

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**STRATEGIES, POLICIES, SECTOR FRAMEWORKS AND GUIDELINES
AT THE IDB**

August 2018

STRATEGIES, POLICIES, SECTOR FRAMEWORKS AND GUIDELINES AT THE IDB

A. Background and motivation

- 1.1 At the June 5, 2012 informal meeting of the Policy and Evaluation Committee, Management delivered a presentation entitled “Strategies, policies, sector frameworks and guidelines at the IDB,” which describes a proposal to rationalize, ensure consistency and streamline the regulatory instruments that govern the Bank’s operational work. The proposal sought to address the long-standing interest of the Board of Executive Directors (the Board) and Management in reviewing the regulatory instruments that govern its sector activities. The objective of this endeavor is to revamp the sector regulatory instruments such that they are adequate to enable the Bank to pursue the mandates associated with the Ninth General Capital Increase (GCI-9).
- 1.2 The scope of the proposed revision of the Bank’s regulatory instruments is limited to those that govern sector interventions. In the context of the Bank, this translates into the regulatory area as currently defined by sector strategies (chapter OP-1000 in the operational manual and others never formally retired), sector policies (OP-700 in the operational manual), and sector guidelines (issued on an ad hoc basis, as described below). It expressly does not include the significant number of policies that govern other aspects of the Bank’s work, such as human resources, financial administration, procurement, etc. It also does not include the Private Sector Development Strategy or any of the policies that govern NSG operations, other than the cross-sectoral policies.
- 1.3 As discussed with the Board, Management believes that the Bank’s existing regulatory framework for sector policies, strategies and guidelines does not serve either the interests of the Board or the interests of Bank staff. The principal shortcomings of the current sector regulatory framework include *inter alia*: (i) sector strategies and sector policies are imperfectly differentiated, creating confusion as to what is binding and what is not, rendering the whole structure less effective; (ii) aspirational statements are mixed with normative orientation, reducing the clarity and effectiveness of both sector strategies and sector policies; (iii) the process of approving sector strategies and sector policies is cumbersome and slow; as a consequence, they are infrequently revised and often out-of-date, thus failing to provide updated guidance in the development and execution of the Bank’s operational program; and (iv) the Board and Management do not have a technical discussion forum to address the nature and scope of the key development challenges in specific sectors and the Bank’s approach to addressing them.
- 1.4 In light of the above, and following the guidance received from the Board during the informal meeting, Management has prepared the present document that lays out a new approach for consideration by PEC. This document describes the proposed changes in the Bank’s sector regulatory instruments.

B. Current regulatory framework

- 1.5 Currently sector strategies, sector policies and sector guidelines are governed by GN-2077-15.¹ These instruments have been defined largely by objectives, target audience and normative character, as follows:
- **Sector Strategies:** documents have sought to identify broad Bank priorities and ways to guide the Bank's action including the allocation of resources towards uses that will have the greatest impact on those priorities.
 - **Sector Policies:** documents have sought to guide staff in the following areas: (i) objectives to seek in the performance of their functions; (ii) prudent limits that should circumscribe their actions; and (iii) basic criteria that must be met in the preparation and execution of projects.
 - **Sector Guidelines:** technical documents that have sought to provide methodological guidance for the design and implementation of programs or projects.
- 1.6 Whereas in principle the distinctions between these instruments are reasonably clear, in practice they have been blurred by inconsistent usage. Moreover, there is considerable overlap between the articulation of institutional priorities reflected in sector strategies and the definition of broad aspirational statements in sector policies. In parallel, the tendency to recognize emerging issues by developing new strategies and policies without consolidating or retiring previously existing strategies or policies has led to a gradual accretion of normative documents. The Bank is currently obliged to observe 32 sector policies, 25 sector strategies (8 of which are from the previous General Capital Increase), and several sector guidelines.

C. Proposed regulatory framework

- 1.7 Management's proposal seeks to establish a new regulatory framework, composed of sector strategies, cross-sectoral policies, sector framework documents, and sector guidelines. This document clearly defines these different sector regulatory instruments by function, goals, and areas of application.

1. Sector Strategies

- 1.8 Sector strategies are broad expressions of Bank operational and knowledge priorities, organized according to institutional mandates. These documents are Board approved, subject to external consultation, consistent with the Institutional Strategy defined for GCI-9 in AB-2764, and not subject to ICIM review. Strategies define clear priorities for Bank action and establish goals. Although sector strategies do not have specific budget allocations, they are integrated into the overarching budgetary priorities of the Bank. Consequently, Management mobilizes institutional resources to ensure their timely execution.
- 1.9 In compliance with GCI-9 mandates, Management prepared and the Board approved four sector strategies: (i) strategy for regional integration; (ii) integrated strategy for climate

¹ This document references the original formulation of these definitions: GN-1910-2.

change adaptation and mitigation and for sustainable and renewable energy; (iii) strategy on social policy for equity and productivity, with a special focus on the issue of improving education; and (iv) strategy for institutions for growth and social welfare with a special focus on access to financial markets, particularly for SMEs. In addition to these four sector strategies, Management proposes that a strategy for infrastructure for competitiveness be prepared. This would ensure consistency with the fifth sector priority affirmed in GCI-9.

