in San Ignacio/Santa Elena and on the islands of Ambergris and Caye Caulker. The project is financing the closure of open dump sites at these locations, the improving of recycling operations, and the construction of trash transfer facilities to collect and sort waste. Trash from these towns is expected to be transferred to the new sanitary landfill and to recycling businesses.

The project is also working with the government to make solid waste disposal management a viable service by supporting feasibility studies to design a cost-recovery scheme in which citizens would pay a fee to cover the cost of trash collection and disposal.

By disposing and recycling its waste properly, Belize will protect its stunning natural riches, eliminate one of the biggest threats to its long-term economic development, and protect its citizens, like Wilfred Murillo, who notes that life near Mile 3 has taken a turn for the better in recent years. ■

See it on MapAmericas

CLIMATE-SMART ISLANDS

A CARBON-NEUTRAL TOURISM DESTINATION IN THE CARIBBEAN

The Caribbean depends on tourism, but tourism depends on the weather and a clean environment. This makes it particularly important for these economies to strengthen their resilience to the effects of climate change. Yet, Caribbean countries rely so heavily on fossil fuels to produce electricity that any measure to reduce carbon emissions can have a direct impact on their energy bills.

To tackle this challenge, the IDB has partnered with the Caribbean Community Climate Change Center since 2009 to help the Bahamas, Belize, Guyana, and Trinidad and Tobago implement measures to mitigate the impact of the changing climate on the tourism industry.

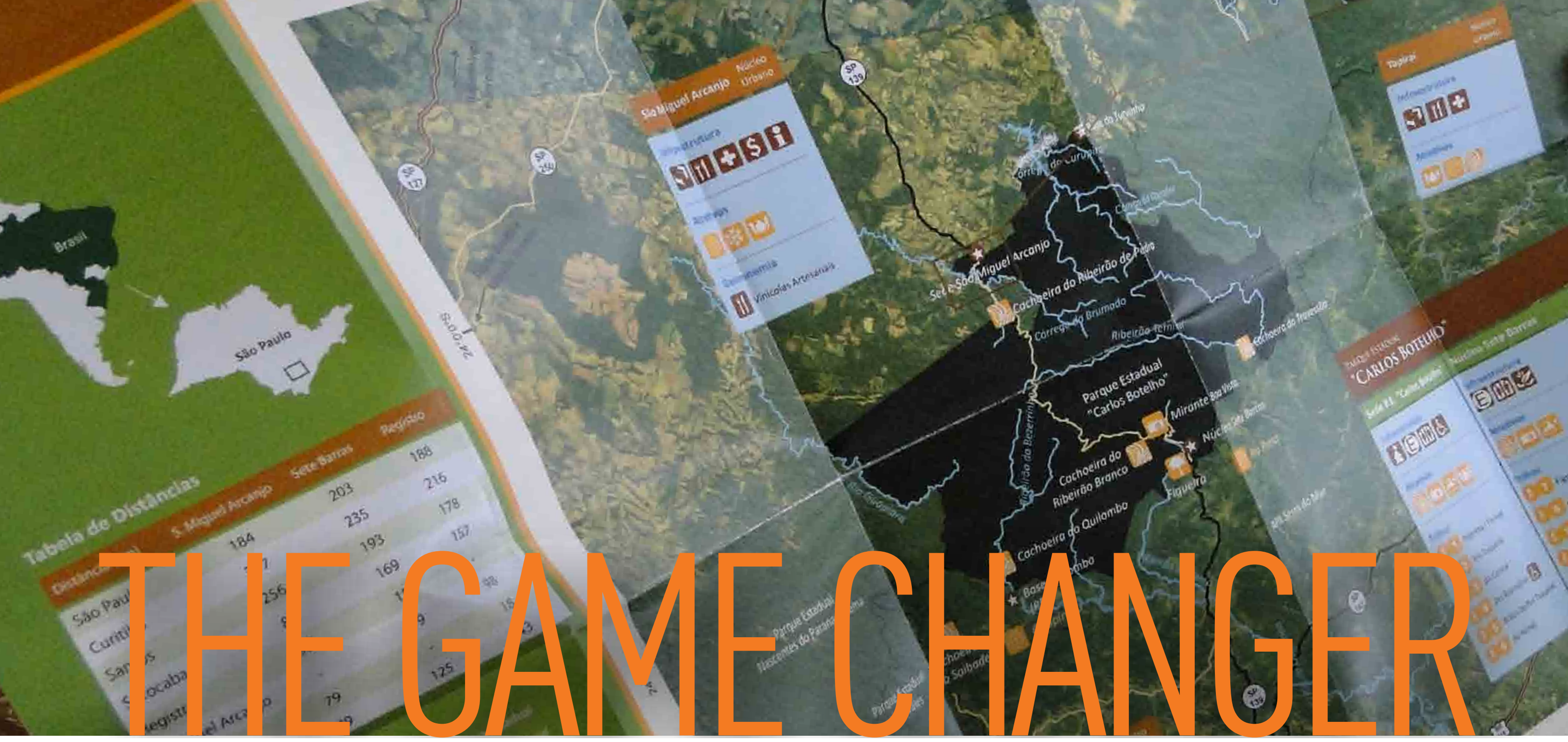
The first step of the program was to develop a methodology to assess the carbon footprint of the tourism sector using an internationally recognized standard, and then evaluate technologies and approaches that could be adopted to reduce carbon emissions.

