



The IDB Group in the Central American Isthmus and the Dominican Republic

Activities Report **2017**



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The IDB Group in the Central American Isthmus and the Dominican Republic

Report prepared for the XXXII Meeting of Governors of the
Central American Isthmus and the Dominican Republic



Punta Cana, February 20–21, 2018



The region in 2017: economic trends and prospects

Surpassing the expectations prevailing at the end of 2016, the world economy grew by an estimated 3.6 percent in 2017, accompanied by a stabilization of international commodities prices. The economy of the United States expanded by 2.3 percent, which compares favorably with the 1.5 percent recorded in 2016, and the US unemployment rate reached a historic low of 4.1 percent.

In a context of improved external conditions, growth in the countries of the Central American Isthmus and the Dominican Republic (hereafter, “the region”) reached 3.8 percent in 2017, very similar to the rate in 2016. This modest growth response to more favorable international conditions might stem from the efforts made by some countries to take steps to correct the fiscal deficit, and from uncertainty about the outlook for the world economy, especially the prices of primary commodities and US policies in

the areas of trade, migration, and interest rates.

The fiscal consolidation efforts of the past three years have made it possible to reduce the deficit, thereby contributing to the region’s macroeconomic stability. It should be noted that in response to the international financial crisis of 2007–2008, the countries embarked on counter-cyclical policies and the region moved from almost fiscal balance in 2007 to average deficits of 2.9 percent between 2010 and 2014. By 2016 the average fiscal deficit was 2.5 percent, falling to 2.3 percent in 2017. The trend, however, has not been uniform: for 2017, in three countries of the region, the fiscal situation was at least 1 percent of GDP better than the average for 2010–2014, while in the others the situation was unchanged or worse.

Implementation of measures to narrow the fiscal gap are giving rise to domestic savings adjustments

Countries of the region have taken advantage of the favorable external environment to make adjustments that help reduce fiscal and external risks.

that enable reduction of the external deficit, especially in the non-oil current account, thus lessening the region’s vulnerability to abrupt changes in international financial markets. Between 2010 and 2014, the region’s current account deficit stood at 6.2 percent of GDP, reflecting an oil trade deficit amounting to 6.8 percent of GDP. In 2016, as a result of the fall in oil prices, the oil trade deficit narrowed to 3.8 percent of GDP. Nonetheless, the current account deficit was at 4.2 percent in that year, since part of the external savings created by the weakening of crude prices was absorbed by the deterioration of the non-oil current account. Marking

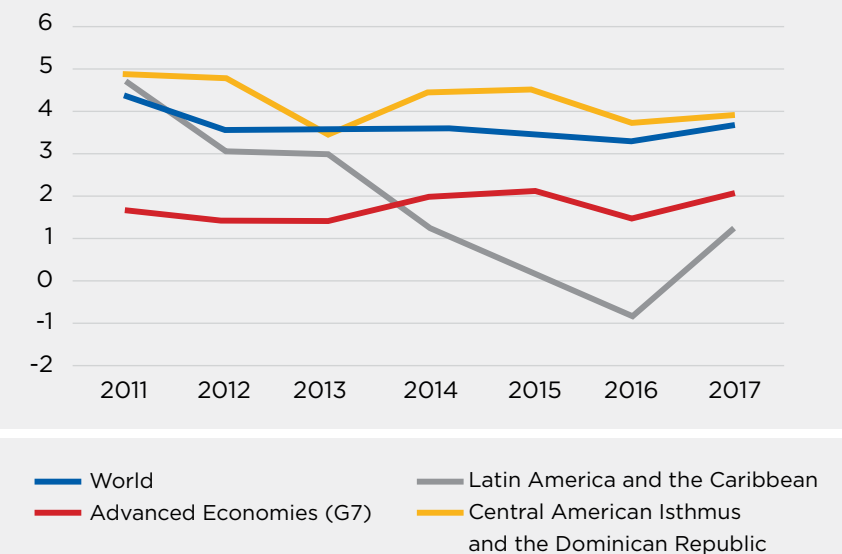
a significant shift in the trend, for 2017 it is estimated that the current account deficit was at 3.9 percent of GDP, even though the slight recovery in oil prices took the oil trade deficit to 4.5 percent of GDP. Nonetheless, not all countries have shared in this positive shift in the external position, and thus the region must continue to pursue reforms that strengthen domestic savings.

The current account deficit has been financed mainly with foreign direct investment. Compared to countries with similar levels of capital formation, the region receives on average 2.6 percent of additional GDP in foreign investment flows, a circumstance that reveals the potential to boost investment and raise levels of economic growth.

Finally, the region is still marked by price stability. After several years of very low and even negative inflation rates, the stabilization of prices for primary commodities is leading to inflation rates around the central banks’ target levels. Average inflation for 2017 is expected to be 3.2 percent, above the 1.8 percent rate in 2016 but still in line with the expectations of the countries’ central banks.

However, this generally positive regional performance in the areas of growth, savings and inflation is not producing a more vigorous increase in employment, especially in comparison with the average for Latin America. Between 2000 and 2017, unemployment in Latin America fell from 9.3 percent to 7.1 percent, and informality declined from 49.9 percent to 45.4 percent (2014, last available comparable data between countries). In other words, over a 15-year period the share of the labor force in formal employment rose by barely 6 percent. In the Central American Isthmus and the Dominican Republic, unemployment fell from 8.2 percent to 7.0 percent and informality declined from 48.2 percent to 46.3 percent. Despite growing more and avoiding recession,

Annual GDP growth 2011-2017
Percent



Source: IMF, World Economic Outlook, October 2017.

therefore, the share of the region’s labor force in formal employment increased by only 3 percent.

This weak employment response to growth seems to be affecting the region’s capacity to make greater gains in poverty reduction. Between 2000 and 2017, per capita income in Latin America grew by an annual average of 1.8 percent and poverty declined by 13 percentage points (from 43.8 percent in 2000 to 30.7 percent in 2017). Over the same period, the Central American Isthmus and the Dominican Republic experienced average growth of more than 2.3 percent but poverty declined by only 12.1 percentage points (from 51.8 percent in 2000 to 39.7 percent in 2017). This suggests that the income elasticity of poverty in the region is a third lower than the elasticity in Latin America. The causes of this inelasticity warrant closer attention, with a view to guiding the measures that governments should prioritize in order to improve the social returns on growth.

Prospects for 2018

The external environment that has favored the region’s performance in recent years is expected to remain relatively stable in the coming years. In that regard, the region is expected to grow by 3.9 percent in 2018, with inflation of about 3.6 percent, levels similar to those recorded in 2017.

However, uncertainty about future US trade, migration and interest rate policies, as well as possible negative shocks in the terms of trade, could substantially affect these figures. In particular:

- Given the region’s high degree of integration with the US economy, greater US trade protectionism could entail impacts of up to 5.8 percent lower per capita output for the countries of the region over 10 years.
- Remittances comprise a substantial flow of resources for the region’s economies, in some cases accounting for more than

20 percent of GDP. In this regard, a hardening of deportation processes could lead to a decline in growth rates of up to 0.6 percent of GDP for the more dependent countries (El Salvador, Guatemala and Honduras).

■ As fiscal and external deficits remain high, the countries' public and private debt continues to rise, making them very vulnerable to a faster normalization of US monetary policy.

■ the region is benefiting from a positive outlook in which the price of its main import commodity (oil) is low relative to the average for the past decade, and where the prices of the commodities that it exports (such as coffee and sugar) have been recovering. These prices are volatile, however, and events such as conflicts in the Middle East, or abundant harvests in Brazil, can change these conditions rapidly.

In addition to these risks there are natural disasters. The region is one of the most exposed in the world to natural disasters, and even when these events are low-intensity their long duration causes significant economic and social damage. A recent Fitch Ratings Report indicates that the costs of natural disasters for the countries of the region account for between 5 percent and 20 percent of government spending, and because of this impact they are being included in risk analyses, which could affect the region's financing conditions.

These risk factors point to some central priorities in public policies over the coming years. First, it is a priority for the region to create means of dealing with adverse shocks, and in that regard fiscal management has a crucial role. In the absence of corrective measures, the projections for 2018 indicate that the deficit could reach 2.4

percent (compared to 2.3 percent in 2017), highlighting the limits of the fiscal adjustment policies that the region has adopted. The narrowing of the deficit evident since 2015 has been based on improvements in tax administration and control of spending, especially investment spending. Correcting the weaknesses in the tax administration systems has borne fruit, but the additional revenues will be insufficient to make a significant change to the fiscal outlook. Meanwhile, there is a limit on the reduction in investment spending, and its consequences are apparent in the availability of both social and productive infrastructure, and in the medium- and long-term impact on growth. Hence the need for the region to undertake reforms that tackle the more structural problems on both the spending side—especially current expenditure—and the revenue side. These adjustments should also help improve the external position, as happened in 2017.

The region should continue its fiscal consolidation efforts and strengthen its agenda to raise productivity as a means of achieving higher and more inclusive growth.

Second, there is a need to embark on a process of designing and adopting instruments to address the costs of natural disasters, a process that will support not only the fiscal goals but also the sustainability of growth and the achievements in the social arena. It is crucial to properly include vulnerability to natural disasters in the design of public policies for all sectors, so as to minimize the impact these events have on the region's growth and financing conditions. This entails actions ranging from investing to make the countries more disaster-resilient, to creating

fiscal circumstances that enable action when disasters do occur, and to incentivizing the private sector to serve as a necessary buffer in dealing with disaster-related losses.

Finally, in a context of sharp uncertainty about key variables underlying the region's economic performance, such as trade and migration, the productivity and trade diversification agendas become much more important in supporting a revitalization of growth and in creating quality jobs. As regards productivity, deficits in infrastructure and human capital, and failings in coordination to foster innovation, are problems shared by all the countries and should be addressed. In a context of fiscal constraints, it will be essential to prioritize projects that affect growth and employment, and that lead to greater coordination between the public and private sectors in developing productive activities that increase the complexity of the region's export basket. In that regard, it is worth noting the potential of tourism and the successful experiences evident in the region itself. As regards trade, recent Bank estimates indicate that the negative effects of greater US protectionism could be offset if the region were to implement a comprehensive strategy that boosts its presence in other markets and, at the same time, deepens intraregional integration.

The IDB Group will continue to support the region in designing and financing solutions that make it possible to take advantage of the available opportunities, so as to attain higher, more sustainable and more inclusive growth. This report summarizes the financial and non-financial activities that the IDB Group undertook in 2017 to support the region, in line with the countries' priorities and the Bank's institutional strategy.

Nicaragua: Sustainable Agricultural Productivity Development Program

IDB Group Activities in 2017

Approvals in 2017

In 2017, the IDB Group approved 28 new lending operations totaling US\$1,819.8 million for the countries of the region. These include 16 loans to the public sector amounting to US\$1,648 million, and 13 operations with the private sector totaling US\$171.8 million. Additionally, IDB Invest's Trade Finance Facilitation Program (TFFP) provided financing of US\$320.5 million through loans or guarantees to exporting and importing companies in the region.

The IDB Group also approved US\$97.3 million in non-reimbursable financing for the region: US\$58.9 million in technical cooperation and US\$29.7 million in investment grants through the IDB, and US\$8.7 million from the MIF. The Bank's technical cooperation

28 loan operations for US\$1,819.8 million

US\$97.3 million in non-reimbursable financing

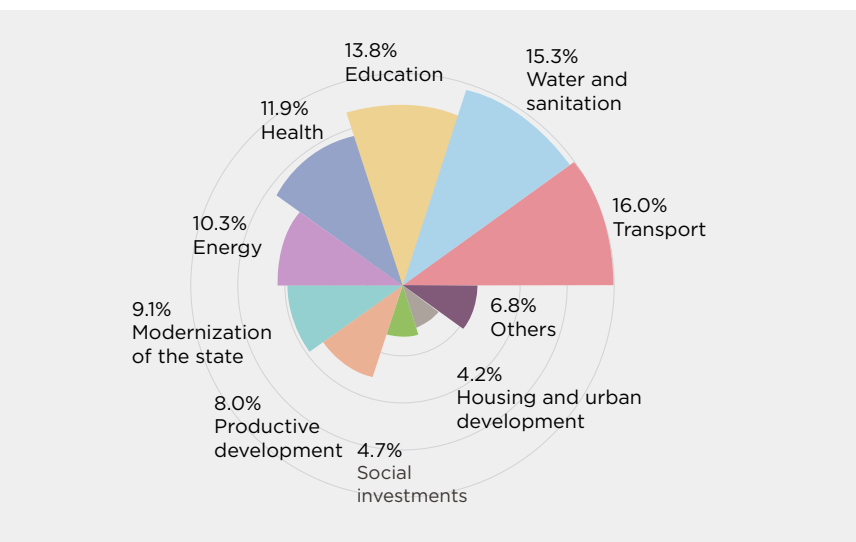
supported the preparation and execution of lending operations and made it possible to respond to specific demands from the countries in the areas of environmental sustainability and climate change, social investments, public management, and the regional agenda; the investment grants gave greater scope to border integration and social inclusion projects. MIF support was devoted to strengthening the productivity and climate resilience of micro, small and medium enterprises (MSMEs), and innovative initiatives to foster the entrepreneurial potential of youths, the use of robotics in social services,

and the sustainable use of natural resources. Annexes 4–7 detail the approvals for 2017.

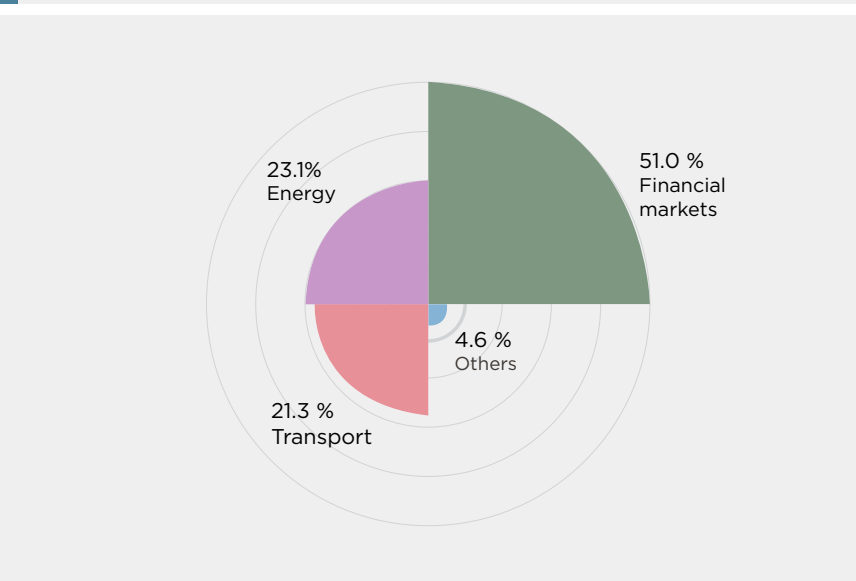
These new projects, in addition to the wide portfolio of projects currently in execution, position the IDB Group as the main source of multilateral financing for the region.

The IDB Group includes the Inter-American Development Bank (IDB), which offers financing and technical assistance to the region's public sector; IDB Invest, which provides support to the private sector; and the Multilateral Investment Fund (MIF), which serves as the Group's innovation laboratory, identifying and testing new solutions to promote economic and social development.

Sectoral distribution of the public sector loan portfolio
Percent of the available amount (US\$4,719 million), IDB



Sectoral distribution of the private sector loan portfolio
Percent of the approved amount (US\$ 2,167,8 million), IDB Invest



The catalytic role of the IDB Group: cofinancing and grants

Several bilateral donors and other public and private partners provide resources to emblematic programs financed by the IDB Group in the region. In 2017 the European Union contributed €20 million to the Border Integration Program in Nicaragua, taking the operation's total to US\$78.5 million. The Swiss Agency for Development and Cooperation (SDC) contributed US\$5.4 million to a citizen security project in Honduras. Additionally, the Nordic Development Fund channeled US\$730,000 for agroforestry management, bird watching tourism, and the protection of micro-watersheds in Honduras's Tolupan and Garifuna communities. In the area of technical assistance, 43 percent of the financing approved for the countries of the region in 2017 came from bilateral donor funds managed by the Bank. The lending operations approved by IDB Invest in 2017 mobilized US\$78 million from the China Cofinancing Fund for Latin America and the Caribbean and other third-party sources.

Projects in execution

At the end of 2017, the IDB's **public sector** portfolio in execution comprised 102 lending operations totaling US\$7,446 million, with an available balance of US\$4,719 million. The portfolio centers on transport, water and sanitation, education, health, and energy. Together, these sectors account for 67 percent of the amount available. Disbursements amounted to US\$1,262 million in 2017.

These lending operations are in addition to 228 technical cooperation projects in execution totaling US\$123.2 million, and 25 investment grants amounting to US\$292.6 million, with available balances of 50 percent and 52 percent, respectively.

IDB Invest's **private sector** portfolio in the region comprises 97 projects with an original approved amount of US\$2,167.8 million and a current exposure of US\$1,614 million. It is concentrated in the financial intermediation, energy, and transport sectors. IDB Invest disbursed US\$383.7 million in 2017.