- 1.10 In addition to the four GCI-9 mandated sector strategies, 25 sector strategies are in place, represented by 8 associated with the 8th GCI and 17 that are the result of various Board mandates and Management initiatives (see Annex II-A and II-B). Management believes that although these documents may have been useful when approved, they no longer serve their original purpose. Moreover, the principal mandates of these sector strategies have been and will be incorporated in the four sector strategies mandated by GCI-9 and in the fifth proposed sector strategy. Consequently, Management believes that any relevant content of these strategies that has not been incorporated in the GCI-9 sector strategies should be incorporated in the suite of new sector frameworks (described below) and that these 28 sector strategies should cease to be in effect. With this in mind, during the presentation of the SFDs to the Board, Management will discuss how the material from the relevant sector strategies for that SFD (as described in Annex II) that continues to be germane is being incorporated in the corresponding SFD.
- 1.11 **Proposal:** Management proposes to develop and submit for Board consideration, a fifth sector strategy entitled “Infrastructure for Competitiveness,” and to eliminate the eight GCI-8 sector strategies and the other 17 sector strategies, as detailed in Annex II.

2. Cross-sectoral Policies²

- 1.12 The Bank needs a clear normative framework to function effectively and to ensure accountability and transparency; cross-sectoral policies are an important cornerstone of that framework. To this end, cross-sectoral policies are strictly normative instruments that are binding in character, applicable in all cases and not subject to frequent amendment. Cross-sectoral policies are to be unambiguous statements of specific rules that govern sector work that should be applied in every circumstance, except when the Board grants a waiver on the basis of informed consideration of an exceptional circumstance. These policies are approved by the Board, and require external consultation, and are subject to ICIM review.
- 1.13 In light of their binding nature, cross-sectoral policies are not aspirational in nature. They must be clear and defined in a manner that makes their application as unambiguous as possible. Moreover, these policies should be formulated in such a way as to only include those matters over which the Board believes Management should not have discretion; these are actions that categorically must (or must not) be done. An important implication of the above is that any sector specific guidance that is either not applicable to all 26 borrowing member countries, or is not normative in nature, would be excluded. The Environmental and Social Safeguards Policy (OP-703) is a clear example of a

² It is important to reiterate that Management's proposal is limited to the operational policies (OP-700). There are a large number of other policies that would not be affected by this proposal, including Lending Policies (OP-300), Financial Management (OP-800), Procurement (OP-500), Disclosure of Information (OP-102), etc.

cross-sectoral policy. Only on the basis of a well justified and exceptional case would a program financed by the Bank not comply with the OP-703. Such an exception could only be granted by the Board. In all other cases, every operation prepared by the Bank, regardless if it is SG or NSG, must fully comply with every aspect described in OP-703.

- 1.14 Under this proposal, the cross-sectoral policies would include the following: (i) Environmental and Safeguards Compliance Policy (OP-703); (ii) Disaster Risk Management Policy (OP-704); (iii) Involuntary Resettlement (OP-710); (iv) Operational Policy on Gender Equality in Development (OP-761); v) Indigenous Peoples Policy (OP-765); and (vi) Public Utilities Policy (OP-708). The latter would be a revised version of the existing Public Utilities Policy (PUP), updated to reflect past experiences and current knowledge.
- 1.15 Management believes that the cross-sectoral policies listed in paragraph 1.14 provides sufficient normative sector guidance to Bank staff in the development of loan operations. By virtue of clarifying the policy framework and clearly delineating the scope of enforceable policies, the proposal would increase the effectiveness of the policy regime, and the accountability and transparency of Bank actions. If, however, in the future it were felt that new normative and binding issues emerge that need to be incorporated in Bank operations, the Board could mandate Management to produce a cross-sectoral policy to such effect.
- 1.16 Currently there are 26 sector policies in force, excluding the six cross-sectoral policies mentioned above, many of which date from the 1970s and have been essentially unchanged since approval. In practice, with the exception of the cross-sectoral policies, these directives are largely meaningless, and are not—in a rigorous sense of the word—policies. The Bank would be much better served by delimiting policies to those issues that are clearly normative, binding and unambiguous. Given that all substantive requirements that should be observed in all Bank operations would be contained in the policies listed in paragraph 1.14, Management proposes to remove the 26 sector policies in place and to replace specific sectoral content which is not of a normative nature with specific sector framework documents as described below. During the presentation of the SFD, and prior to the removal of any individual sector policies, Management will analyze that indeed no useful normative content is eliminated. If there are normative elements that are deemed useful, the sector policy will continue to be in effect until such time that the normative issues in question are incorporated into another policy.
- 1.17 **Proposal:** Management proposes: (i) develop and submit for Board consideration, a revised cross-sectoral policy entitled “Public Utilities;” (ii) eliminate the Pre-investment Sector Policy (OP-701); and (iii) gradually replace the 26 sector policies with sector framework documents, as specified in Annex II.