The program developed a web-based carbon footprinting program toolkit called Greenhouse Gas Mitigation Options, which allows policymakers and industry associations to estimate and manage carbon levels over time. The program can break down the carbon footprint of a particular component of the tourism sector by examining, for example, the energy sources used by hotels or by vehicles that transport tourists to and from a destination.

As an example, the toolkit showed that the accommodation sector is responsible for most emissions in Caye Caulker in Belize and Harbor Island in the Bahamas, the most popular tourism destinations in their respective countries. The assessment revealed that this sector could reduce emissions by using efficient lighting, increasing reliance on renewable energy sources, replacing inefficient air conditioning units, and using smart building designs. According to the findings, implementation of the measures just in these two tourism destinations alone could cut carbon emissions by approximately 3 million kgCO2e in the Bahamas and 36 million kgCO2e in Belize.

By pointing out different options for mitigating emissions, the toolkit helps decision-makers better identify investment opportunities and trade-offs, prioritize actions, and develop long-term mitigation plans. Based on the assessments, Belize and Bahamas are now working on a plan to attract new sources of financing for climate-friendly investments that would transform Caye Caulker and Harbor Island into low-carbon and climate-resilient resort areas.

Lessons learned from this effort could benefit other industries in the Caribbean because the instruments can be applied across different sectors of an economy and thus support a comprehensive approach to addressing environmental issues. Climate-smart islands are not just environmentally savvy, they are also energy secure, economically sustainable, and thus evermore competitive in a climate-changing world. ■



THE GAME CHANGER

Ecotourism Helps Protect Brazil's Atlantic Forest

Top photo: This map is one of the marketing materials the project helped develop to promote tourism in several Sao Paulo's state parks.

For most of his adult life, Aparecido Alves da Silva made a living by venturing into a nearby state park in the municipality of Sete Barras in São Paulo State to cut down palm trees illegally and then extract the hearts of palm prized by Brazilians and food lovers around the world.

This backbreaking activity—very common among poor communities surrounding several of the state's parks—undermines government efforts to protect what little is left of the Atlantic forest in a state better known for its world-class manufacturing and sugar cane industries.

However, an ecotourism development program financed in part by the IDB is starting to turn the situation around. By increasing the numbers of visits to six state parks and providing training to area residents, the program has improved economic opportunities for local populations and increased public awareness about preservation.

Watch "Using Ecoturism to Protect the Atlantic Forest" at deo.iadb.org

The program has financed infrastructure works such as visitor centers, signaling, and trails to make the parks more accessible to tourists. Park logos and other marketing materials have been designed and promoted to enable tourism agencies to better sell the destinations to São Paulo residents seeking a weekend refuge from the city.