The MIF is financing 87 projects in the region totaling US\$76.1 million, with an available balance of US\$39.5 million. Most of these operations are technical assistance initiatives with non-reimbursable financing, but they also include some loans and capital investments.



Belize: Educational Quality Improvement Program

Responding to the region's development challenges

The IDB Group's contribution to the region is based on the Bank's Institutional Strategy, which prioritizes three development challenges—social inclusion and equality, productivity and innovation, and economic integration; and three cross-cutting themes—gender

equity and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law. Each project financed by the Bank promotes one or more of these issues. Private sector operations are framed within IDB Invest's Business Plan, which prioritizes support for MSMEs, infrastructure for development, innovation and technological development, provision of basic goods and services, opportunities to generate income and social mobility for vulnerable populations,

and green growth. Noted below are the projects approved in 2017 in response to the region's abovementioned challenges and the IDB Group's institutional priorities.

The IDB's institutional strategy prioritizes: social inclusion and equality, productivity and innovation, and economic integration

Social inclusion and equality

In the past decade, the countries of the region have improved their populations' living conditions, increasing life expectancy, years of schooling, incomes and, consequently, the Human Development Index. In some cases these improvements have been accompanied by a significant reduction in poverty levels. Despite such progress, 24 million people—more than 40 percent of the region's population—are still living in poverty, 8 million suffer from malnutrition, and 6 million lack access to improved water resources.

The rural, indigenous, Afro-descendant and peri-urban populations have the highest poverty rates and face the greatest obstacles in accessing basic services such as education, health care, water and sanitation, electrification and paved roads. These circumstances constrain their employment options. Closing these gaps is a priority goal in

the Bank's collaboration with the region. In 2017 the IDB Group approved projects and regional initiatives that seek to improve access to high-quality social services, reduce the deficits in basic infrastructure, and create productive opportunities in rural areas, often with a territorial approach.

In **education**, the Bank approved two projects that will help improve school performance in the region, which is far below the average for Latin America and the Caribbean. One of these is geared to increasing access to and the quality of learning in the third cycle of basic education in rural areas of Honduras's Occidente region. It includes actions to avert social risk and facilitate the educational reintegration of young returning migrants. The other project seeks to raise educational levels in public schools in Panama. It will strengthen the Education Ministry's information systems

so as to improve management of the education sector, with special interventions in poorly performing schools at the basic level.

In the **health** sector, a project approved for Honduras promotes policy reforms to increase the coverage, efficiency and quality of the National Health System, and strengthen the Decentralized Management Model for Health Care Services. This results-based financing model seeks to widen the coverage of prenatal, birth, postpartum and neonatal care. In Nicaragua, the Bank approved a project to improve the health of the population in the Dry Corridor (the Segovias and Center North), a region with high poverty indices and wide gaps in health and nutrition indicators. The project takes a multisectoral approach to reducing maternal and child morbidity and mortality, and curbing the spread of chronic illnesses, by financing a series of interventions in

health, hygiene and access to basic services, including road upgrades and improvements in mass transit routes to health centers. The project is complemented by a program in **water and sanitation**, a key service in achieving better health outcomes in the area.

Several IDB Invest operations with the private sector promote the creation of **new productive opportunities** and employment openings for MSMEs in rural and underdeveloped areas. For example, an operation was approved for Nicaragua to finance the building of a new peanut processing plant and improve logistics in the collection of

peanuts and other grains. This will enable 300 MSMEs and agricultural cooperatives to join the agro-industrial chain and the marketing channels for these products outside their traditional production areas. These businesses consist of local producers in rural areas marked by high poverty rates, such as León, Tisma and the municipalities of Wiwili, Yali and Pantasma. In the Dominican Republic, IDB Invest approved a new operation in the hotel sector—Tropicalia—featuring specific activities to promote local agribusiness in El Seibo, a province with high poverty indices. The initiative makes provision for the direct integration of 500 local

MSMEs supplying foodstuffs, beverages and other services into the value chain of the hotel complex that will be developed in the area. Finally, a new project in El Salvador will provide financing to small-scale producers of sugar cane in poor rural areas of the Departments of Sonsonate and San Miguel, thereby facilitating their integration into the sugar value chain.

For its part, the MIF approved an operation in Panama to improve social inclusion by **financing innovative solutions to tackle social problems**, with an initial emphasis on pilot projects using drones in the health and education sectors.

Expected results of projects approved in 2017



Education

10 percentage-point increase in gross enrollment in the third cycle in Honduras's Occidente region, and improved results in standardized tests of mathematics and languages.

300,000 students in Panama benefiting from tutorial programs in mathematics and language, and 200 poorly performing schools receiving improvement programs. Digital transformation and improvements in the management of the country's education system.



Water and sanitation

Improvement in the operational management of the Nicaraguan Water Supply and Sewerage Authority, and more than 12,000 households in urban and peri-urban areas benefiting from greater coverage of the sanitary sewer system and wastewater treatment.



Health

Expansion of health service coverage in Honduras as a result of decentralized management, reaching 1,650,000 people, mainly in the country's Occidente region.

Reduction in maternal mortality, child morbidity and mortality, and chronic malnutrition among communities in Nicaragua's Dry Corridor through improvements in access to health services, hygiene practices, nutrition and drinking water quality in households, and surveillance of vector-borne diseases, especially malaria.



SMEs

SMEs and rural farmers growing sugar cane in El Salvador benefiting from financing from, the Salvadorean Sugar Company (CASSA) for working capital, as well as advice on best agricultural practices.

Construction by Global CTG of a new industrial peanut processing plant in Nicaragua, improving business opportunities for 300 MSMEs and agricultural cooperatives integrated into the firm's marketing chain.

MSMEs headed by women in the Dominican Republic have easier access to credits with the intermediation of the Banco Múltiple BHD León, S.A.; and their enterprise capacities have been strengthened.

Results achieved in 2017 with projects in execution

Honduras: almost 400,000 children living in extreme poverty benefit from conditional cash transfers

Nicaragua: 32,000 children under the age of three provided with child development services

Belize: more than 600 teachers trained in a new teaching methodology, benefiting almost 10,000 primary school students

Dominican Republic: provision of 26 new classrooms with furnishings and 11 computer and/or science labs in middle schools.

Guatemala: 118 education modules set up for preschool and primary education in poor areas

Panama: 3,000 low-income households connected to sewerage networks.

El Salvador: 75 new community health teams offering maternal and child health care in 14 of the country's poorest municipalities

Costa Rica: inauguration of the new Civic Center for Peace in Heredia

Social inclusion and equality



Guatemala: Improving health and nutritional services

Regional health initiatives

Mesoamerican Health Initiative 2015

Since it was launched in 2010 with an initial contribution of US\$114 million from various donors, this public-private partnership has increased access to health services for the poorest people in the region. Using an innovative, results-based mechanism and performance bonuses, the initiative finances projects in maternal and child, neonatal and adolescent health care. Among other results, it has led to an increase from 20 percent to 50 percent in the proportion of women receiving prenatal care before 12 weeks of pregnancy in the target areas of Belize; and in El Salvador, an increase from 53 percent to 81 percent in the share of women using modern family planning methods through the 75 community health teams supported by the initiative. In 2017 the Bank continued to support the second operational phase in the beneficiary countries, and also negotiated a third phase with the Bill and Melinda Gates Foundation, the Carlos Slim Foundation and the government of Canada (which joined the Donor Committee) for an additional US\$12.7 million.

Regional Initiative to Eliminate Malaria.

In 2017 the Bank established a new public-private partnership with the Bill and Melinda Gates Foundation, the Global Fund, the Carlos Slim Foundation and the seven Central American countries and the Dominican Republic to eliminate malaria in the region over the next five years. The Bank will implement the initiative in collaboration with the Pan-American Health Organization and the Clinton Health Access Initiative. It will also support the regional political dialogue, arranging consultation mechanisms and fostering the participation of the Council of Central American Health Ministers (COMISCA) and the Mesoamerica Project in evaluation and monitoring activities. Operations will begin in the Central American countries in 2018, and Mexico and Colombia are expected to be included in the initiative.

Gender Equality

The empirical evidence reveals the economic and social benefits that spring from increasing equality of opportunities between men and women. Although the region has made progress on gender parity in access to primary and secondary education, inequalities persist in other areas, including gaps in income, participation by women in the labor force and leadership positions in the public and private sectors, deficient attention to women's health issues and teen pregnancy, and high rates of violence against women.

A commitment to gender equality is an inherent part of the Bank's operational work and is a cross-cutting theme in the IDB's Institutional Strategy.

In 2017 the IDB Group supported the countries of the region through various initiatives and projects, notably:



First Central American women's hackathon.

Women's role in technology was the topic that brought together Central American women in Costa Rica in October 2017. The meeting sought to strengthen women's leadership in the digital technology sector, providing a space for the exchange of knowledge and creativity, and for proposing technological solutions to real problems in the areas where they live. It is notable that 60 percent of the participants came from rural areas and 95 percent were women under 30.

Ciudad Mujer Program. This innovative program, launched in 2011 by the government of El Salvador with IDB support, provides integrated services for women's empowerment and has been replicated in several countries of the region. In 2017 Honduras opened two Ciudad Mujer Centers (Central District and Choloma), and two other Ciudad Mujer Centers are being developed in the Dominican Republic (Santo Domingo and Santiago). Innovations in the model have made it possible to bring services closer to communities with limited mobility, such as Ciudad Mujer Comunitaria (El Salvador) and Ciudad Mujer Móvil (Honduras), and to provide specific services to adolescents through Ciudad Mujer Joven in El Salvador.

Nicaragua - Program to improve health determinants in the Dry Corridor.

To reduce maternal and child morbidity and mortality, and curb the spread of chronic illnesses in the area, the program seeks to improve access and care for pregnant women, offer treatment to women with cervical cancer, foster healthy practices, and create physical access routes to health centers.

Panama - Promoting the growth of business women.

With MIF financing, the City of Knowledge Foundation has developed a series of actions geared to women's economic empowerment. The program trained 1,060 business women and female entrepreneurs in business development, enterprise and innovation, personal skills and leadership. Some 103 female entrepreneurs were able to formalize their businesses, 132 developed and implemented business models, and 80 percent of those who participated in the project reported a perception of improvement in the performance of their businesses.

Dominican Republic - BHD Leon: Access to financing for MSMEs headed by women.

This IDB Invest financing will strengthen BHD's Programa Mujer, which promotes access to financing for women entrepreneurs. It is expected that at least 40 percent of the beneficiaries will be MSMEs headed by women. Additionally, IDB Invest will support BHD's efforts in the Economic Dividend for Gender Equality (EDGE) certification process, which uses a rigorous methodology to assess organizations' performance in terms of equality.

Emerging women leaders in the public sector.

The Dominican Republic and Panama were the first countries of the region to adapt for their public sectors an IDB initiative created in 2013 and geared to strengthening women's leadership in the Bank. In both countries, the program seeks to empower and give prominence to women's leadership skills in public positions, and promote women's promotion to senior levels of decision-making.

Productivity and innovation

Levels of productivity and innovation, which are crucial to faster and sustainable economic growth, remain very low in the region. Only three countries are close to or surpass the average level of labor productivity for Latin America and the Caribbean, which in turn remains below the level in advanced economies and other emerging regions. Of the 127 countries on the Global Innovation Index for 2017, no Central American country is in the top 50. Spending on research and development is minimal, and the private sector takes little part in such activities. Prominent among the factors that explain the low levels of productivity and innovation are weak institutional and regulatory

frameworks that hamper business development and technological progress, an insufficiently skilled labor force, high rates of informal employment, modest sophistication in financial markets, limited access to credit and gaps in productive infrastructure.

In 2017 the IDB Group supported the region in tackling these challenges through programs to improve the business climate, facilitate access to financing, and generate new economic opportunities. In the Dominican Republic and Nicaragua the Bank approved policy reform programs to strengthen financial regulation, devise new financing

instruments (including public-private partnerships, PPPs), improve contract security and financial transactions, simplify administrative processes for business activities, promote and safeguard competition, enhance incentives for the formalization of jobs and businesses, and strengthen institutions and mechanisms to promote commerce, investment, technology and innovation. Both programs encourage businesses' integration into domestic and global value chains. In Panama, two projects are geared to strengthening the regulatory and institutional framework of the water and sanitation sector, and improving its planning and interinstitutional coordination.

Expected results of projects approved in 2017



Business climate

Nicaragua strengthens its financial regulation and simplifies processes to acquire licenses and permits in the areas of property registration, opening a business, tax payments, and transborder trade.

The Dominican Republic increases the productivity of its economy through a wider scope of financial intermediation and improvements to the business climate, social security policies, and incentives for formalization.

Strengthening the institutional and regulatory capacity of the water and sanitation sector in Panama, and improvements in the operational and commercial management of the Institute of National Water Supply and Sewerage (IDAAN), attaining wider coverage of drinking water, sanitary sewerage and wastewater treatment.



Tax administration

Improvements in tax collection in the Dominican Republic as a result of greater administrative efficiency.



Energy

Honduras's electricity sector improves its financial and operational sustainability and the country increases its participation in the Regional Electricity Market.

Further financial and operational consolidation of the electricity sector in Nicaragua, and diversification of the energy generation matrix toward clean and renewable energies.

Strengthening the institutional and regulatory capacity of the energy sector in Panama.



Productive infrastructure

New hotel complex in the Miches area of the Dominican Republic that creates greater business opportunities for local small-scale farmers and microenterprises, by incorporating them into the hotel and tourism services supply chain.

The Compañía Distribuidora de Nicaragua's new consumer-product distribution center in Sabana Grande will create economic opportunities for small distributors and retail MSMEs in rural areas, and enable a better supply of foodstuffs and beverages to the population.



Access to credit

MSMEs in El Salvador and Honduras improve their access to finance through the Banco Agrícola and Banpaís and increase their capacity in energy efficiency and wastewater treatment.

The Hogarama importer of candies and cookies in Nicaragua increases sales and creates more jobs as a result of easier access to working capital.

SMEs in the productive region of Chiriquí in Panama have benefited from credit support from Metrobank and have strengthened their capacity for exports, and for inclusion in international value chains.

The **energy sector** plays a crucial role in the region's productivity and economic growth. The high cost of energy, frequent interruptions in supply, and coverage gaps directly affect the competitiveness of economic agents, and in many countries the electricity supply is regarded as one of the main obstacles to business performance. The region also faces the challenge of diversifying its energy sources in view of rising demand. In several countries, moreover, the sector's operational inefficiencies impose a high fiscal burden. In 2017, with Bank financing, Honduras, Nicaragua and Panama carried out policy reforms that strengthen the electricity sector's institutional arrangements and financial sustainability. The projects also foster energy security and efficiency, the diversification of the energy matrix towards cleaner sources, and an increase in regional electricity exchanges (see the following section).

By improving the sector's financial stability, these projects also support the goal of improving **fiscal performance**, another important element in creating a sound business environment and freeing public resources for investments that promote competitiveness and productivity. This is also the aim of the tax administration project approved for the Dominican Republic, which will finance improvements in the tax service's organizational and regulatory framework, operational processes and technological

infrastructure in an effort to boost tax collection. The project also supports improvements in public finance planning to increase the availability of resources and information for efficient cash management.

IDB Invest interventions in 2017 were geared to **productive infrastructure** and expanding MSMEs' access to credit. Notable in this regard is the Tropicalia Sustainable Tourism project for the Dominican Republic, mentioned in the previous section, which supports the development of a new tourism complex and destination in Miches, El Seibo province. This project will help boost economic growth in the area by attracting new investments, creating income opportunities for local populations, and improving the productivity of local small-scale farmers and microenterprises by integrating them into the tourist destination's value chain. The project has a sharp socioenvironmental focus that promotes biodiversity and efficiency in the use of water and renewable energies. Moreover, it is marked by a high degree of synergy with other IDB Group activities in the country, such as IDB financing for the Miches-Punta Cana highway 104 and the program on local value chains that the MIF is developing in the area in conjunction with the Tropicalia Foundation.