3. Sector Framework Documents

- 1.18 Management proposes to create a new instrument denominated the Sector Framework Documents (SFD) to provide the Board and Management with a forum for sector-specific discussion and orientation. SFDs are knowledge documents that should provide flexible guidance to accommodate the diversity of challenges and institutional contexts faced by the Bank’s 26 borrowing member countries, and at the same time should be narrow enough to provide meaningful guidance to IDB Group specialists and provide a clear sense of the challenges that the Bank seeks to address in a given sector. Note that this

regulatory instrument would be closer to the strategies as described above (“what we do”), than to cross-sectoral policies (“how we do things”). The instrument would be much narrower in scope than a strategy, and would seek to articulate concretely, in the context of a specific sector, the aspirational statements and directives that characterize a strategy. Thus, a number of SFDs would correspond to a single sector strategy.

- 1.19 As knowledge documents, SFDs should provide a synthesis of the main development challenges and best development thinking and evidence in that sector. These documents should summarize what development interventions work in what particular contexts, and should identify knowledge gaps to guide future research activity. Each SFD should consist of five sections. First, a very brief discussion identifying the relation between the relevant SFD and IDB Group strategies. Second, identification of the main challenges faced by the region including, to the extent possible, data on all borrowing countries to facilitate comparisons. Third, an evidence-based discussion of the interventions that work, and an identification of knowledge and data gaps. Fourth, a review of recent IDB Group experience in the sector including, when available, reports from OVE. Fifth, a short discussion of the implications of the findings of the previous sections for IDB Group operations, knowledge program and policy dialogue. SFDs can include graphs, tables and appendices as needed to facilitate a broad readership yet at the same time maintain high technical standards. SFDs shall be prepared by the relevant division or sector of the Vice Presidency for Sectors and Knowledge, with the participation of the relevant units of the IDB Group, including IDB Invest and the Multilateral Investment Fund. Because this new instrument would not be normative in character, ICIM review would not be applicable.
- 1.20 SFDs should not be exhaustive but limited to the main development challenges and emerging issues in the sector, as summarized in Annex V. SFDs should serve as a flexible guide and reference for IDB Group work in the sector. SFDs explicitly recognize that knowledge about development effectiveness is continuously evolving, and that the Bank itself is continuously learning from its own operations. As a result, SFDs should be updated periodically and on a timely basis. The proposal is for each SFD to be updated every four years, on a rolling basis, as per the calendar detailed in Annex III. However, recognizing that knowledge in some sectors may evolve faster than in others, an SFD could be updated before the four-year window if Management considers it convenient, or if requested by the Board.
- 1.21 SFDs shall be approved by Management, after presentation and discussion with the Board by the relevant Division Chief or Sector Manager. After they are approved, Management shall make efforts to disseminate them widely among relevant stakeholders.
- 1.22 The number of SFDs is broadly in line with the specific areas of IDB Group interventions. However, this list is not fixed; as new issues or development challenges emerge, or as new approaches are developed with a more transversal character, the list may be amended. The current list contains 22 SFDs as specified in Annex III.³
- 1.23 **Proposal:** Management proposes to develop 22 Sector Framework Documents, as described in Annex III.⁴

³ The Sector Framework Document on Food Security, approved by Management in July 2018, shall remain in effect until July 2021.

⁴ The 20 SFDs approved by Management between 2013 and 2016 replaced the existing sector policies, as detailed in Annex II.

4. Sector Guidelines

- 1.24 Guidelines provide technical or methodological advice to assist project teams in either applying specific policy mandates, SFD's or other norms required for Bank operations. Given their nature, Guidelines are approved by Management and sent to the Board for information, and are not subject to ICIM review, as is presently the case. Therefore, this document does not propose any changes to the nature or scope of sector guidelines.

D. Processing procedures

- 1.25 To ensure consistency in the development of the new sector strategies, cross-sectoral policies, sector framework documents, and sector guidelines, Annex IV sets forth the applicable procedures for the development and approval of each type of instrument.