One local resident who received training was da Silva, who has stopped cutting down palm trees and now plants them—along with manioc and tropical fruit trees—in his previously abandoned orchard. He plans to sell his products in nearby towns.

"I'm trying to change and apply what I learned in the courses," he said. "I don't want to have problems with illegal harvesting anymore."

The program also trained 944 local businesses on how to better serve tourists and strengthened the capacity of 15 municipal governments to further devel-


Signaling and infrastructure at Carlos Botelho park built with financing from the project.

See the photo blog at deo.iadb.org

op tourism in the region. The project was carried out by the State of São Paulo's Environment Secretariat.

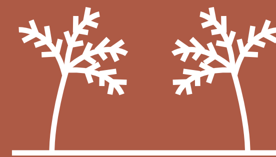
INFRASTRUCTURE AND MARKETING

As a result of the program, better infrastructure and marketing helped increase public visits to the parks by 40 percent from 2007 to 2012. "It has been a game changer in terms of promoting the parks," explained Aelson Apolinário, owner of a tourism agency near Carlos Botelho State Park, 250 kilometers southwest of the city of São Paulo. Thanks to the program the park now has a new visitor center and a wheelchair-accessible trail.

BRAZIL'S ATLANTIC FOREST

It is among the world's most threatened biomes:

Home to 122 million Brazilians, or 61% of the country's population



Home to approximately 60% of all of Brazil's animals & plants in danger of extinction

It is of critical importance to the country's environment:

Contains 7 of Brazil's 9 most important water basins

Has more than 20,000 plant species, of which 8,000 are endemic

Home to 270 species of mammals, 992 bird species, and 350 types of fish

Helps regulate the climate

Source: SOS Mata Atlantica; and Brasil Escola, www.brasilescola.com

"In the past, the only thing I would sell was a visit to Carlos Botelho. With the project, I sell packages. It is not only about Carlos Botelho anymore but also about the communities and their culture as well as other state parks," Apolinário said.

With more products to sell, tourist agencies like Apolinário's are able to keep tourists in the parks and surrounding towns longer, boosting tourist spending. Average visitor spending in the parks jumped more than 50 percent between 2004 and 2012 to 6.38 reais per visitor.

Perhaps the most significant long-term effect impact of the program is that area governments have learned that public visitation, rather than being a hindrance to the environment, can actually help preservation, explained José Luiz Camargo Maia, manager of Carlos Botelho State Park. As a result, he said, "ecotourism and conventional tourism are seen as a tool to help preserve our conservation areas." ■

Learn more about Ecoturism in São Paulo State Parks at deo.iadb.org

Top: Aparecido da Silva stopped harvesting palm trees from Carlos Botelho Park after receiving training from the project. Bottom: José Luiz Camargo Maia, manager of Carlos Botelho state park, says ecoturism is helping preserve the Atlantic Forest.

BEHIND THE NUMBERS: PEOPLE MAKE A PROJECT HAPPEN

Geraldo Aguiar, a community leader, in his orchard near Carlos Botelho state park.

Providing training in communities near remote parks often involves dealing with poor communication infrastructure and traveling long distances. To overcome these obstacles, the Ecotourism Development Mata Atlantica–São Paulo Program sought out community leaders for help.

Geraldo Aguiar, who owns a small orchard in the Rio Preto neighborhood in the municipality of Sete Barras, played a crucial role by going door to door to invite neighbors to participate. Sixty people from his community completed courses offered by the program in Rio Preto in 2011.

"I learned about the program on the Internet, and I thought this would be good for my community, so I started working hard to get everyone to join," Aguiar said. "I embraced the cause."

"The biggest benefit was in opening people's minds," he continued. "Rio Preto is a marginalized community because most of the families here live off the illegal harvesting of palm trees. These courses showed them there are other ways to make a living."

Watch "A Solution to Protect Brazil's Atlantic Forest" at deo.iadb.org

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