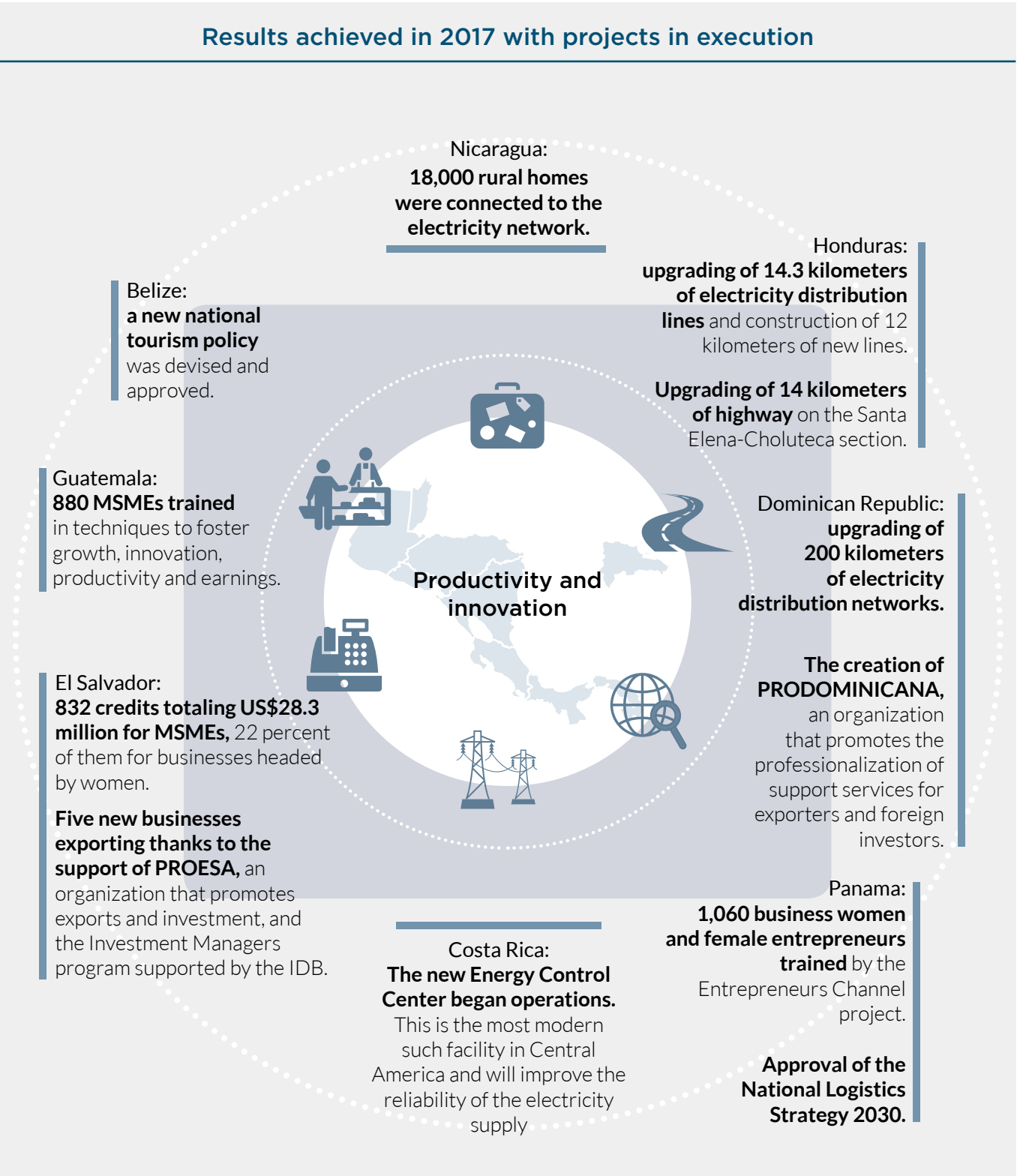
To facilitate MSMEs' **access to credit**, IDB Invest approved new loans to financial institutions and agro-industrial businesses in El

Salvador (Banco Agrícola and the Salvadoran Sugar Company, CASSA), Honduras (Banpaís), Nicaragua (GLOBAL), Panama (Metrobank) and the Dominican Republic (Banco Múltiple BHD León). The latter initiative pays particular attention to businesses headed by women. Along with the financing, IDB Invest offered technical assistance based on innovative experiences and practices, such as green financing, energy efficiency, new agricultural techniques, and good environmental and social management practices. It also made a loan to the Latin American Agribusiness Development Corporation (LAAD), which provides financing to MSMEs for agricultural projects in the region.

The MIF approved several new projects aimed at **strengthening MSMEs**. A project in Guatemala is geared to strengthening the country's social enterprise and innovation ecosystem through training for entrepreneurs and/or small businesses, seed capital financing, and strengthening of a local support network. In Belize, a pilot project was approved to implement innovative technical solutions to improve the climate-change resilience of buildings and other structures. To that end a training program on climate resilience certification will be set up for the construction sector, focusing on MSMEs in the Belize City metropolitan area and the islands of Ambergris Caye and Caye Caulker.

IDB Invest and Latin American Agribusiness Development Corporation collaborate in agribusiness development

IDB Invest approved a regional operation for US\$45 million to support the growth of MSMEs in the agro-industrial sector in several Latin American countries, including the Dominican Republic, Nicaragua, Guatemala and Costa Rica. The financing provided to LAAD supports long-term crops (fruits, vegetables and coffee), and agricultural machinery and infrastructure, boosting sustainable growth in the production of foodstuffs, job creation in rural areas, and the growth and diversification of exports. The financing also helps improve LAAD's environmental and social management system, which prioritizes estimating the greenhouse gas emissions of the financed subprojects. This will allow LAAD to calculate the subprojects' carbon footprint and introduce corrective measures to reduce emissions of such gases.



Economic integration

Regional economic integration remains a strategic objective for the countries of the region. By promoting economies of scale, specialization and investment attraction, regional economic integration can help improve the competitiveness of local businesses, facilitate their insertion into value chains, and create more efficient arrangements for the distribution of production. In recent decades the IDB Group has been a central partner for the region in its integration endeavors, supporting trade facilitation and border integration, developing logistics infrastructure, refining the operation of the Regional Electricity Market, and underpinning the telecommunications agenda. In 2017 the Bank continued to provide financial resources and national and regional technical assistance to promote integration.

At the **national** level, several of the loans approved in 2017 and mentioned in the previous section also promote economic integration. The projects to support productivity in Nicaragua and the Dominican Republic, for example, include institutional, regulatory and

policy reforms to facilitate trade, foreign investment, and integration into global value chains. With regard to the electricity sector, the policy reform projects approved for Honduras and Nicaragua seek to strengthen their participation in the Regional Electricity Market, while the public services program in Panama supports the development and marketing of new sources of natural gas to supply the regional market. These projects are in addition to more than 20 others in the IDB portfolio now in execution to deepen integration in the region. Notable among these are the transport and road integration projects in Belize, Costa Rica, Honduras and Nicaragua, border integration projects in Costa Rica and Nicaragua, and energy projects in Costa Rica, Honduras and Nicaragua.

At the **regional** level, the Bank made significant resources available to promote regional dialogue and support technical work in the areas of energy, transport and logistics, trade facilitation, and telecommunications, complementing the national projects.

In addition to supporting the public sector, the IDB Group promotes economic integration at the intraregional and international levels through IDB Invest's **Trade Finance Facilitation Program**. Created in 2005, the TFFP consists of approving credit lines with national banking institutions to provide loans or guarantees to importing and exporting businesses in the region, so as to finance their commercial transactions. This helps the region's banks to access financial markets and strengthens the countries' competitiveness. In 2017 a new TFFP line was approved for Ficohsa in Nicaragua totaling US\$5 million. Consequently, the region now has 40 uncommitted TFFP lines totaling US\$841 million. During the year, 21 banks of the region used their lines for a total of US\$320.4 million (32 disbursed loans amounting to US\$239.3 million and 19 guarantees totaling US\$81.1 million). At the same time, US\$44 million in resources from other investor partners were mobilized through the TFFP.



Nicaragua:
Road Integration Program

Physical and economic integration: progress on regional initiatives in 2017

Energy integration. In 2017 the volume of energy purchase and sales transactions in the Central American Regional Electricity Market rose eight-fold, reaching an annual record of 2,457.4 GWh. To continue to strengthen regional transmission capacity, the Bank is supporting the necessary national efforts through investments in Honduras and Nicaragua, and has provided technical assistance to analyze the feasibility of integrating the Mexican market with SIEPAC.

Transport and logistics. Technical cooperation resources were used to support: (i) the modernization and transformation of the Pacific Corridor; (ii) implementation of National Logistics Plans that identify short- and medium-term actions to improve the performance of the main logistics subsystems in each country; (iii) promoting innovative financing mechanisms to attract private investment in infrastructure; and (iv) identifying priority investments in regional logistics corridors.

Trade facilitation. In 2017 a cooperation agreement was signed between the Bank and the European Union (€8 million), which will make it possible to develop phase II of the Digital Platform for Central American Trade. This will ensure the regional interoperability of border control systems and institutions that facilitate regional trade-

related processes. Moreover, the European Union's €20 million contribution to Nicaragua's border integration program will allow the operation to be expanded so as to cover all the border crossings in the country.

Telecommunications. In 2017 the Bank continued to support the work program of REDCA, which operates the regional fiber optic network, through implementation of a technical cooperation project totaling US\$550,000 that focuses on: adjustments to the business plan and commercial strategy, studies of options for REDCA's interconnection with Mexico and Colombia, potential demand and revenues, the deployment of new infrastructure, and analysis of regulatory matters. These will serve as inputs to facilitate the region's access to international networks and incentivize use of the REDCA network.

Infrastructure Fund for the Countries of Mesoamerica and the Caribbean (Yucatán Fund). the government of Mexico and the IDB signed an agreement that designates the Bank as a financial intermediary for channeling resources from the fund, which is Mexico's main international cooperation instrument. This will enable the Bank to offer innovative financing mechanisms and to cofinance high-impact infrastructure projects.



Honduras: Electrical Substation in La Entrada, Copan and the SIEPAC's transmission lines



IDB Group support for the Plan of the Alliance for the Prosperity of the Northern Triangle El Salvador • Guatemala • Honduras

The Plan of the Alliance for the Prosperity of the Northern Triangle, agreed between the governments of El Salvador, Guatemala and Honduras in 2015, aims to address the national factors that have led to the increasing flows of irregular migration evident since 2010, especially of unaccompanied minors to the United States and Mexico. The plan has four strategic pillars: strengthening the private sector, improving citizen security and access to justice, developing human capital, and institutional strengthening.

The Bank, as one of the main sources of financing for the Northern Triangle countries, has a significant project portfolio in those countries that, as of December 2017, comprised 31 lending operations, with an undisbursed balance of US\$1,304.1 million. These projects directly affect the municipalities and areas prioritized in the Plan.

In 2017 the Bank, in its role as the Plan's Technical Secretariat, carried out the following activities:

Conference on Central American prosperity and security, Miami, June 2017. As part of this event, which was convened by the government of the United States, the Bank facilitated a public-private dialogue that brought together the hemisphere's business leaders, senior authorities of the Northern Triangle countries and international organizations, reaching consensus on the strategic priorities for the coming years: job creation, improvements in customs, and infrastructure investments.

Northern Triangle infrastructure investment platform. At the request of the three countries, the Bank has provided technical and financial assistance to create the Infrastructure and Prosperity Funds, structured according to the legal and regulatory frameworks of each country and with estimated contributions of between

US\$500 million and US\$1 billion per fund. The funds' initial investors will consist of the public and private sectors of each country (Guatemala and Honduras). The initial focus in Guatemala is road infrastructure, while Honduras seeks investments related to the tourism industry. Meanwhile, El Salvador has prioritized the development of projects for the Northern Corridor and the Southern Ring Road in the San Salvador metropolitan area. The IDB Group will provide up to US\$750 million in the next five years to support strategic investments in the Northern Triangle, seeking to play a catalytic role in attracting financing from several sources.

Migration and consular cooperation program. With Bank support, the Northern Triangle countries and Mexico have agreed on a work program and priority areas to strengthen institutional capacities that promote the effective management of provision for returning migrants, improve support services for migrants, and guarantee protection of their rights. In April 2017 the first South-South cooperation activities were carried out with a visit to the Center of Information and Assistance for Mexicans (CIAM) in Tucson. There, the countries learned about methodologies for collecting and using data, training call center operators, and producing handbooks, and they shared experiences in health and legal assistance programs, among other matters.

Collaboration with USAID. The Bank signed an agreement on institutional development with the US Agency for International Development, which will give the Bank US\$2.98 million through a non-reimbursable technical cooperation project to continue supporting the efforts of the Northern Triangle countries in the following areas: (i) strengthening the coordination mechanisms, communication, and consolidation of partnerships with donors, the private sector and civil society; (ii) effective management and implementation of strategic initiatives; and (iii) monitoring and evaluation.

Climate change and natural disasters

Central America is one of the areas of the world that is most vulnerable to climate change. In the past 50 years the region's temperature has risen by 0.5 degrees Celsius and, if current trends in greenhouse gas emissions continue, the temperature could rise by between one and two degrees by 2050. This could intensify extreme weather events such as heavy rains and flooding, long periods of drought, and increasingly frequent and intense natural disasters, with severe effects on agricultural production, productive and social infrastructure, health, and the countries' natural heritage.

In 2017 the region again suffered a multitude of natural disasters. During the year there were 16 significant events in the region, including hurricanes, floods, storms and droughts. These disasters caused 78 deaths and affected 172,656 people, leaving heavy material losses in their wake.

The IDB Group is promoting **climate change adaptation and mitigation** as cross-cutting themes in its support for the region. The IDB Group's target is that by 2020, financing for climate change—that is, mitigation or adaptation activities included in projects—should account for 30 percent of its total financing. To meet that target, operations are designed in such a way as to include an analysis of climate risks to undertake actions and construction initiatives for mitigation

and/or adaptation—from flood-resistant infrastructure and new adaptation technologies in agricultural production, to the integration of cleaner energy sources in national energy matrices and institutional strengthening programs for better management of the social and financial impacts of climate change. For example, the Climate Vulnerability Reduction Program approved for Belize in 2017 makes provision for flood-control infrastructure in Belize City and shoreline stabilization and ecosystem management plans for the coral reefs around Belizean islands where tourism activity is intense. In Panama, the Sustainable Development of Public Services Program prioritizes electricity generation using low greenhouse gas-emitting sources such as natural gas. A program geared to the preservation of Panama's cultural and natural heritage seeks to conserve and promote the sustainable use of various nature reserves in the country.

The IDB also has several **instruments geared to meeting the most urgent needs** after a natural disaster, and attenuating the negative effects of such events on the population and public finances:

- **Contingent credit facility** for natural disasters: credit line to improve defenses, access to liquidity, and disaster management capacities. It offers resources to cover the immediate costs of re-

establishing basic services for the population after a disaster. In 2017, the Dominican Republic received US\$16 million to tackle the impact of Hurricane María.

- **Immediate response facility** for natural disasters: this is a rapidly processed and disbursed loan that also covers immediate costs incurred in the aftermath of a natural disaster. The IDB approved a US\$20 million program for Costa Rica to restore part of the road infrastructure and drinking water services affected by Tropical Storm Nate.

- **Non-reimbursable resources** for emergencies: the IDB makes available rapidly disbursing resources of up to US\$200,000 for immediate humanitarian assistance activities following a disaster. In 2017 Costa Rica used these resources to respond to the immediate needs of populations affected by Tropical Storm Nate.

At the regional level, the Bank supports the Mesoamerican Network for Integrated Risk Management (RM-GIR). In 2017, it approved a technical cooperation project of US\$850,000 to strengthen the network's technological platform, with a view to improving the exchange of information, devising risk maps, and strengthening the national institutional capacities of civil protection.

Expected results of projects approved in 2017



Belize: Lower economic losses from flooding as a result of new mitigation infrastructure in Belize City, Caye Caulker and Goff's Caye.



Costa Rica: More than a million people affected by Tropical Storm Nate return to normal daily activity as a result of the recovery of roads and bridges, and the restoration of continuous access to drinking water.



Panama: Upgrading of visitor sites, paths, administrative centers and quays in the Portobelo National Park and San Lorenzo.



Dominican Republic: Access to liquidity in order to attenuate the negative impact of Hurricane María on public finances, and to re-establish basic services to the affected population.

Technical cooperation: supporting projects and knowledge generation

The IDB Group's technical cooperation (TC) serves to strengthen the design of new projects, unblock bottlenecks that affect projects in execution, facilitate dialogue with the governments on key development issues, and promote the South-South exchange of knowledge. It is available to individual countries and to groups of countries.

In 2017, **national** technical cooperation responded to the countries' interest in addressing the issues of environmental sustainability and climate change, the relevance of social investments, and modernization of public administration. The interventions in environmental sustainability and climate change stressed the strengthening of capacities for climate change adaptation in Belize and Nicaragua, protection of biodiversity and reduction of emissions in Panama and Guatemala, sustainable agroforestry development in the Dominican Republic, and assistance in Costa Rica to deal with the effects of Tropical Storm Nate. In the social area, the Bank supported social inclusion through sport and music in Panama and the Dominican Republic, strengthening the systems for social protection and prevention of violence against women in Honduras, and labor-force integration for youths living in poverty in El Salvador. As regards public administration, initiatives were financed to improve fiscal management and financial transparency in El Salvador and Panama, statistical systems, results-based budgeting and technology and innovation in Belize, Costa Rica and Honduras, and the use of information technology in public services in Nicaragua.

Regional technical cooperation financed the design and implementation of a digital platform for the exchange of information among border control agencies, and improvements in institutional capacities to identify, prepare and execute public-private partnership projects. The Bank also financed programs on technological strengthening and digital skills in the region's public institutions, and continued to support the Mesoamerican Agenda on Transport, Logistics and Economic Integration.