E. Conclusion

- 1.26 Management proposes that the Board of Executive Directors approve the following: (i) Document GN-2077-15 will be superseded by this document; (ii) Management shall have the authority to approve Sector Framework Documents and will discuss them with the Board prior to approval; (iii) the following sector strategies will cease to be in effect: (a) Sustainable Economic Growth Strategy (OP-1001); (b) Poverty Reduction and Promotion of Social Equity Strategy (OP-1002); (c) Social Development Strategy (OP-1003); (d) Indigenous Development Strategy (OP-1003-1); (e) Modernization of the State Strategy (OP-1004); (f) Competitiveness Strategy (OP-1005); (g) Regional Integration Strategy (OP-1006); and (h) Environment Strategy (OP-1007); (iv) the following sector policies will cease to be in effect: a) Preinvestment (OP-701); and (b) Social Entrepreneurship Program (OP-706); and (v) all other sector strategies and sector policies listed in Annex II shall remain in effect until such time as Management has approved the corresponding SFD, pursuant to such Annex II. Sector policy OP-707 shall remain in effect until all SFDs listed in Annex III have been approved.
- 1.27 The proposed timeline for Management to prepare the documents mentioned above is as follows: (i) the strategy for infrastructure for competitiveness (2013); and (ii) the revised version of the Public Utilities Policy (2013). The 22 Sector Framework Documents would be prepared over a four-year cycle, beginning in 2019: five would be prepared in 2019, five in 2020, six in 2021, and the remaining six in 2022, as detailed in Annex III.

ANNEX I – PROPOSED SECTOR REGULATORY INSTRUMENTS

Sector Strategies	Cross Sectoral Policies	Sector Framework Documents
<ol style="list-style-type: none"> 1. Regional integration and infrastructure 2. Integrated strategy for climate change adaptation and mitigation 3. Social policies for equity and productivity 4. Institutions for growth and social welfare 5. Infrastructure for competitiveness (proposed) 	<p>OP-703 Environment and Safeguards Compliance Policy</p> <p>OP-704 Disaster Risk Management Policy</p> <p>OP-710 Involuntary Resettlement</p> <p>OP-761 Gender Equality in Development</p> <p>OP-765 Indigenous Peoples Policy</p> <p>*****</p> <p>OP-708 Public Utilities (to be revised)</p>	<ol style="list-style-type: none"> 1. Education 2. Labor 3. Poverty and Social Protection 4. Health 5. Gender and Diversity 6. Early Childhood Development 7. Water and Sanitation 8. Energy 9. Transportation 10. Extractive Sector 11. Decentralization and Subnational Governments 12. Fiscal Management 13. Citizen Security and Justice 14. Transparency and Integrity 15. Innovation, Science and Technology 16. Long-term Financing 17. Integration and Trade 18. Housing and Urban Development 19. Agriculture 20. Tourism 21. Climate Change 22. Environment and Natural Resources Management

ANNEX II – PROPOSED CHANGES TO REGULATORY INSTRUMENTS

A. SECTOR STRATEGIES (OP-1000)		Relevant content incorporated into:
OP-1001	Sustainable Economic Growth Strategy	Social Policy for Equity and Productivity (GN-2588-4) (done)
OP-1002	Poverty Reduction and Promotion of Social Equity Strategy	
OP-1003	Social Development Strategy	
OP-1003-1	Indigenous Development Strategy	
OP-004	Modernization of the State Strategy	Sector Strategy Institutions for Growth and Social Welfare (GN-2587-2) (done)
OP-005	Competitiveness Strategy	
OP-1006	Regional Integration Strategy	Sector Strategy to Support Competitive Global and Regional Integration (GN-2565-4) (done), & Infrastructure Strategy for Competitiveness (<u>proposed</u>)
OP-1007	Environment Strategy	Integrated Strategy for Climate Change Adaptation and Mitigation and Sustainable and Renewable Energy (GN- 2609-1) (done)

B. ADDITIONAL SECTOR STRATEGIES	Incorporate relevant content, as pertinent, into the following documents:
1. Agricultural Development Strategy 2. Rural Finance Strategy	} Agricultural and Natural Resource Management SFD
3. Capital Market Development in Latin America and the Caribbean 4. Enterprise Development Strategy 5. Financial Market Strategy 6. Microenterprise Development Strategy	} Support to SMEs and Financial Access/Supervision SFD
7. Energy Sector Strategy	} Energy SFD
8. Fostering Infrastructure Development in Latin America and the Caribbean	} Infrastructure Strategy (proposed)
9. Health Strategy Profile	} Health and Nutrition SFD
10. Higher Education Strategy 11. Reforming Primary and Secondary Education in Latin America and the Caribbean	Education and Early Child Development SFD
12. Science and Technology for Development	} Innovation, Science and Technology SFD
13. Strategy for Coastal and Marine Resources Management in Latin America and the Caribbean	} Environment and Biodiversity SFD
14. Strategy for Integrated Water Resources Management	} Water and Sanitation SFD
15. Subnational Development Strategy	} Decentralization SFD
16. Supporting Reform in the Delivery of Social Services 17. The Use of Social Investment Funds as an Instrument for Combating Poverty	} Social Protection SFD