In promoting **South-South cooperation**, the Bank recognizes the importance of fostering the exchange and transfer of experiences and technical knowledge

among the countries of the region. As part of the TC-INTRA program in 2017, the Bank supported South-South cooperation in the areas of labor intermediation and financial inclusion, information technologies, public-private models for hospital administration, financial governance for climate change, and transport infrastructure.

- In the area of labor intermediation, Costa Rican public officials visited Mexico's Riviera Maya National Employment Service to learn of its experience in designing an innovative labor intermediation system that links labor demand in the Riviera Maya with support for job seekers at the local and regional levels. Panamanian officials exchanged knowledge and lessons learned with officers of Chile's Production Development Corporation and the Interinstitutional Committee of the Indigenous Development and Advancement Program, on designing economic development, territorial, and financial inclusion policies for indigenous peoples.

- To foster the exchange of knowledge on information technologies, officials of the countries' tax administrations, Ministries of Finance and Economy and Central Banks took part in two activities: (i) a seminar organized by Mexico's tax administration on the successful management of electronic invoicing and analysis of tax risks; and (ii) a meeting, held in Guatemala, of the Tax Risk Management Expert Network of the Inter-American Center of Tax Administrations (CIAT). These activities were coordinated by CIAT and the German cooperation agency.

- In an exchange with their counterparts from Mexico's Health Secretariat and Social Security Institute, officials of El Salvador's Health Ministry learned of Mexico's

innovative and successful experience in hospital administration using a PPP model. They visited secondary and tertiary care health centers that have experienced improvements in efficiency, access and service quality, and that have introduced innovations to their organizational arrangements and services procurement.

- Nicaragua's interest in strengthening its capacity to tackle the effects of climate change led to an exchange between staff of the country's Ministry of Finance and Credit and Ministry of the Environment and Natural Resources, on the one hand, and officials of Colombia's National Planning Department and Ministry of the Environment and Sustainable Development on the other. The dialogue centered on good practices in governance arrangements for climate financing.

- In infrastructure, given that Guatemala is designing the MetroRiel project for Guatemala City, officials and specialists working on that project visited Peru to acquaint themselves with the Lima metro project and the Bus Rapid Transit (BRT) system that intersects with the metro, allowing passenger transfers.

102 TC operations approved in 2017 for US\$ 58.9 million

228 operations in execution for US\$ 123.2 million

The MIF: promoting innovation in the private sector

In 2017, the Governors of the IDB and IDB Invest agreed a US\$302 million replenishment for the MIF, ensuring the continuity of Fund operations to 2023. The countries of the Central American Isthmus and the Dominican Republic showed their commitment to the MIF replenishment, contributing to the record 55 percent share of the IDB’s Latin American and Caribbean member countries. At present, the MIF’s activities center on three priority areas:



Below are some examples of MIF projects currently in execution in the region.

Belize – Access to Financing and Business Development for MSMEs. This intervention has helped strengthen the MSME ecosystem in Belize through a combination of financial resources, technical assistance, and market research. Some 350 MSMEs acquired credit for their small businesses, benefiting more than 1,000 low-income people in urban and rural areas. In partnership with Belize’s Small Business Development Center, courses on business development have been given in nine cities, and there are agreements with three municipalities to offer the same training.

El Salvador – New Employment Opportunities for Youths. In collaboration with the Salvadoran Integrated Education Foundation, the MIF has supported technical training and employment guidance for 8,425 vulnerable youths aged 17 to 29 in 16 municipalities, so as to facilitate their access to the labor market. Because of the project’s gender focus, 55 percent of the trainees are women. More than 600 youths have received labor intermediation services, and 359 new jobs have been created in partnership with the private sector. Some 188 facilitators or mentors have been trained and 17 professional training centers have been strengthened in the areas of life skills, technical training, and employment guidance.

Guatemala – Productivity and Sustainability of Smallholder Mayan Coffee Producers in the North Region. This project helped train 1,341 small-scale rural producers—members of the Barillas Farmers’ Association in the Department of Huehuetenango—in new agro-production techniques (organic and worm composting) to improve their coffee production. Moreover, the area

under cultivation has increased from 1,094 to 1,953 hectares, leading to a rise in organic coffee production from 22,700 to 34,363 quintals of parchment coffee. With MIF support, the association supported the undertakings of groups of indigenous youths and simultaneously ensured that the standards required to export were met. As a result, these groups are now exporting organic coffee to Japan.

Honduras – Competitive Development Model in the Gulf of Fonseca Region. This model of productive development seeks to support tourism chains and the production of shrimp, okra, pumpkins and tilapia by providing productive infrastructure, financing, and specialized technical assistance. The Regional Development Plan was updated and the area’s Competitiveness Agenda was defined. A public-private body was set up to manage regional development, involving working groups on environmental sanitation, economic and productive development, food security, governability and social issues. Using the public-private business model in support of small-scale producers in the area’s dynamic sectors, 13 critical public services at the regional and municipal levels that originally reported to the Economic Development Secretariat have been decentralized, including competitiveness, occupational training and integration into the labor force, simplification of procedures to register and operate businesses, enterprise development, business intelligence, and adapting the informal sector to the economy. Additionally, a mechanism is being developed for the provision of financial services with 10 pre-identified institutions offering specialized financial products for each of the productive chains.

Notable publications in 2017



Low Hydrocarbon Prices: A Quantification of Benefits for Central America, Panama, and the Dominican Republic*

In recent years the price of oil has fallen, with impacts on all sectors of the economy, including producers, exporters, governments, and consumers. Although this phenomenon has been quantified for many countries, to date there has been no detailed analysis that assesses the impacts of lower prices on the countries of the Central American Isthmus and the Dominican Republic. This report summarizes the effects of lower prices on oil-derived products, especially electricity, liquid petroleum gas (LPG), and the various types of gasoline. The conclusions can be summarized in four broad areas. First, the pass-through of lower prices in the region, on average, mostly affected LPG and gasoline. Second, there were no substantial adjustments in tariffs to the end consumer in the electricity sector, even though costs for electricity producers fell in many cases. In this regard, while consumer tariffs changed little, the fiscal cost declined as a result of the fall in costs. Third, improving pass-through of low international prices to the end user could raise economic growth by up to 0.5 percentage points after a year. Finally, a lesson drawn from the analysis is the importance of moving from current subsidy schemes to arrangements with better pass-through mechanisms, targeting support as necessary.

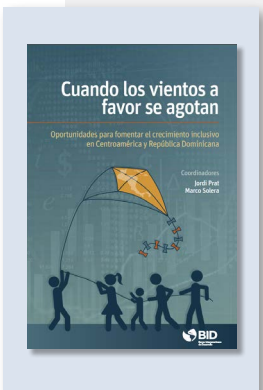
*This title is only available in Spanish.



Water Management, Assessment, and Economic Performance of the Panama Canal*

The Panama Canal is an important engine of the Panamanian and world economies, providing 6.8 percent of Panama’s GDP and serving as the focal point of transport linked to 6 percent of world trade. The Canal depends on water generated in the “Canal basin,” and thus a severe water shortage could become a critical issue for its operation. Since the Canal is one of the main assets for the Panamanian economy, it is important to understand in detail the economic correlation between the water conditions and the functioning of the Canal. It has been estimated that the opportunity cost of an additional annual 1 million cubic meters for the operation of the Canal is almost US\$1 million, and thus alternatives can be assessed relative to the corresponding costs. The Canal’s profitability per unit of water used is expected to rise in line with more intensive use of the new locks, which will widen the value gap with the use of water for human consumption. The only way of tackling this growing tension is to evaluate technological and operational alternatives that make it possible to save water for human consumption or increase the supply. The high value of the water in the basin ensures that some alternatives will start to become both socially and economically profitable.

*This title is only available in Spanish.



Running Out of Tailwinds

The macroeconomic context in Central America and the Dominican Republic has been characterized by positive expectations. Economic recovery in the United States, low commodities prices, and stability in international interest rates have been the main determinants of this. Although recent projections of US economic performance have been positive, however, updates for the past three years have been adjusted downwards. The integration of the Central America countries and the Dominican Republic with the rest of the world exposes them to changes in international conditions. The changes in the projections for world growth, greater protectionism, shifts in commodities prices, and Federal Reserve decisions on interest rates are some of the variables that affect the region’s economies. These circumstances make it necessary to assess new growth strategies focused mainly on improving regional competitiveness. Taking advantage of lower energy prices could create benefits for available household income and companies’ costs, and those benefits could favor economic growth. The region can also take advantage of its relatively young population. The demographic transition in itself can create greater economic dynamism, but this can be bolstered through a series of cross-cutting policies to train future workers with the tools necessary to increase their productivity, with a view to their placement in jobs that generate more value-added.

Events and conferences

April

Sport for the development of inclusive strategies for equity

Panama City, Panama

The IDB supported the organization of this international forum, at which the participants included the President of Panama, the President of the Special Olympics, and international experts, as well as public sector officials, athletes, representatives of social organizations and sports federations from several Latin American countries. The gathering provided a venue to exchange ideas on the social inclusion of disabled people, in line with the principles of the Convention on the Rights of Persons with Disabilities, and acknowledging sport as a suitable field of human endeavor for that purpose.

May

PPP Americas

San José, Costa Rica

The MIF organized the eighth of the PPP Americas events. Participants at the conference discussed the most innovative trends in public-private partnerships in Latin America and the Caribbean. The participants came from 27 countries, including public sector officials and private sector experts working on the design and implementation of PPPs. They exchanged ideas and experiences on best practices in project preparation and partnership management to attract private investment.

First international congress on public investment project management

San José, Costa Rica

This event sought to foster an exchange of experiences to improve the management of public investment projects, especially in the infrastructure sector. Best practices and lessons learned were identified, and participants discussed the prospects for public investment in Costa Rica. The participants included international experts and national authorities, international organizations, NGOs, and representatives of the private sector.

June

Gender and violence microforum

Managua, Nicaragua

To encourage the debate on violence against women and children, and strategies to prevent it, the IDB's Civil Society Consultative Group in Nicaragua held the Gender and Violence Microforum, at which representatives of the country's civil society discussed the context of violence in Nicaragua and the challenges of facing and overcoming it. They also shared experiences of projects geared to averting violence.

July

Partners in sustainable development

Belize City, Belize

This event was part of the celebrations for Belize's twenty-fifth anniversary as a member of

the IDB. Participants included senior government officials and the Bank's Executive Vice President, as well as members of civil society and representatives of the country's public and private sectors. They discussed Belize's development challenges and the IDB Group's support for the country.

Emerging Women Leaders in the Public Sector – launch of the program in the region

Santo Domingo, Dominican Republic

This event celebrated the launch in the Dominican Republic of the Emerging Women Leaders in the Public Sector program, an initiative born in the IDB in 2013 to strengthen the leadership skills of women in the Bank, which was later adapted for use in the region's public sectors. The Dominican Republic is the first country of the region to implement the program. The event was held in conjunction with the Ministry for Women and the INCAE Business School, and participants included national authorities and women from the public administration who were taking part in the program.

E-government forum on “where are we and where do we want to go?”

San Salvador El Salvador

This event aimed to analyze and exchange experiences on the current regulatory framework to implement digital solutions in public services and identify the resources available to develop e-government tools for the country. Participants included

representatives from the field of information technologies from all government institutions, as well as IDB specialists.

October

First Central American women's hackathon

San José, Costa Rica

This event was organized by the Sulá Batsú Cooperative's TIC-as program with IDB support. The meeting sought to strengthen women's leadership in the digital technology sector, and encourage them to propose technological solutions to real problems in the areas where they live. Participants included individuals of African and indigenous descent, adolescents, and many young women from Central America, Mexico and the Dominican Republic.

Emerging Women Leaders in the Public Sector – launch in Panama

Panama City, Panama

Panama was the second country of the region to adapt this program for its public sector (see the July event in the Dominican Republic). It was held in collaboration with the government of Panama and INCAE Business School, and the participants included the Vice President of Panama and other national authorities, as well as women from the Ministries of Foreign Relations, Economy and Finance, the Interior, Agricultural Development and Security, which have fewer female members of staff.

November

Latin American forum on impact investing

Antigua, Guatemala

This MIF-organized event brought together young entrepreneurs, investors and private sector leaders from Latin America to discuss the issue of “closing gaps, advancing opportunities.” It sought to give more visibility to social entrepreneurs and connect them to the necessary financial resources to have a greater impact in Guatemala and the region, and position Central America as an area of great investment potential.

Innovation for development forum

Tegucigalpa, Honduras

As part of the Global Enterprise Week, the IDB, the Economic Development Secretariat and the Honduran Private Enterprise Council organized a forum for authorities and representatives of the public and private sectors to discuss good international practices in innovation and Honduras's potential to adopt them.

Biogas: Climate resilience and greater productivity for the dairy chain

Managua, Nicaragua

The MIF, together with the Nordic Development Fund, the Netherlands Development Cooperation Service and the Netherlands Humanist Institute

for Cooperation, organized this event on biogas. Participants came from Mexico, Colombia, Bolivia, Costa Rica and Nicaragua to exchange experiences and knowledge on how to adapt biogas solutions, so as to have a positive impact on the productivity and competitiveness of farmers and microenterprises.

December

Hacktur SV

San Salvador, El Salvador

The IDB and El Salvador's Ministry of Tourism organized the country's First Tourism Hackathon to connect El Salvador's tourism supply and demand by developing new mobile apps. Participants included Salvadoran programmers, designers and entrepreneurs, who proposed various innovative and technology-based solutions. The two winning proposals are now in incubation.



Morazán, El Salvador: Ciudad Mujer, temperature chamber for banana production

IDB Group activities at the country level: main results



2.5 (% annual)
Real GDP growth

1.8 (US\$ million)
Nominal GDP

8,341.3 (PPP, US\$)
GDP per capita

0.9 (%)
Inflation

-8.0 (% GDP)
Current account balance

42.0 (% below the national poverty line)
Poverty rate

Population
0.4 M

0.1 (% GDP)
Fiscal balance

9.0 (% labor force)
Unemployment rate

9.1 (% external public debt)
32.7 (% multilateral debt)
IDB Debt

0.1 (% GDP)
Fiscal balance

9.0 (% labor force)
Unemployment rate

9.1 (% external public debt)
32.7 (% multilateral debt)
IDB Debt

Population
0.4 M

The IDB Group in Belize

The IDB Group’s strategy with Belize for the period 2013–2017 prioritizes the following areas:

Education

Transport

Tourism

Trade and tax policy

Education

Improving the quality of teaching: The IDB supported the Ministry of Education in the implementation of a new teacher-training program that centered on developing students’ critical thinking and problem-solving skills. Some 606 teachers were trained in 2017, and the aim is to train a total of 1,200.

Modernizing management of the sector: the Bank supported the design and implementation of an integrated information system for management of the education sector. It is integrated in that it contains, in a single platform, data on the number of students, learning outcomes, student and teacher attendance, school infrastructure, use of textbooks, and

teacher qualifications, among other things. All this information will help improve the planning of education policies and strengthen accountability mechanisms. It is the first time that a digital solution has been implemented on such a scale in the sector.

The “Teach Belize” campaign was launched in 2017 to raise public awareness of the importance of teaching and to attract good candidates to the profession.

Tourism

Strategic vision of the tourism sector: The IDB supported the Ministry of Tourism and Civil Aviation in the process of policymaking, planning and

management of the sector nationwide and at a destination level. This support included market studies and visitor exit surveys that served as inputs for the new national tourism policy approved by the government in 2017.

Sustainable management of solid waste at tourism sites: Belize’s tourism potential is nourished by a rich archeological heritage and fragile natural resources. The country, and its tourism sector as an economic engine, depend on the ability to sustainably absorb and manage the rising number of tourists and visitors. To address this challenge and simultaneously provide the population with better sanitation services, the government, with financing from the IDB and co-financing from the OPEC Fund for International Development (OFID), invested in a new sanitary landfill in the center of the country, as well as transfer stations in several tourist destinations (including San Pedro, Caye Caulker and San Ignacio). As a result, all the tourist destinations in the country’s central corridor now have access to a sanitary landfill, and open dumps have been closed and eliminated.

Bird watching tourism to create sustainable jobs: the MIF and the National Audubon Society provided financing and technical assistance for a program that makes use of bird watching to create sustainable jobs, and at the same time preserve biodiversity and natural resources in rural communities. The program trained more than 60 people so that they could act as bird watching guides and thereby raise their incomes. It centered on the nature reserves of Crooked Tree, Cockscomb, and St Herman’s Blue Hole. The greater economic opportunities available to the communities have provided incentives for the preservation of the ecosystem and its birdlife. Since the program began in 2014, there has been a 95 percent decline in the poaching of birds.

The Bank has a long record of assisting tourism in Belize, supporting the country since 2000 in transforming the sector from a marginal industry to one that now accounts for more than 25 percent of GDP.