C. EXISTING SECTOR POLICIES		Proposed Action
1. OP-701	Preinvestment	Eliminate
2. OP-702	Intra-Regional Export Financing for Goods and Services	Subsume, as pertinent, in Integration and Trade Sector Framework Document (SFD)
3. OP-703	Environment and Safeguards Compliance Policy	Maintain
4. OP-704	Disaster Risk Management Policy	Maintain
5. OP-706	Social Entrepreneurship Program	Currently replaced with Special Program
6. OP-707	Maintenance and Conservation of Physical Works & Equipment	Relevant aspects of maintenance included in pertinent SFDs
7. OP-708	Public Utilities	To be updated
8. OP-745	Basic Environmental Sanitation	Water and Sanitation SFD
9. OP-709	Subloan Interest Rates	Subsume, as pertinent, into Support to SMEs and Financial Access/Supervision SFD
10. OP-710	Involuntary Resettlement	Maintain
11. OP-705	Use of Intermediate Light Capital Technologies	} Consolidate into Innovation, Science Technology SFD
12. OP-722	Industrial Development	
13. OP-711	Information Age Technologies and Development	
14. OP-744	Science and Technology	
15. OP-732	Telecommunications	
16. OP-721	Agricultural Sector	} Consolidate into Innovation, Science Technology SFD
17. OP-723	Forestry Development	
18. OP-752	Rural Development	
19. OP-724	Fisheries	
20. OP-725	Mining	
21. OP-726	Tourism	Subsume, as pertinent, into Tourism SFD
22. OP-741	Population	} Consolidate into Health and Nutrition SFD
23. OP-742	Public Health	
24. OP-742-1	Annex I	
25. OP-746	Nutrition	
26. OP-743	Education	Education SFD
27. OP-751	Urban and Housing Development	Housing and Urban Development SFD
28. OP-761	Gender Policy	Maintain
29. OP-765	Indigenous Peoples Policy	Maintain
30. OP-731	Transportation	Transportation SFD
31. OP-733	Energy	} Consolidate into Energy SFD
32. OP-733-1	Electric Energy	

ANNEX III – RESPONSIBILITY AND TIMELINE FOR PREPARATION

Sector Framework Document	Responsible Unit	Sector Priorities	Timeline for presentation to PEC
1. Early Childhood Development	SCL/SCL	Social	2019 (II)
2. Extractive Sector	INE/INE	Infrastructure	2019 (II)
3. Agricultural	CSD/RND	Environment	2019 (III)
4. Integration and Trade	INT/INT	Integration	2019 (III)
5. Transparency and Integrity	IFD/ICS	Institutions	2019 (IV)
6. Education	SCL/EDU	Social	2020 (II)
7. Transportation	INE/TSP	Infrastructure	2020 (II)
8. Urban Development and Housing	CSD/HUD	Environment	2020 (III)
9. Health	SCL/SPH	Social	2020 (III)
10. Labor	SCL/LMK	Social	2020 (IV)
11. Long-term Financing	IFD/CMF	Institutions	2021 (I)
12. Citizen Security	IFD/ICS	Institutions	2021 (II)
13. Tourism	CSD/RND	Environment	2021 (II)
14. Social Protection and Poverty	SCL/SPH and SCL/LMK	Social	2021 (III)
15. Innovation, Science and Technology	IFD/CTI	Institutions	2021 (III)
16. Water and Sanitation	INE/WSA	Infrastructure	2021 (IV)
17. Gender and Diversity	SCL/GDI	Social	2022 (I)
18. Decentralization and Subnational Governments	IFD/FMM	Institutions	2022 (II)
19. Energy	INE/ENE	Infrastructure	2022 (II)
20. Environment and Natural Resources Management	CSD/RND	Environment	2022 (III)
21. Fiscal Management	IFD/FMM	Institutions	2022 (III)
22. Climate Change	CSD/CCS	Environment	2022 (IV)

**ANNEX IV - PROCEDURES FOR THE DEVELOPMENT AND APPROVAL OF SECTOR STRATEGIES,
POLICIES, SECTOR FRAMEWORKS, AND GUIDELINES**

- 1.1 The procedures that govern the development and approval of sector strategies, sector policies and sector guidelines were defined in GN-2077-15. These procedures will be deemed superseded by the procedures set forth in this Annex.