Sectoral distribution of public sector loan portfolio
Percent of available balance (US\$ 58,7 million)

Sector	Percent of available balance
Transport	39.1 %
Tourism	23.0 %
Water and sanitation	15.9 %
Environment and natural disasters	17.0 %
Education	4.9 %
Other	0.1 %

IDB Group operational data in Belize
US\$ million

	2013	2014	2015	2016	2017
Public sector					
Loans		37.0	15.0	10.0	10.0
Disbursements	9.8	7.4	8.5	4.7	7.9
Technical cooperation	0.8	3.6	3.1	1.5	2.6
Investment grants		0.2			
Private sector					
TFFP	0.7				
MIF	0.7	0.4	1.5		0.6

In 2017 the government approved a new national tourism policy to increase the sector’s contribution to job creation and the national economy, in a framework of sustainability and climate resilience.

Transport

Integration with Central America: With financing from the Bank and the European Union, work began on upgrading 31 kilometers of the George Price Highway connecting Belize City to Benque Viejo and the border with Guatemala. The upgrade will cut the costs of goods transport, reduce the number of accidents, and improve trade and integration with Guatemala.

A more resilient city: Thanks to the paving of 28,335 meters of streets in Belize City, the upgrading of 10,443

meters of side drains, and improvement of 3,553 meters of the canal system as part of the flood-mitigation infrastructure program, there has been a reduction in the amount of time that the affected areas are flooded, improving the quality of life for people living in those areas.

In 2017 the Bank supported the government in devising an action plan for the transport sector, including short-term measures to address the most significant problems in road infrastructure, public transport, and air and seaports. The plan makes recommendations on infrastructure investment and proposals on policy and regulation, such as redefining public transport routes, aviation safety policies, and public-private investment frameworks.

Improving the quality of education in Belize

In 2013, facing an increase in the school-age population, the Ministry of Education hired more teachers, increasing the payroll by 16 percent at primary level and 31 percent at secondary level. As a result of this effort the ratio of students to teachers remained the same, but at the cost of a decline in the level of training among teaching staff. Many of the new teachers lacked advanced knowledge of the issues that they were teaching, and overall they were not equipped to deal properly with their students’ concerns. The Education Quality Improvement Program is changing teaching practices and improving teachers’ familiarity with the material. The program prepares teacher-training instructors, as well as primary school principals and teachers.

The new teaching practices have a positive impact on students whose teachers have received the training, as evidenced in 2017 by an increase in math test scores equivalent to about nine extra weeks of schooling in Standard 2 (third grade). In science, the gain is equivalent to about 16 extra weeks of schooling. Some 46 percent of teachers are expected to be trained by the time the program ends.

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financed the building of tourism infrastructure in protected forest areas such as the Cahuita, Irazú and Poás national parks, and the Caño Negro national wildlife refuge. The aim is to spur tourism growth that is environmentally friendly and benefits the local communities.

In 2017 the new National Energy Control Center began operations. The most modern such installation in Central America, it will help ensure the sustainability and reliability of the electricity supply to the country's residential and industrial customers.

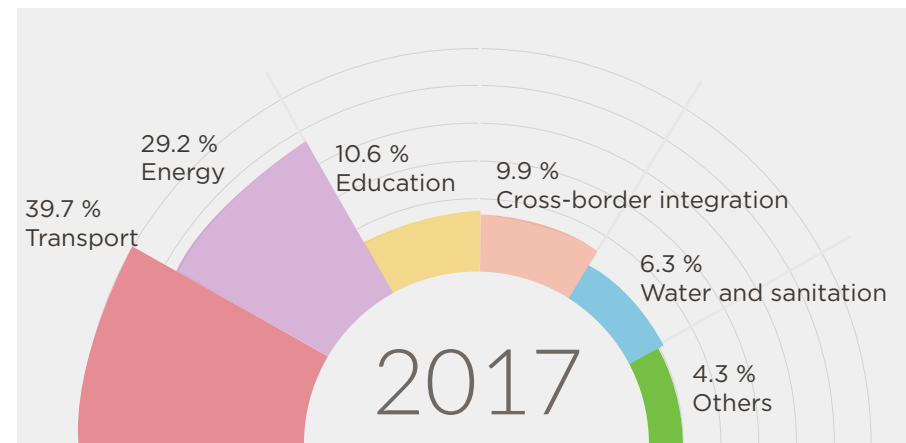
Human capital accumulation

Creating opportunities for at-risk youths: The Bank has supported the government's strategy to prevent violence and safeguard children and youths by expanding access to culture, art, care, technology, justice, recreation, training, music and sport. Particular attention is paid to youths who are outside the formal education system or did not complete secondary school. By 2017 work was completed on building five Civic Centers for Peace, a center for children and youths, and a school of music and art in Libertad Park in San José.

Implementation of the “Bridge to Development” strategy to reduce extreme poverty: To improve the targeting and relevance of activities under the strategy, the Bank supported the creation of the National Information System and the Single Register of Beneficiaries of the State (SINIRUBE), as well as the refinement of a targeting index.

In 2017 a Civic Center for Peace was completed in Heredia. This joins the four centers previously provided in other provinces to serve at-risk children and youths. Two police stations were also completed, as were the integrated care units at San Rafael and Pérez Zeledón. These units prepare detainees for release in an effort to prevent recidivism.

Sectoral distribution of public sector loan portfolio
Percent of available balance (US\$ 1.008 million)



IDB Group operational data in Costa Rica
US\$ million

	2013	2014	2015	2016	2017
Public sector					
Loans	450.0		300.0		20.0
Disbursements	131.3	209.9	173.4	154.4	164.6
Technical cooperation	0.6	4.5	4.0	1.4	2.6
Investment grants			1.5		
Private sector					
IDB Invest	165.5	56.7	114.5	36.9	
TFFP	23.4	24.5	5.4	18.0	13.0
MIF	2.3	1.0	2.0	1.9	

Competitiveness among SMEs

Climate resilience: The MIF provided technical assistance for climate-related actions in coffee, livestock and vegetables for more than 2,000 producers and technical specialists, and supported development of the National Metrics System on Climate Change (SINAMECC).

Business environment and chains: The MIF and the Bank helped simplify bureaucratic procedures to set up a business in 10 municipalities outside the Extended Greater Metropolitan Area. Additionally, 81 firms have adopted sustainable production practices, 22 SMEs have joined in chains with strategic partners, and technical assistance

agreements have been signed for 35 businesses in developing enterprise capacities for competitiveness.

In 2017, 784 technical specialists and 1,118 producers received training in technology use and the exchange of good business practices. Moreover, the National System of Climate Change Transparency and the Guide have been validated.

Preventing violence in Costa Rica

The aim of promoting a safer Costa Rica from an integrated and preventative perspective is the basis of IDB support through the Prevention of Violence and Promotion of Social Inclusion program, to which the Bank has provided financing of US\$132 million.

This initiative is based on a strategy that prioritizes three violence-prevention pillars: services for children and youths at social risk, the social reintegration of released prisoners, and establishing good relations between the police and local communities.

As support for the first pillar, seven civic centers have been built, one in each province. These create high-quality spaces for children and youths to use their time, offering activities in art, sport, technology and recreation that foster prosocial behaviors and healthy lifestyles.

As regards reintegration, financing is being provided for the design, building and equipping of three production, educational and work centers that will allow former prisoners to develop skills that facilitate their social reintegration and thus avert recidivism.

In the area of institutional strengthening, the program supports the building of 11 modern police stations. Nine have been finished so far. They foster closer relations with communities, and improve the attention paid to citizens and victims of crime.

The IDB Group in Costa Rica

The IDB Group's strategy with Costa Rica for the period 2015–2018 prioritizes the following areas:

- Fiscal sustainability and spending efficiency
- Competitiveness among SMEs
- Quality, efficiency and sustainability of productive infrastructure
- Human capital accumulation

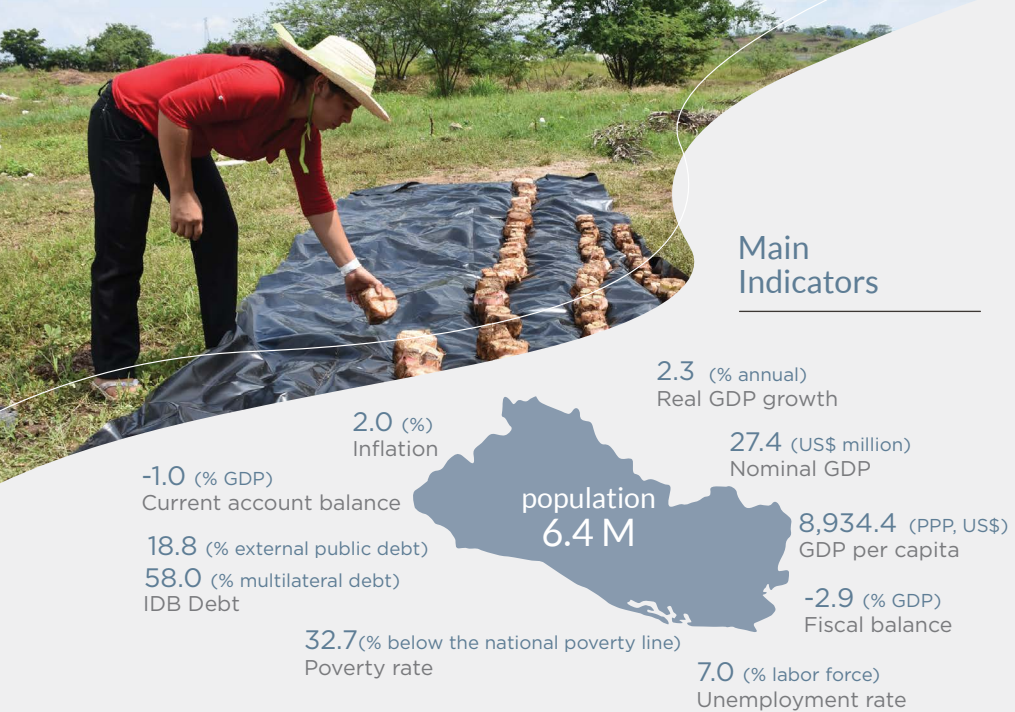
Quality, efficiency and sustainability of productive infrastructure

Generating renewable energy: The Bank and IDB Invest provided financing for the building of the Reventazón hydroelectric plant. This will generate 305.5 MW and will supply more than 525,000 families with electricity, as well as increase Costa Rica's energy export capacity through the Regional Electricity Market. Moreover, access in remote rural communities has been improved by the installation of some 700 solar panels.

Improving highways: The IDB financed the stretch of highway

between Cañas and Liberia, the Paso Ancho overpass, and the widening of the trunk road and bridge on the section between Pozuelo and Jardines del Recuerdo. This project helps speed transit and improve road safety in the capital. In addition, 246 kilometers of rural roads have been upgraded and 300 meters of bridges have been rebuilt with IDB financing, improving connections to markets and basic services for 1.8 million people in the beneficiary areas.

Infrastructure in protected areas: The Bank has supported the preparation and implementation of the Sustainable Tourism Strategy, as well as conservation- and market-related management tools, and has



The IDB Group in El Salvador

The IDB Group's strategy with El Salvador for the period 2015–2019 prioritizes the following areas:

- Quality of spending on human capital
- Logistics infrastructure
- Public finances

Human capital

Health: The Bank has supported the government in its efforts to improve health services through the Mesoamerican Health Initiative, focusing on reducing maternal and child mortality. To that end the Bank financed the setting up of 75 community health teams in the country's 14 poorest municipalities, benefiting 26,000 children and 59,000 women. The IDB also provided technical assistance to the Ministry of Health to strengthen management of the medical supply chain in those municipalities, with particular attention to reproductive health, maternal and child care, macronutrients and zinc. Since the start of the Mesoamerican Health Initiative in 2012, the interventions in

the priority municipalities have helped expand coverage of institutional births from 86 percent to 94 percent, and increase the proportion of women who use modern family planning from 53 percent to 81 percent.

Services for women: To continue to strengthen integrated services for women, the government of El Salvador has pushed forward with Ciudad Mujer Joven, an integrated care model for adolescent girls. Efforts are being made with IDB technical assistance to strengthen the program by preparing new educational products that seek to prevent teen pregnancy. Other efforts have fostered the exchange of experiences between Ciudad Mujer El Salvador and Ciudad Mujer Honduras.

Training and employment: The MIF continues to support the NEO

Partnership El Salvador, a public-private initiative for employability and the development of human capital among vulnerable youths. In 2017 efforts focused on strengthening 17 training centers and preparing 188 facilitators-mentors, as well as improving the employability of 8,000 youths with training in technical matters and soft skills such as communication, teamwork, and problem-solving.

In 2017, with Bank support, the architectural plan was drawn up for the construction of the Northern Regional Hospital and the Rosales Hospital.

Logistics infrastructure

Rural connectivity: the Bank supported El Salvador in improving access conditions in rural areas. Work was carried out on 52 kilometers of rural roads, providing 32,000 residents in the surrounding areas with better access conditions and facilitating the transport of goods to and from their communities.

In 2017 the Productive Corridors program began execution. The development of logistics infrastructure will continue under this initiative, mainly in the coastal zone, with a view to boosting the competitiveness of Salvadoran MSMEs.

Strengthening public finances

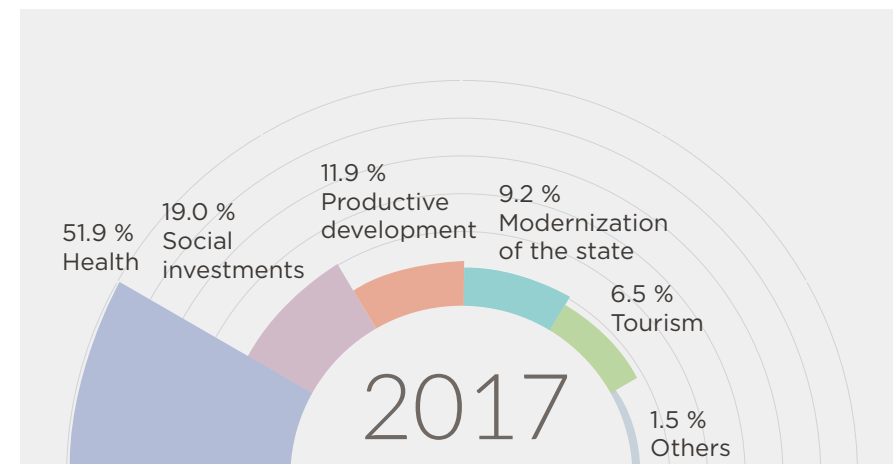
The IDB financed technical inputs for analysis of the pensions system reform and the 2018 public budget (see box).

Productive development

Financing MSMEs: The IDB supported development of the productive capacity of 4,263 MSMEs in 223 municipalities nationwide, providing resources for the El Salvador Development Bank (BANDESAL) to grant about US\$102 million in new credits—more than a third of which were for women. The MIF financed social inclusion for low-income productive segments, promoting inclusive insurance, credits for MSMEs headed by women, and green credits for SMEs. A significant

Sectoral distribution of public sector loan portfolio

Percent of available balance (US\$ 327,5 million)



IDB Group operational data in El Salvador

US\$ million

	2013	2014	2015	2016	2017
Public sector					
Loans	240.0	140.0	200.0	30.0	
Disbursements	97.3	71.8	72.4	80.7	70.1
Technical cooperation	3.5	1.3	2.0	2.3	3.3
Investment grants		3.9			
Private sector					
IDB Invest	135.4	30.5	148.9	0.5	28.0
TFFP	5.8			24.0	13.4
MIF	2.4	1.5	7.2	0.1	3.3

share of the IDB Invest portfolio is also devoted to providing liquidity to financial intermediaries that in turn offer financing to SMEs.

Productive development for international integration: To foster the international integration of MSMEs, the IDB worked with the Economy Ministry to train 147 public officials in cofinancing management, and provided cofinancing to 337 initiatives geared to business development services among MSMEs. Moreover, about 500 individuals from the public and private sectors received training in issues related to trade policy and dispute settlement.

Renewable energy: Toward the end of 2015, IDB Invest approved resources to cofinance the building of the Providencia Solar power plant. Now operational with an installed capacity

of 101 MW, this is the biggest solar power plant in Central America.

Support for innovation: The IDB Group, in an effort led by the MIF and the Bank's Competitiveness and Innovation Division, drew up the strategy and scalability model for the strengthening of the innovation ecosystem, with a view to identifying policy measures that could strengthen an innovation-friendly environment.

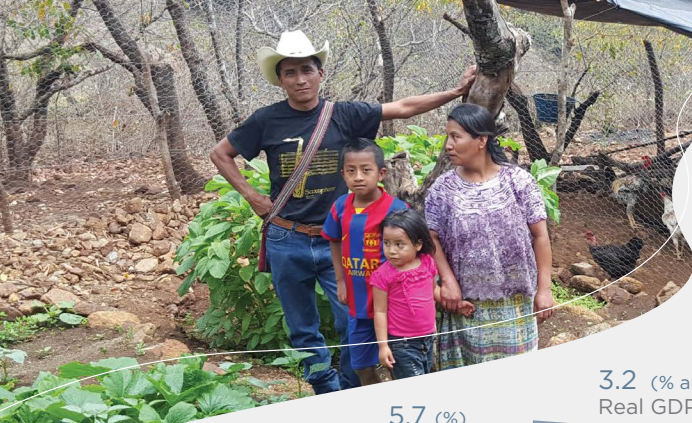
In 2017, the IDB supported the government in drawing up the "Analysis of the Development Capacity of E-government for the Delivery of Public Services by the Government of El Salvador," and initiating the preparation of an e-government strategy.

Support for the strengthening of public finances

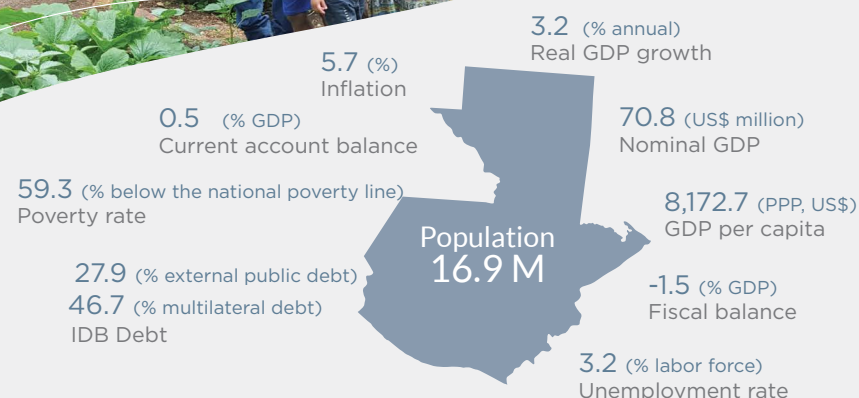
The Bank supports efforts at dialogue and initiatives that facilitate further strengthening of public finances. Notable among recent efforts are the analysis of the pensions system and support for the 2018 budget process.

As regards pensions, the Bank collaborated closely with the government in preparing actuarial studies to inform proposals on the reform of the system. This endeavor produced inputs for political dialogue between the government, the political parties and civil society that eventually gave rise to approval of a consensual reform in September 2017.

The Bank also provided technical support to the dialogue leading to approval of the 2018 public sector budget. As part of this undertaking the Bank team reviewed the projections on public sector revenue and spending, as well as progress on compliance with relevant tax legislation. The Bank also sponsored audits of the payroll in public institutions, as well as analysis of public procurement processes, with a view to identifying opportunities for improving the management of public spending.



Main Indicators



The IDB Group in Guatemala

The IDB Group's strategy with Guatemala for the period 2017–2020 prioritizes the following areas:

- Public management and transparency
- Reducing poverty and inequality
- Private sector development

Health

Hospital infrastructure: The IDB financed the modernization and expansion of hospital infrastructure in the west of the country with the construction of 10 tertiary care hospitals, thereby facilitating rural populations' access to health care services and improving coordination with referral hospitals nationwide.

Maternal and child health: The Bank supported government efforts to improve maternal and child health in rural and indigenous communities through basic services provided by mobile teams to 196,360 women, the supply of iron and folic acid supplements to 7,287 pregnant women, and monitoring the growth of children aged 0–2.

In 2017 Bank financing made it possible for 255,000 people to receive primary health care services; for 11,000 children below the age of two to take part in the growth monitoring program; and for 16,000 pregnant women to receive iron supplements.

Education

Expansion of coverage: The Bank approved the building and upgrading of 3,609 schools, and the setting up of 743 classrooms in 100 mostly rural and indigenous municipalities. Together, these activities benefited 443,000 students and increased the country's provision of educational services.

School materials: the IDB facilitated the printing of educational texts in mathematics and reading for 27,800 primary school libraries, and financed new classroom furniture for schools in 166 poor municipalities.

Salient among the results achieved in this sector in 2017 is financing for the upgrading of 32 preschools and primary schools.

Justice

Access to services: Improvement in access to justice services among populations in the country's interior by building and/or upgrading eight police courts, five police stations, eight prosecutor's offices, and two criminal defense centers in departmental and municipal seats, benefiting about 1 million users.

Institutional strengthening: The Bank supported the country in implementing an interconnected information system between the public prosecutor's office, the Ministry of the Interior, the judiciary and the Public Criminal Defense Institute, so as to improve coordination between institutions in the justice system and thereby enhance the efficiency and quality of services.

In 2017 five police stations were built and equipped in the departments of Zacapa and San Marcos.

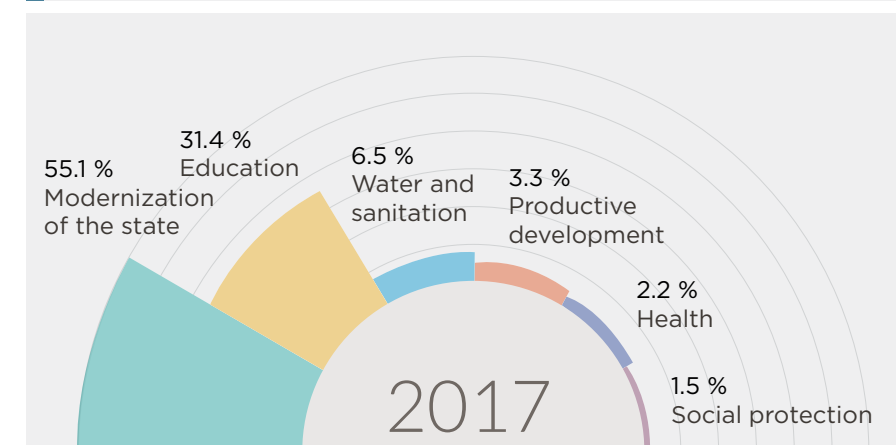
Other areas

Access to financing: To narrow the disparities in MSME access to financing, the MIF supported the development of financial services for MSMEs through banks and formal financial institutions by means of capital injections. For its part, IDB Invest provided support to four banks to finance operations in the MSME sector.

In 2017, women's communal banks received technical assistance and microcredits averaging US\$2,100, benefiting 92 women in Huehuetenango, Quiché, Sololá, and Chimaltenango.

Sectoral distribution of public sector loan portfolio

Percent of available balance (US\$ 564 million)



IDB Group operational data in Guatemala

US\$ million

	2013	2014	2015	2016	2017
Public sector					
Loans		305.0	150.0	310.0	
Disbursements	311.9	80.5	296.8	48.9	57.8
Technical cooperation	6.6	2.7	4.9	1.9	7.7
Investment grants			0.7		
Private sector					
IDB Invest	183.0	6.3	8.0	5.0	
TFFP	76.5	2.0	80.0	125.0	170.9
MIF	5.5	4.7	-	3.1	1.2

Rural development: Through the MIF (i) support was given to productive linkages in agricultural products (cardamom, coffee, vegetables and beekeeping products), benefiting more than 10,000 rural producers; (ii) some 400 jobs were created in 16 rural jewelry businesses led by women; and (iii) a territorial model of climate change adaptation was adopted, benefiting 130 communities in the micro-watersheds of the Copán Chorti Commonwealth in the dry corridor. For its part, IDB Invest fostered inclusive rural growth by financing 475 hectares of banana production for export in the Department of Escuintla.

Renewable energy: the MIF made it possible for more than 2,000 households in rural and indigenous communities in Petén to gain access to solar-generated electricity. Moreover, IDB Invest financed the construction of two hydroelectric power plants in the Department of Huehuetenango. These will generate 30.7 MW and will increase the country's capacity to produce renewable energy.

IDB support for the education of Guatemalan children

Gaps in coverage and the quality of education are among Guatemala's main constraints on growth. These lags, which arise at the early stages of development, limit the population's capacity for productive insertion and social mobility, especially among poor, rural and indigenous groups. To address these challenges, since 2010, through the "Mi Escuela Progres" program, the Bank has been supporting implementation of the national education policy, particularly at the preschool and primary levels, with a view to attaining a high-quality, equitable education that is culturally and linguistically appropriate.

Nationwide, the deficit in school infrastructure has been estimated at 23,500 classrooms. The program makes provision for building and upgrading schools and setting up classrooms, thereby facilitating greater coverage of children now outside the formal system at the preschool and primary levels.

The IDB has financed the setting up of 118 classrooms in the interior, and their provision with school furniture. A further 1,082 classrooms are expected to be set up and outfitted in 2018. This set of actions will offer students and teachers better conditions in which to engage in school activities.



Main Indicators

4.0 (% annual)
Real GDP growth

22.7 (US\$ million)
Nominal GDP

5,499.6 (PPP, US\$)
GDP per capita

4.7 (%)
Inflation

-4.0 (% GDP)
Current account balance

60.9 (% below the national poverty line)
Poverty rate

27.7 (% external public debt)
46.1 (% multilateral debt)
IDB Debt

6.7 (% labor force)
Unemployment rate

-0.6 (% GDP)
Fiscal balance

Population
8.3 M

The IDB Group in Honduras

The IDB Group's strategy with Honduras for the period 2015–2018 prioritizes the following areas:

Fiscal consolidation

Competitiveness and sustainability in the energy sector o

Road building for integration

Social inclusion

Sustainable development in the Central District

Fiscal consolidation

Efficiency in public spending: The Bank supported implementation of new procedures and information systems for budgetary execution and planning by the government and all the state secretariats. At the local government level, the Bank financed improvements in municipal fiscal management and the introduction of new accountability processes.

Strengthening tax administration: The Bank financed organizational restructuring, human resource development, and process re-engineering in the Revenue Administration Service (SAR).

A notable aspect of the Bank's support for fiscal consolidation in Honduras is the increase in tax revenue from 14.5 percent of GDP in 2009 to 18.1 percent in 2017. This has helped reduce the fiscal deficit from 5.5 percent of GDP in 2014 to an estimated 0.6 percent in 2017.

In 2017 the government completed implementation of the Integrated Financial Administration System (SIAFI), the aim of which is to improve decision-making in resource management and the execution of spending, so as to provide public services more effectively and efficiently.

Energy sector

Institutional transformation: The Bank supported Honduras in the policy reform process to improve the management and efficiency of the electricity sector and reduce its tax burden.

Improvements in electricity infrastructure: The IDB financed the installation and repowering of transmission and distribution lines, as well as substations, to upgrade the electricity system, expand service coverage, and reduce losses caused by technical faults. IDB Invest and the MIF financed production infrastructure for self-consumption renewable energy, especially solar energy, in private businesses and among people in rural areas.

IDB support helped boost the efficiency of the electricity sector, whose tax burden fell from 1.8 percent of GDP in 2014 to 0.1 percent in 2017.

With IDB financing, in 2017 the La Entrada electrical substation and its related distribution lines were inaugurated in the Department of Copán. This project makes the electricity system more stable and improves service quality in the west of the country. It also enables Honduras to play a bigger role in the Regional Electricity Market.

Social inclusion

Bono Vida Mejor: The IDB financed the expanded coverage of the Bono Vida Mejor conditional cash transfer program in rural areas of the Occidente region for more than 80,000 households. The initiative now covers a total of 214,000 households, which account for 48 percent of extreme rural poverty. The number of children benefiting from the transfers rose to 383,543. The greater coverage has been matched by an expansion of education and health care services.

Health: Implementation of a decentralized management model based on the provision of health care services through private management bodies that are paid by headcount

among the population covered; this has made it possible to improve the service and widen the coverage. As a result of these interventions, the prevalence of illnesses such as anemia and acute respiratory infection has fallen, while health screenings for children have increased significantly.

Ciudad Mujer: IDB technical assistance financed the setting up of two centers providing integrated care services for women—Ciudad Mujer—in the Central District and Choloma. In 2017 Ciudad Mujer served more than 13,000 women in matters related to sexual and reproductive health, employment, gender-based violence, and teen pregnancy.

In 2017 the government managed to cover 1,577,761 people in 92 municipalities with integrated health care services through a decentralized management model.

Road building for integration

Highway improvements: the Bank financed the building and upgrading of more than 200 kilometers and the maintenance of more than 900 kilometers of highways and roads in the agricultural and Pacific corridors, as well as on the section between La Barca and Pimienta.

IDB Group activities at the country level Honduras

Sectoral distribution of public sector loan portfolio
Percent of available balance (US\$ 412 million)

Sector	Percent of available balance
Transport	35.9 %
Social investments	22.3 %
Energy	16.7 %
Education	14.5 %
Environment and natural disasters	5.9 %
Modernization of the state	4.7 %
Other	0.9 %

IDB Group operational data in Honduras
US\$ million

	2013	2014	2015	2016	2017
Public sector					
Loans	190.1	239.9	170.0	170.0	160.0
Disbursements	224.3	302.0	216.3	135.2	167.8
Technical cooperation	4.5	6.4	7.6	4.1	4.6
Investment grants	2.4	5.3	0.5	2.2	6.1
Private sector					
IDB Invest	39.9	11.6	5.9	12.0	8.0
TFFP	94.4	45.6	71.6	38.8	43.1
MIF	3.5	5.4	8.6	3.2	2.1

Transformation of the energy sector in Honduras

The electricity sector's delicate financial circumstances in 2013 affected the country's public finances. The sector was marked by institutional weaknesses that hampered appropriate policymaking, regulation and operations. This stemmed partly from inefficient tariff and subsidy schemes, high levels of electricity losses, administrative and financial management problems in the National Electricity Company (ENEE), and undue dependence on thermal power generation. In 2014 the government embarked on a process of reforms and strategic investments in the sector. The IDB Group supported this process, financing policy reform loans to tackle the main institutional bottlenecks, and investments to improve the sector's infrastructure.

The policy reform loans supported the development of the institutional framework through the creation and operation of the Electricity Regulatory Commission, the Energy Secretariat and the System Operator, and

by splitting the ENEE into independent bodies for transmission, generation and distribution. This helped strengthen the sector's financial and operational capacity, thereby reducing its impact on public finances, while at the same time a new tariff scheme was implemented to eliminate cross-subsidies. Other salient aspects of the reform are the harmonization of rules at the regional level to strengthen the Regional Electricity Market and private sector participation in distribution.

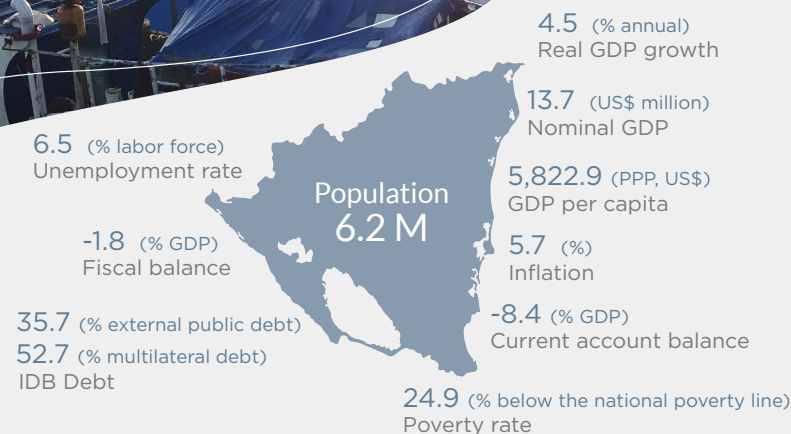
The government also made significant investments in generation and transmission infrastructure, notably the repowering of the La Entrada substation and the upgrading and repowering of the Cañaveral-Río Lindo hydroelectric complex. As regards the private sector, the MIF financed energy operations geared to climate change mitigation, promoting the efficient use of eco-stoves. Finally, IDB Invest financed solar power projects on the roofs of private businesses.

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Main Indicators



The IDB Group in Nicaragua

The IDB Group strategy with Nicaragua for the period 2012–2017 prioritizes the following areas:

- Energy
- Health
- Transport
- Integrated early childhood care

Energy

The sector's financial sustainability: The Bank supported the design and implementation of reforms and actions geared to improving the sector's financial sustainability, promoting the transparency of management outcomes, diversifying the energy matrix, and fostering regional electricity generation. Notable among these actions are measures to optimize spending and tariffs, the settlement and issuing of debt securities between generating and distributing institutions, application of anti-fraud regulations to reduce non-technical losses, improvements in energy procurement processes and strengthening the wholesale market as a stimulus to private investment, reform of the Electricity Industry Law, and changes to the national rules on

operating in the Regional Electricity Market.

Strengthening the national transmissionsystem: The IDB financed 76 kilometers of transmission lines for the Sandino Masaya substation and 10 kilometers of lines between Ticuantepe and Managua, thereby facilitating Nicaragua's participation in the Regional Electricity Market and improving the reliability and quality of the service.

Diversification of the energy generation matrix: IDB Invest provided financing for the construction of the San Jacinto Tizate geothermal power plant in the Department of León, which added 72 MW to national capacity; and construction of the El Diamante run-of-the-river hydroelectric plant in Matagalpa,

which has a capacity of 5 MW. The MIF financed biogas systems for 900 small-scale stock farmers, helping to reduce carbon dioxide (CO₂) emissions by 3,884 tons.

Increase in electricity coverage: To increase coverage and improve the service, the IDB provided financing for the expansion of networks, improvements in distribution networks, and the installation of electricity meters. These undertakings led to the connection of 73,593 rural homes and the normalization of 36,531 irregular connections, especially in the country's Pacific and Central regions.