A. Sector Strategies

- 1.2 The approval of sector strategies commences with a preparation of a sector strategy profile by Management, which shall be submitted to Management's Operations Policy Committee (OPC) for consideration and authorization to submit to the Board. The Board shall consider the sector strategy profile for approval and authorization to conduct public consultations. The sector strategy profile shall include an outline of the sector strategy paper, a timetable for its development and the main conceptual underpinnings of the proposed strategy.
- 1.3 Once the Board has approved the sector strategy profile and authorized the public consultations, Management shall begin the public consultation stage. This process shall seek a broad consultation with relevant stakeholders and shall employ various media to that end. Management shall keep records of the suggestions received and the manner in which they were addressed.
- 1.4 Upon completion of the public consultation process, Management shall prepare a strategy paper. The strategy paper shall be submitted to the OPC and subsequently Management shall undertake a second consultation process. Once this consultation process has been completed, Management shall submit the document to the Board for consideration and approval.

B. Sector Policies

- 1.5 The procedure for approving sector policies commences with the preparation of a short sector policy profile that shall include an outline and a justification for the need for the policy. This document shall be submitted to the OPC for authorization to distribute to the Board for consideration and approval. The public consultation process for sector policies is optional and Management would make a recommendation to the Board in each case whether or not to conduct such public consultation.
- 1.6 Upon approval of the sector policy profile by the Board, Management shall prepare the proposed sector policy paper. Subsequent to a QRR review, the proposed sector policy paper shall be submitted to the OPC for authorization to distribute to the Board and shall then be distributed to the Board for consideration and approval of the sector policy.

C. Sector Framework Documents

- 1.7 Sector Framework Documents shall be prepared by the relevant Bank's Division or Sector Department, and shall be revised by OPC prior to discussion with the Board, where Management will make a presentation of the document and engage the Board in a discussion of its contents. After such discussion, OPC will formally approve the document.

D. Sector Operational Guidelines

- 1.8 Sector operational guidelines shall be developed by teams designated by the relevant Department in response to the perceived need to provide guidance to the operational staff.
- 1.9 They shall be concise and specific, and shall provide methodological guidance to staff on project design and implementation.
- 1.10 All sector operational guidelines shall be submitted to a QRR and then to the OPC for approval. Upon approval by the OPC, sector operational guidelines shall be distributed to the Board for information.

ANNEX V – SCOPE OF SECTOR FRAMEWORK DOCUMENTS

SFD	SCOPE
1. Early Childhood Development	Achieving full development during early childhood requires the coordinated and synchronized action of several social services. This SFD will cover the following topics, among others: (i) challenges in the provision of quality ECD services and strategies to address them, common thorough the age continuum; (ii) a comprehensive approach to human resources; (iii) the need to have population data—comparable across countries, disaggregated within a certain country, and that would allow to show time trends—on child development levels and the quality of the services provided.
2. Extractive Sector	This SFD will analyze the value chain of oil, gas, and mining sectors, to help the region ensure the sustainable management and development of its endowments of minerals and hydrocarbons. It aims to provide a synthesis of the current thinking in the field while presenting best practices and pointing out areas for future sector work, including issues such as governance, technological innovation, and engagement.
3. Agriculture	This SFD will be based on a comprehensive view of food systems that includes, but it is not limited to, the perspective of increasing the agricultural production of LAC countries (i.e., supply approach). This modern approach to food systems implies that agricultural policies should also include demand considerations to guarantee a stable and affordable supply of nutritious food to the population, without putting pressure on natural resources.
4. Integration and Trade	This SFD will focus on the following themes: export promotion; attraction of investments; trade facilitation; productive development and productive innovation oriented towards exports; human capital for the global digital economy; and agroexports.
5. Transparency and Integrity	This SFD will recognize that institutional quality and transparency are key to democratic governance, the effective delivery of public services and to building a business climate that incentivizes investment and supports private sector development. Thus, this SFD will analyze corruption in its different modalities (including but not limited to systemic corruption and petty corruption), the factors that help explain corruption, and review public policies to improve institutional quality, ensure the quality and amount of regulations, expand access to information and strengthen the role of agencies responsible for public integrity.
6. Education	This SFD will cover the process of skill formation over the life-cycle encompassing a broad vision of life-long skill formation, including academic and technical-vocational education and training systems. Specifically, this SFD will cover: (i) formal (mandatory) pre-primary, primary and secondary education (ages 4-18); (ii) post-secondary education (technical institutes and universities); and (iii) alternative education and training systems (e.g. certifications, adult education programs, workforce training, on the job learning). It is designed to guide the Bank's work in supporting governments across the region to ensure that public investment in education and training systems leads to improved skills and higher productivity, especially among the most vulnerable populations of the region. This SFD will not cover early childhood development because it will be covered in another SFD.