The Bank supported the drafting of the new Energy Efficiency Law, as well as reforms to the Electricity Industry Law, both of which were approved in 2017 to promote a sustainable and more efficient energy matrix.

Transport

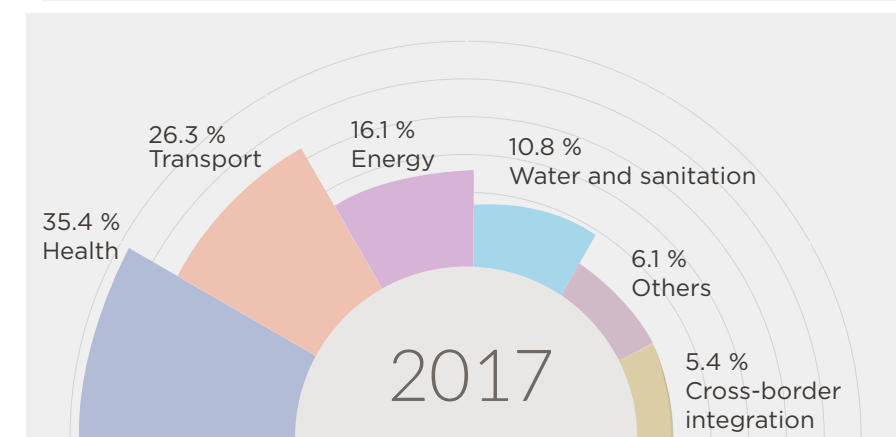
Road integration on the Caribbean Coast: the IDB provided financing for the building of 46 kilometers of the United Nations-Bluefields highway between Nicaragua's Caribbean Coast and the Pacific-Center region. This investment is an historic milestone in connecting Nicaragua's Caribbean with the rest of the country.

Improving the road network: Construction and upgrading of 293 kilometers of roads, including the Acoyapa-San Carlos (the border with Costa Rica) section, which reduced travel time between Acoyapa and the San Carlos border crossing from seven to 2.5 hours.

Financing was also provided for the maintenance of 143 kilometers of rural roads and highways nationwide.

In 2017 some 24.97 kilometers of the Chinandega-Guasaule highway were upgraded, thereby promoting regional integration in view of its proximity to the El Guasaule border point, adjacent to Honduras. The 13.6-kilometer section of highway between Boaco and Muy Muy was also inaugurated. This will benefit more than 67,000 people and facilitate local commerce.

Sectoral distribution of public sector loan portfolio
Percent of available balance (US\$ 668,3 million)



IDB Group operational data in Nicaragua
US\$ million

	2013	2014	2015	2016	2017
Public sector					
Loans	377.5	191.5	300.7	208.4	335.0
Disbursements	154.7	169.7	207.2	151.9	289.5
Technical cooperation	12.3	3.6	4.5	9.4	2.8
Investment grants		35.0		17.0	23.6
Private sector					
IDB Invest	50.7	32.6	14.5		17.4
TFFP	31.8	25.1		14.6	42.7
MIF	1.2	3.2	1.3	5.2	0.8

Health

Expansion of infrastructure: The IDB financed the building of four primary care hospitals and 12 maternity waiting homes in the country's interior in Matagalpa, Nueva Segovia, Jinotega and the South Caribbean Coast Autonomous Region. At the tertiary care level, progress was made on designing the new 346-bed Escuela Oscar Danilo Rosales Argüello national referral hospital, construction of which will begin in 2018.

Maternal and child health: The Bank supported the government in efforts to improve care and increase rural coverage of family planning services to 298,186 women, carry out 79,500 first prenatal check-ups, attend to 108,546 births in health centers, and provide quality services to 390,208 children between the ages of one and four.

In 2017 the Corn Island primary care hospital was opened on the Caribbean Coast.

Other areas

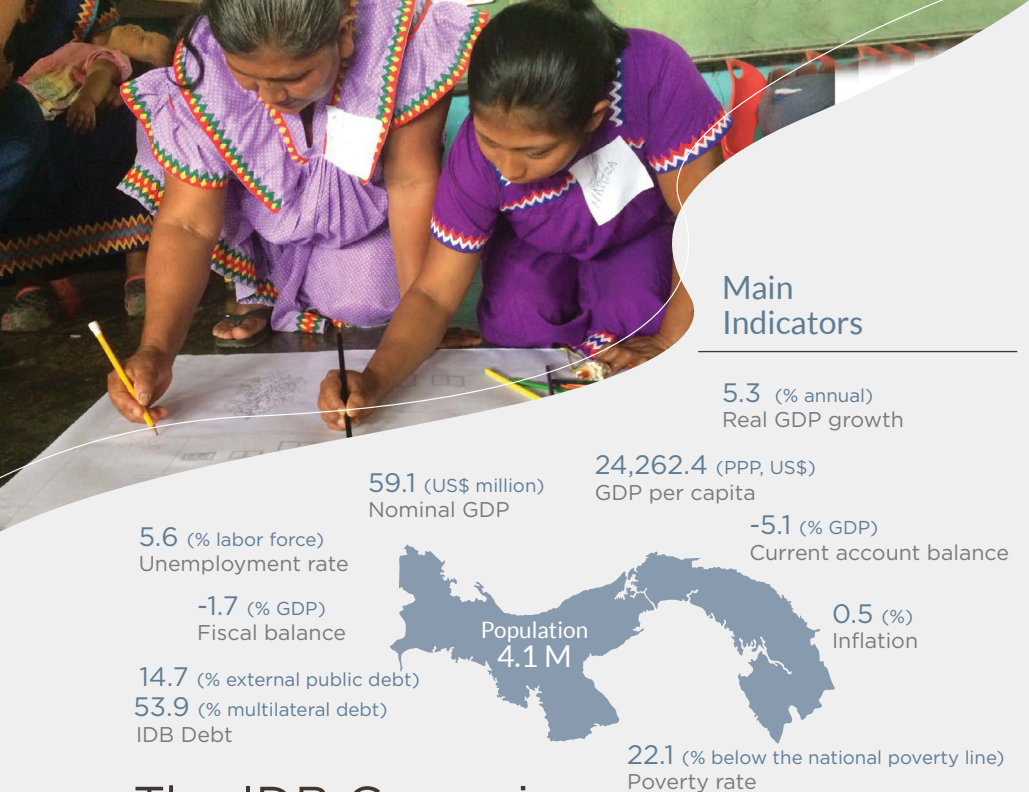
Productive chains: The MIF supported 3,900 producers of yucca, cacao, honey, coffee and livestock to enable them to take part in higher-value markets. It also provided funding for the processing of high quality yucca flour for export, benefiting 1,139 yucca producers (31 percent of them women) with access to more resilient varieties with greater market potential; the start-up of a dried fruits processing plant; and a pilot project to support sustainable livestock farming in Nicaragua that will foster the inclusion of more than 3,600 producers in high-value markets.

Promoting productive territorial development on Nicaragua's Caribbean Coast

Given that the country's widest development gaps and highest poverty rates are evident on the Caribbean Coast, between 2014 and 2016 the Bank carried out a study to analyze the productive potential of the region (which accounts for 51 percent of the national territory) using a geospatial analysis methodology.

As part of this undertaking, and with inputs from the public and private sectors, value chains with the greatest economic potential were studied, the territory's spatial structure was determined, and the main economic and commercial activities were identified. This analysis identified five development poles in areas of natural resources, appropriate biophysical conditions, infrastructure, and human capital: (i) Mulukukú-La Cruz de Río Grande; (ii) Siuna-Rosita-Alamikamba; (iii) El Ayote; (iv) Bilwi-Prinzapolka; and (v) El Rama-Bluefields-Laguna de Perlas. The analysis offered recommendations on how to make current productive activities more sophisticated and add value to them, as well as investment proposals that would help boost regional economic development in the medium term.

The findings of the study are being used to design the IDB Group Strategy with Nicaragua for 2018–2021, with a view to guiding potential support in the country's Caribbean region through multisectoral interventions.



The IDB Group in Panama

The IDB Group's strategy with Panama for the period 2015–2019 prioritizes the following areas:

- Provision of basic services to those living in poverty
- Logistical services, and the efficiency and connectivity of productive infrastructure
- Population's educational profile

The provision of basic services to those living in poverty

Efficiency in social spending: The Bank supported the country in developing a legal and operational framework for a National Register of Beneficiaries and a single payment platform for the government's conditional cash transfer programs, thereby aiding the transparency and equity of social spending.

Health promotion and care: The IDB financed the expanded coverage of services in the Priority Services Portfolio (CPP), benefiting those living in remote rural areas

and indigenous communities. Some 540,000 people have better health care and nutritional conditions as a result of this intervention.

Coverage of drinking water and sewerage: The Bank financed 50 kilometers of sewerage and wastewater collection networks in low-income districts, connections to the network, and two pumping stations.

In 2017, more than 384,000 people received at least one CPP service thanks to the greater coverage of health care services.

The population's educational profile

School infrastructure and improvements in learning: The IDB financed the expansion and upgrading of educational establishments, notably the delivery of 19 schools in the Ngäbe-Buglé community, Panama Oeste and Panama, benefiting more than 18,000 students. More than 30,000 teachers were trained to educate students under new curricular proposals.

Innovation for inclusion: The IDB financed R&D projects in the areas of sectoral R&D and social and business innovation through public calls for proposals, thereby supporting a greater number of researchers engaged in science, technology and innovation.

In 2017, 14 R&D projects were adjudicated by sector and five projects on social innovation in indigenous communities were admitted.

Logistical services, as well as the efficiency and connectivity of production infrastructure

Electricity sector: The IDB financed the expansion of the electricity supply through distribution networks to homes, schools and health centers nationwide. The Bank also financed preparation of the draft bill on natural gas, while IDB Invest funded the building of a natural gas plant in Panama, the first such plant in Central America.

Logistics and transport: The Bank financed the upgrading of more than 120 kilometers of highway and the maintenance of 400 kilometers of roads to international standards.

In 2017 the government approved the National Logistical Strategy 2030 and presented the Master Plan on Transport and Logistics in the Inter-Oceanic Zone. Both of these are strategic tools for Panama's logistics hub that were supported by the IDB.

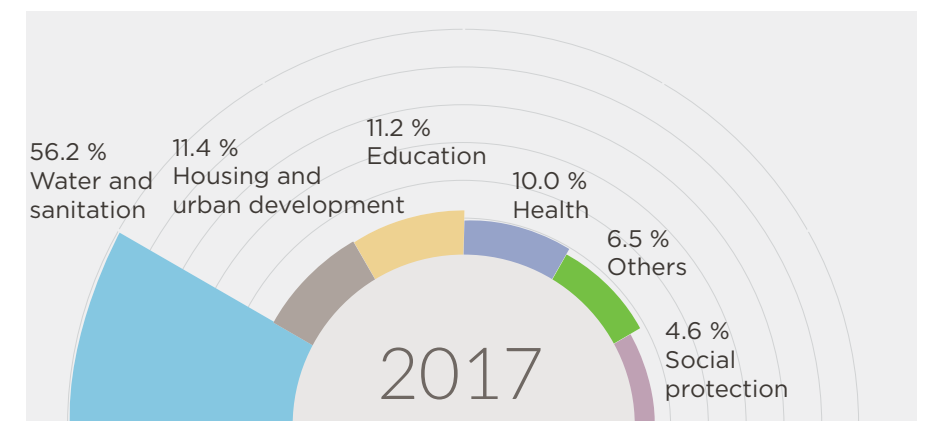
Gender and diversity

Entrepreneurial initiatives: the MIF and Ciudad del Saber developed an innovative model to facilitate the development and growth of 1,060 entrepreneurial initiatives headed by women, narrowing inequality in business, improving their performance and incomes, and facilitating their access to finance and new markets.

Sustainable use of natural capital: In Darién, the MIF provided financing for a social enterprise that made it possible to reap the benefits of natural capital as an economic asset to generate income for more than 100 indigenous families. Thanks to the creation of a value chain for the extraction of virgin coconut oil, their family incomes increased by 32 percent.

Sectoral distribution of public sector loan portfolio

Percent of available balance (US\$ 934.6 million)



IDB Group operational data in Panama

US\$ million

	2013	2014	2015	2016	2017
Public sector					
Loans	254.0	320.0	600.0	602.0	757.0
Disbursements	303.9	392.8	418.6	513.2	389.2
Technical cooperation	5.0	1.9	1.9	4.1	5.7
Investment grants			2.0		
Private sector					
IDB Invest	67.0	50.0	61.0	105.0	20.0
TFFP	53.5	5.3	16.0	14.0	35.4
MIF	2.7	2.1	0.4	0.7	0.7

Integrated development in the El Peñón indigenous community, Ngäbe-Buglé district

Panama is a multicultural country, home to seven different indigenous peoples: the Ngäbe, Buglé, Guna, Emberá, Wounaan, Bribri and Naso, which together account for about 13 percent of the national population. The Ngäbe Buglé district is the poorest of these territories: 91 percent of its inhabitants live in poverty. To help reduce poverty levels in this indigenous community, especially in the Ñurum district, the Bank has carried out multisectoral interventions geared to improving the population's access to basic services:

■ In 2016 a model school was built in the El Peñón community with capacity for 1,050 students. It has laboratories, sports fields, a gym, lunchrooms and dormitories.

■ A 56-kilometer electricity distribution line, delivered in 2017, provides electricity to the school and to 108 users in the community.

■ With its own resources, the government prioritized construction of 23.2 kilometers of paved highway. The road, delivered in 2017, cut travel times from six hours on foot to 15 minutes by car.

Completion of these projects also supports access to markets and the marketing of products from the home gardens of the beneficiaries of the MIF's Chi Nugue Kwin ("Healthy and Happy Children") project. The latter was completed in 2016 and sought to prevent child malnutrition in the community.

As a result of permanent dialogue with the authorities, the necessary resources were provided to improve the quality of life of not only the students but the community's whole population.



The IDB Group in the Dominican Republic

The IDB Group's strategy with the Dominican Republic for the period 2017-2020 prioritizes the following areas:

- Quality and coverage of basic services
- Expanding productive opportunities
- Management of public finances, institutional strengthening and transparency

Quality and coverage of basic services

The quality of education: To improve learning at the basic and middle levels of the system, the Bank financed the adaptation of 58 buildings for the extended school day, the construction of six new schools for basic education and 56 middle-level classrooms, the training of more than 8,450 teachers and technical staff, and the provision of 500 packets of educational materials to the beneficiary schools. The Bank also supported the design and start-up of the National Program on Integrated Early Childhood Care.

Improving health care: The IDB supported the government in improving and expanding the coverage

of health services by building and equipping 72 primary health care units and upgrading 100 first-level care facilities, bringing more than 400,000 people into the health care system.

Drinking water: The IDB financed undertakings to bring about wider coverage of basic services, benefiting about 30,000 families in the southern and eastern areas of the country. The projects include building and upgrading drinking water and sanitation systems in urban, peri-urban and rural areas with high poverty indices.

With Bank support, in 2017 the government delivered 26 furnished classrooms and 11 computer and/or science laboratories in middle-level schools nationwide.

Expanding productive opportunities

Productive chains: The Bank supported the government in reforms to strengthen financial regulation, such as developing microcredit policies, the bankruptcy law, and the creation of the Dominican Republic Export Bank. The government also undertook reforms to improve the innovation ecosystem, such as by establishing the Dominican Republic Quality Institute and setting up the Technology Support Center. IDB Invest supported commercial transactions and, together with the MIF, provided financing and technical assistance to aid business development among SMEs.

Infrastructure: The IDB financed the upgrading of 43.5 kilometers of minor roads in San Juan de la Maguana, a province of great productive capacity, facilitating producers' market access and the profitability of their output. The Bank also supported soil improvement in 12,580 hectares using high-precision technology.

Quality employment: The MIF supported the Quisqueya Cree en Ti program, a public-private partnership to raise the employment level among youths and boost their social integration. Under this program, 22,262 youths planning to join the labor force improved their technical skills.

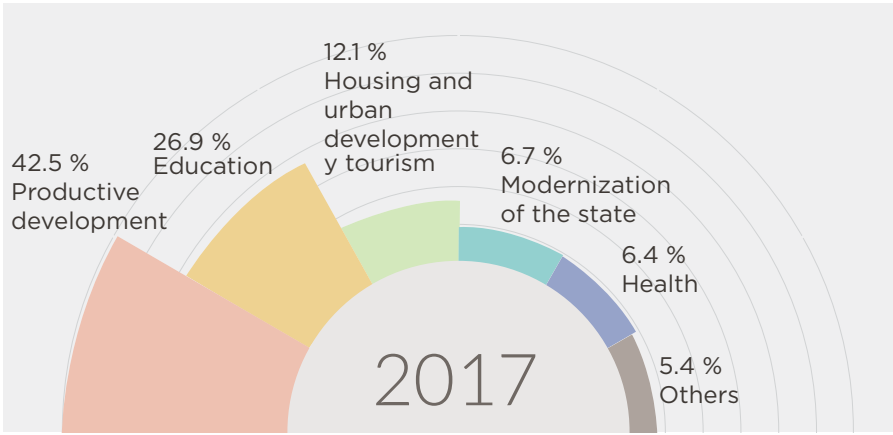
In 2017 the IDB supported the establishment of the PRODOMINICANA agency to advance the professionalization of support services for exporters and foreign investors, and to strengthen productive linkages.