SFD	SCOPE
7. Transportation	This SFD recognizes the role of transportation systems and infrastructure to support the sustainable social and economic development of Latin America and the Caribbean (LAC). Based on this context, it will analyze the following themes considered critical for the sector in LAC: (i) efficient, sustainable (environmentally and financially) and safe urban transportation, as a fundamental pillar of accessibility and social inclusion of our cities; (ii) logistics networks and services as a fundamental ingredient to LAC's regional integration, competitiveness and economic growth; (iii) institutional management and technical and economic regulations to ensure that infrastructure and its complementary services act as social and economic changers, as well as to promote the participation of the private sector; and (iv) disruptive technologies in the transport sector as an driver of innovation and efficiency.
8. Urban Development and Housing	This SFD will focus on issues of infrastructure and services, housing, habitat and governance in urban areas, with the objectives of: (i) promoting social equity, productivity and sustainability of cities; and (ii) increasing access to adequate housing in the region. It will include topics such as improvement of public finances at the subnational level, coordination of metropolitan areas, innovation in urban management systems, increasing access and quality of public spaces, revalorization of the historical heritage of cities, and promotion of green and affordable housing.
9. Health	This SFD will cover issues of policy and management of the health sector in the region. The document will discuss the design and implementation of strategies that promote, with equity and sustainability, a better health state for the population from gestation to old age, and a better quality of life for the terminally ill. The SFD will focus on policies and strategies oriented to: (i) empowering users in their health care; (ii) strengthening the organization and management of health services in integrated networks with focus on prevention, including socio-sanitary services for people with some degree of dependency; (iii) the generation of greater efficiency and transparency in the management of public resources in the sector; and (iv) improving the managerial and innovation capacities of the entities of the sector, leveraging, among other things, the tools of digital transformation. This SFD will not cover the financing of the sector and the financial protection of users, which will be covered in the Labor SFD.
10. Labor	This SFD will focus on the promotion of successful labor trajectories for the inhabitants of the region. The document will discuss how to develop effective protection systems against the risks of unemployment, illness and poverty in old age, in the face of accelerated changes in the labor market that result from the incorporation of new technologies and population ageing, as well as the potential of digital tools to achieve such objective. The SFD will focus on: (i) the transformation of the labor markets' regulatory framework and institutions to favor the creation of quality employment; (ii) the protection of workers against the risks of unemployment or subemployment; (iii) the protection against the loss of income in old age; (iv) the protection of the population against the risks of illness; and (v) the impact of risks protection policies on growth and productivity. This SFD will not cover the development of skills of the labor force nor non-contribute pensions, as these are covered in other SFDs.

SFD	SCOPE
11. Long-term Financing	Access to productive financing (firms, individuals, productive infrastructure, and others) in Latin America and the Caribbean is limited, costly and short-term biased. Financial markets at large (credit, risk management and insurance instruments and capital markets) are shallow and concentrated among a small number of participants. This SFD will discuss the main strategies to promote access to financing and the development of financial markets: (i) macroeconomic, regulatory and institutional reforms; and (ii) support to public development banks, which are key articulators of the access to financing and financial markets agenda.
12. Citizen Security and Justice	This SFD will analyze the situation of crime and violence that affect LAC, show the negative impact that insecurity has on the region's social and economic development, and provide a comparative analysis of evidence on the effectiveness of different policies to address this complex problematic. It will start from the premise that insecurity is the result of a multiplicity of associated factors and will propose a systemic approach to the links of the security and justice chain, that go from social prevention, the police response to crime, efficiency and access to justice, and rehabilitation and reintegration of prisoners.
13. Tourism	This SFD will focus on the issues that require policy interventions and public and private investments to promote a sustainable and inclusive growth of the tourism sector: (i) innovation and digital transformation of tourism; (ii) sectoral governance; and (iii) analysis of entrepreneurship and labor skills in the sector.
14. Social Protection and Poverty	This SFD will cover the themes of social protection policies and strategies that aim at improving social welfare and ensuring minimum consumption levels for the population in situation of poverty and vulnerability, independent of their formal or informal employment status. This SFD will focus on: (i) the role of redistribution programs, including conditional and unconditional transfers, tax credits, universal basic income schemes and non-contributive pensions, among others, to secure minimum consumption levels; (ii) the role of active labor market policies to promote the labor insertion of the poorest and most vulnerable people, for example those with low levels of human capital; (iii) the financing and targeting mechanisms of those policies and programs; and (iv) the strategies to promote greater equity, efficiency and transparency in the management of public resources destined to the sector, leveraging, among others, the tools of digital transformation.
15. Innovation, Science and Technology	This SFD builds on the notion that governments play a critical role in enhancing productivity and competitiveness by directly encouraging business innovation, by establishing an enabling environment for firm innovation and technology-based entrepreneurship, and by providing complementary public goods such as scientific knowledge and advanced human capital. Putting together the architecture of scientific, technological, regulatory and connectivity pre-conditions of such enhancement is also a key part of what this document will cover. This SFD will also examine with special attention the consequences of the ongoing digital revolution on industries, scientific research and skills. The focus on private sector innovation and productivity, as well as on the public policies aimed at enhancing it, leaves the similarly important topic of innovation in the public sector beyond the scope of this SFD.

SFD	SCOPE
16. Water and Sanitation	This SFD will cover the economic sector that includes water services for human consumption (catchment, treatment, storage and distribution, including the integrated management of water as a resource), and sanitation (sewage, wastewater treatment, final disposal and reuse, including rain drains and solid waste). It will highlight the challenges that have become most relevant in recent years for the region, such as inequity in access, low coverage of sewage services, poor quality of services, efficiency of operators, sectoral governance and financial sustainability of operators, and long-term planning adapted to the challenges of climate change and to the availability in quantity and quality of water resources for human consumption compared to other competitive uses.
17. Gender and Diversity	This SFD will provide an analysis focused on access to quality public services with cultural relevance, the voice and agency of women, economic opportunities for women, and the economic empowerment and governance of indigenous and afro-descendent peoples. The sector-specific issues of gender and diversity will not be addressed in this SFD, but rather in the SFDs of the other sectors.
18. Decentralization and Subnational Governments	This SFD Will recognize the multisectoral nature of the decentralization process, partly manifested in the different responsibilities and functions that are under the different Subnational Governments (SNG). It Will focus on those transversal aspects that act as a necessary condition for SNG to effectively and efficiently perform the specific functions under their responsibility, recognizing that decentralization is not an end in itself. In particular, this SFD will emphasize two aspects, considering their interdependence: (i) the structure of incentives that characterizes intergovernmental relations, manifested in the allocation of responsibilities in the provision of services, and the management of revenue, financing and transfers; and (ii) the development of institutional capacities at the subnational level. This SFD will not include specific discussions of each of the sectoral dimensions of public policy affected by the decentralization process.
19. Energy	This SFD will analyze the situation of the energy sector in LAC and focus on the essential issues that would guarantee access to sustainable energy, in the quantities and with the quality demanded by the industry and the population of the region. The SFD will analyze the international context of the energy industry and how innovation is changing the costs and the potential solutions to the infrastructure gaps in the sector. It will also analyze the effect of technological change in offering new solutions to the sector's challenges, but also how it will bring new challenges mainly in the need for institutional and regulatory adaptation.
20. Environment and Natural Resources Management	The Latin American and Caribbean region has abundant natural capital wealth held in its terrestrial, coastal and marine ecosystems. Therefore, the region's natural capital is one of its greatest comparative advantages and, if harnessed effectively, a powerful engine of sustainable economic development. This SFD will orient IDBG's work on policies and actions for the sustainable management of natural capital, the enhanced supply and protection of ecosystem services, and the reduction of environmental pollution, and will include topics such as: (i) habitat destruction and overharvesting/exploitation of resources; (ii) air, water and soil pollution; and (iii) gaps in governance.

SFD	SCOPE
21. Fiscal Management	<p>This SFD will cover the issues of fiscal policy and management in the region, with emphasis in the design and execution of policies that promote robust, stable, sustainable and equitable growth. The SFD will focus on: (i) the role of fiscal policy in economic growth, public debt sustainability, and macroeconomic stability; (ii) the impacts of the structure of taxation systems and public spending on growth and in the efficient allocation of productive factors; (iii) the impact of fiscal policy in equity and productivity; and (iv) the efficiency and transparency in the management of public revenue. This SFD will not cover issues of corruption and transparency that go beyond budget transparency, nor the issues of technical management of public spending that correspond to other specific sectors.</p>
22. Climate Change	<p>Countries in LAC recognize that climate change is a challenge for sustainable development. The Climate Change SFD Will summarize available evidence to set priorities for assisting governments in their pursuit of climate-resilient and low-carbon development. Specifically, the SFD Will explores the following issues: (i) how to foster institutions and markets that are implementing the Paris Agreement; (ii) how to improve access to climate finance and the effectiveness of its use; (iii) how to apply tailored knowledge to support climate-resilient and low-carbon development; and (iv) how to mainstream climate considerations across sectors.</p>