Management of public finances, institutional strengthening and transparency

Electricity sector: Financing to upgrade distribution networks nationwide, regularizing more than 23,000 consumers, and supporting the operational efficiency of the electricity distribution companies. This will help

Sectoral distribution of public sector loan portfolio

Percent of available balance (US\$ 744 million)



IDB Group operational data Dominican Republic

US\$ million

	2013	2014	2015	2016	2017
Public sector					
Loans	661.0	578.0	325.0	590.0	366.0
Disbursements	576.4	146.7	590.4	400.9	114.9
Technical cooperation	1.6	4.1	1.5	2.2	2.7
Investment grants			2.0		
Private sector					
IDB Invest		6.0	5.0	4.1	90.0
TFFP	51.5	50.6	5.0	70.0	2.0
MIF	3.3	1.1	1.2	1.5	2.8

reduce central government transfers to the electricity sector.

Targeting spending: The Bank supported reforms to enhance the effectiveness of social protection networks and their co-responsibility for health and education services, benefiting more than 3 million people. A new model of targeting was implemented under the Single System of Beneficiaries (SIUBEN), and 2,050 mobile devices were activated for the continuous updating and monitoring of the co-responsibility.

In 2017 about 200 kilometers of electricity distribution networks that are priorities for three distribution companies were upgraded, reducing the energy losses that affect the financial sustainability of the electricity sector.

Other areas

Tourism and urban development: The tourism promotion program in the Colonial City of Santo Domingo helped improve and expand tourism services in the historical center of the capital by restoring 2,560 meters of street sections, upgrading 850 facades, drawing up a sustainable mobility plan, and setting up a safety monitoring and security center. Additionally, the MIF has been working on an intervention model for MSME-driven commercial development in the area.

Improving health services in the Dominican Republic

To increase the efficiency and effectiveness of health care spending, the Bank supported the country in strengthening and improving the quality of primary care services. The social protection and health programs in execution have benefited 240,000 families in terms of social protection; 94 primary care centers have been upgraded and delivered to the National Health Service; more than 200,000 people have been included in the health system and have received health care; and training has been given to 230 management-level professionals in the regional health centers, meeting the target set.

It is important to underline that construction of the first national blood center is 80 percent complete. The center will receive donated blood, process it and divide it into its components as required (platelets, cells, plasma, and so on), store it, and distribute it as necessary under the highest quality standards. The blood center is a key element in reducing morbidity and mortality caused by postpartum hemorrhaging.

In a complementary manner, the MIF, in coordination with the national health service and in partnership with the private sector, is seeking to facilitate access to basic health services by using drones to transport medical samples and medicines to remote areas with poor access conditions. The aim is to improve the coverage of health programs and services for 24,000 people in several districts of the San Juan de la Maguana province.

Annex 1: Main economic indicators, 2017									
	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Dominican Republic	CA-8 Average
Nominal GDP (US\$ billion)	1.8	58.9	27.4	70.8	22.7	13.7	59.1	74.9	
Real GDP Growth (percentage)	2.5	3.8	2.3	3.2	4.0	4.5	5.3	4.8	3.8
Population (million)	0.4	5.0	6.4	16.9	8.3	6.2	4.1	10.2	7.2
Unemployment rate (percentage)	9.0	9.0	7.0	3.2	6.7	6.5	5.6	5.6	6.6
Poverty (percentage below the national poverty line)	42.0	20.5	32.7	59.3	60.9	24.9	22.1	30.5	36.6
Inflation (annual percent change)	0.9	2.6	2.0	5.7	4.7	5.7	0.5	4.2	3.3
Current account (percent of GDP)	-8.0	-3.9	-1.0	0.5	-4.0	-8.4	-5.1	-1.6	-3.9
Fiscal balance (percent of GDP)	0.1	-6.2	-2.9	-1.5	-0.6	-1.8	-1.7	-3.6	-2.3

Sources: IDB/CID with data from the IMF, World Bank and national authorities. Information corresponds to 2017 or the latest data point available.

CA-8: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Dominican Republic

Annex 2: IDB Group operational data for the region (US\$ million)												
Approvals	Average 2008-12		2013		2014		2015		2016		2017	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Sovereign Guaranteed Loans - IDB	27	1,764	18	1,886	17	1,811	23	2,061	18	1,685	16	1,648
Investment	22	1,045	15	1,291	11	1,291	17	1,296	15	970	10	818
Policy Based	5	718	3	595	6	595	6	795	3	715	6	830
Non Reimbursable Operations - IDB	96	79	104	50	113	95	143	69	104	65	105	89
Investment Grants	3	40	3	3	5	45	6	18	6	19	3	30
Technical Cooperation	93	39	101	47	108	50	137	51	98	46	102	59
Non Sovereign Guaranteed Operations - Private sector												
IDB Invest ¹	23	352	39	642	30	194	39	358	10	163	10	168
TFFP 2	45	116	75	338	26	453	20	178	43	304	51	321
MIF ³	16	14	20	18	19	14	17	19	17	15	15	12
Total Approvals, IDB Group		2,325		2,933		2,267		2,684		2,233		2,237

1 In 2016 the private sector windows of the IDB group were merged into IDB Invest, which is currently operating as a new entity. The approval data for IDB Invest includes the legacy portfolio from the old IDB private sector windows, the former Inter-American Investment Corporation, and since 2016, IDB Invest.

2 This data reflects all the transactions that took place during 2017, regardless of how many times a single Bank benefitted from the TFFP program.

3 MIF includes 12 technical cooperation for US\$8,7 millions, 2 loans for US\$ 1,4 millions and 1 equity investment for 2 million.

Annex 3: History of approvals by country											
BELIZE		2013		2014		2015		2016		2017	
		Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)
Public Sector - IDB											
Investment Loans				2	37,000,000	1	15,000,000	1	10,000,000	1	10,000,000
Investment Grants				1	150,000						
Technical Cooperation	4	847,154		10	3,647,042	8	3,142,955	5	1,464,059	7	2,608,003
Private Sector											
TFFP	1	678,188									
MIF	1	730,000	1	375,000	2	1,458,941				1	550,500
COSTA RICA		2013		2014		2015		2016		2017	
		Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)
Public Sector - IDB											
Investment Loans	1	450,000,000				2	300,000,000			1	20,000,000
Investment Grants						1	1,481,548				
Technical Cooperation	7	570,416	13	4,459,146	12	4,049,138	7	1,449,343	9	2,273,135	
Private Sector											
IDB Invest	10	165,450,000	6	56,650,000	14	114,469,600	3	36,875,000			
TFFP	9	23,398,479,2	4	24,500,000	2	5,353,519	3	17,984,504,2	3	13,000,000	
MIF	2	2,254,808	1	975,000	3	1,950,000					

EL SALVADOR		2013		2014		2015		2016		2017	
		Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)
Public Sector - IDB											
Investment Loans	2	140,000,000	2	140,000,000	2	200,000,000	1	30,000,000			
Investment Grants			1	3,944.645							
Technical Cooperation	11	3,538.270	5	1,279.752	8	2,006.071	10	2,283.222	9	3,290.019	
Sustainable Development Credit Line	1	100,000,000									
Private Sector											
IDB Invest	8	135,440,000	4	30,500,000	9	148,905,000	2	511,800	2	28,000,000	
TFFP	1	5,800,000					4	24,000,000	4	13,375,425	
MIF	3	2,438.577	1	1,500,000	6	7,199.855			2	3,300,000	
GUATEMALA											
Public Sector - IDB											
Policy Based Loans			1	250,000,000			1	250,000,000			
Investment Loans			1	55,000,000	1	150,000,000	1	60,000,000			
Investment Grants					1	6,933,333					
Technical Cooperation	11	6,631,713	8	2,665,225	13	4,882,272	6	1,886,545	10	7,653,476	
Private Sector											
IDB Invest	4	183,000,000	2	6,330,000	2	8,000,000	1	5,000,000			
TFFP	9	76,511,268	2	2,000,000	4	80,000,000	8	124,987,073	11	170,915,973	
MIF	5	5,504,457	7	4,678,069			4	3,127,000	1	1,248,400	

HONDURAS		2013		2014		2015		2016		2017	
		Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)
Public Sector - IDB											
Policy Based Loans				1	130,000,000	2	100,000,000			2	100,000,000
Investment Loans		4	190,130,000	1	109,870,000	3	70,000,000	4	170,000,000	1	60,000,000
Investment Grants		1	2,435,000	1	5,250,000	1	525,000	3	2,200,000	2	6,130,000
Technical Cooperation		10	4,454,955	14	6,354,738	21	7,585,264	10	4,095,875	13	4,412,015
Private Sector											
IDB Invest		5	39,910,000	4	11,600,000	2	5,900,000	1	12,000,000	1	8,000,000
TFFP		21	94,400,895,3	11	45,583,160,3	11	71,569,825,83	11	38,768,825,5	9	43,100,434
MIF		4	3,479,620	6	5,435,528	4	8,600,000	3	2,898,000	1	2,083,847

NICARAGUA		2013		2014		2015		2016		2017	
		Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)
Public Sector - IDB											
Policy Based Loans		1	45,000,000	1	45,000,000	1	65,000,000			2	130,000,000
Investment Loans		3	146,500,000	2	146,500,000	4	235,700,000	3	208,370,000	2	205,000,000
Contingency Loan for Natural Disaster Related Emergencies		1	186,000,000								
Investment Grants				2	35,032,041					1	23,580,000
Technical Cooperation		17	12,345,503	10	3,552,811	13	4,456,724	13	9,387,384	9	2,759,546
Private Sector											
IDB Invest		9	50,700,000	11	32,573,000	7	14,475,000			3	17,400,000
TFFP		13	31,823,853,1	5	25,082,984			10	14,601,296,2	14	42,738,060,1
MIF		2	1,245,816	5	3,215,030	2	1,257,951	5	5,156,000	1	829,062

PANAMA		2013		2014		2015		2016		2017	
		Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)
Public Sector - IDB											
Policy Based Loans		1	200,000,000	1	300,000,000	2	300,000,000	2	400,000,000	1	300,000,000
Investment Loans		1	54,000,000	1	20,000,000	3	300,000,000	3	202,000,000	3	457,000,000
Contingency Loan for Natural Disaster Related Emergencies											
Investment Grants						1	2,043,088				
Technical Cooperation		12	5,029,116	9	1,850,009	9	1,884,161	10	4,083,349	17	5,680,497
Private Sector											
IDB Invest		4	67,000,000	1	50,000,000	4	60,950,000	2	105,000,000		
TFFP		19	53,513,346	1	5,302,825	2	16,000,000	5	14,033,830	9	35,381,273
MIF		3	2,709,380	2	2,063,000	1	391,080	2	739,000	1	715,300

DOMINICAN REPUBLIC		2013		2014		2015		2016		2017	
		Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)	Number of ops.	Amount (US\$)
Public Sector - IDB											
Policy Based Loans		1	350,000,000	2	400,000,000	1	300,000,000			1	300,000,000
Investment Loans		4	311,000,000	2	178,000,000	1	25,000,000	2	290,000,000	2	66,000,000
Contingency Line for Natural Disasters								1	300,000,000		
Technical Cooperation		8	1,618,097	9	4,126,273	6	1,536,726	8	2,237,060	9	2,723,135
Private Sector											
IDB Invest				2	6000,000	1	5,032,431,2	1	4,100,000	2	90,000,000
TFFP		2	51,536,574,3	3	50,550,000	1	5,000,000	2	70,000,000	1	1,961,203,9
MIF		4	3,328,304	3	1,138,383	2	1,204,500	1	1,204,500	4	2,811,425

Annex 4: IDB sovereign guaranteed loan aprovals, 2017		
Country	Project name	Amount (US\$)
Belize	Climate Vulnerability Reduction Program	10,000,000
Costa Rica	Tropical Storm Nate Emergency Response Program	20,000,000
Honduras	Program to Support Health Sector Reform	50,000,000
Honduras	Improvement of School Quality to Develop Capacities for Employment	60,000,000
Honduras	Programmatic Support for Structural Reforms in the Electricity Sector: Third Loan	50,000,000
Nicaragua	Program to Improve Productivity in Nicaragua II	65,000,000
Nicaragua	Multisector Program to Address Determinants of Health in the Dry Corridor	133,000,000
Nicaragua	Program to Strengthen the Electricity Sector in Nicaragua III	65,000,000
Nicaragua	Project for the Improvement and Sustainable Management of Drinking Water and Sanitation Services in Urban and Periurban Areas	72,000,000
Panama	Program to Improve Efficiency and Quality in the Education Sector	100,000,000
Panama	Public Utilities Sustainable Development Support Program	300,000,000
Panama	Support for the Conservation and Management of Cultural and Natural Heritage	107,000,000
Panama	Project for the Improvement and Sustainable Management of Drinking Water and Sanitation Services in Urban and Periurban Areas	250,000,000
Dominican Republic	Program to Enhance the Efficiency of Tax Administration and Public Expenditure Management in the Dominican Republic	50,000,000
Dominican Republic	Formalization and Productivity Improvement Program in the Dominican Republic II	300,000,000
Dominican Republic	Contingent Loan for Natural Disaster Emergencies	16,000,000
TOTAL		1,648,000,000

Annex 5: IDB Invest operations approved in 2017		
Country	Project name	Amount (US\$)
IDB Invest - Loans		
Costa Rica/Nicaragua	Santa Fe	\$5,000,000
El Salvador	CASSA	\$10,000,000
El Salvador	Banco Agrícola SMEs	\$18,000,000
Honduras	Banpais	\$8,000,000
Nicaragua	Global CTG	\$4,000,000
Nicaragua	Hogarama	\$400,000
Nicaragua	CDN-INCECA	\$13,000,000
Panama	Metrobank SME	\$20,000,000
Dominican Republic	BHD Leon Préstamo para PYMEs lideradas por mujeres	\$50,000,000
Dominican Republic	Tropicalia Turismo Sostenible	\$40,000,000
TOTAL		\$168,400,000
TFFP		
Costa Rica	Banco Nacional de Costa Rica	\$3,000,000
Costa Rica	BANCO LAFISE, S.A.	\$10,000,000
Dominican Republic	Banco Multiple Santa Cruz, S.A.	\$1,961,204
El Salvador	Banco Agrícola S.A.	\$7,500,000
El Salvador	Banco Promerica, Sociedad Anonima	\$5,875,425
Guatemala	Banco Agromercantil de Guatemala, S.A.	\$19,281,019
Guatemala	Banco Industrial S.A.	\$130,000,000
Guatemala	Banco Internacional, S.A.	\$20,000,000
Guatemala	Banco Promerica, S.A.	\$1,634,954
Honduras	Banco Financiera Comercial Hondurena S.A.	\$30,000,000
Honduras	Banco Atlantida S.A.	\$1,000,000
Honduras	Banco Lafise Honduras S.A.	\$4,550,400
Honduras	Banco Hondureno del Cafe, S.A.	\$550,034
Honduras	Banco Financiera Centroamericana, S.A.	\$7,000,000
Nicaragua	BANCO LAFISE BANCENTRO, S.A.	\$15,993,682
Nicaragua	Banco de la Produccion, S.A. - Banpro	\$20,199,468
Nicaragua	Banco de Finanzas S.A.	\$6,544,910
Panama	Multibank Inc.	\$5,000,000
Panama	Banco Aliado, S.A.	\$4,481,273
Panama	TowerBank International Inc.	\$5,900,000
Panama	Banco Internacional de Costa Rica S.A.	\$20,000,000
TOTAL		\$320,472,368

Annex 6: MIF operations approved in 2017		
Country	Project name	Amount
Belize	Improving Livestock Sector Productivity and Climate Resilience in Belize	\$550,500
Belize	PROADAPT Belize – Increasing Climate Change Resilience and Related Business Opportunities	\$203,000
El Salvador	Capital Mobilization to Promote Resilience in Water Services	\$2,500,000
El Salvador	Inclusive Innovation, Civic Participation, and Youth Social Entrepreneurship	\$800,000
Guatemala	Acceleration of Disruptive Ventures with Seed Capital	\$1,248,400
Honduras	Boosting the Competitiveness of Small Forest Producers and Communities in Honduras	\$2,083,847
Honduras	Expanding Finance for Climate Change Adaptation in Honduras	\$350,000
Nicaragua	Ganadería Sostenible en Nicaragua	\$829,062
Panama	Flying Labs: el Poder de la Robótica al Servicio de la Innovación Social	\$715,300
Dominican Republic	MERCOFACT: An Innovative Platform for Trading Small Business Invoices	\$350,000
Dominican Republic	Development of a Mechanism for Preferential Market Access for Sustainably-Produced Agricultural Products	\$466,775
Dominican Republic	Innovation and Territorial Intelligence Laboratory for Dominican Cities	\$815,000
Dominican Republic	Innovation and Remanufacturing Program in the Plastics and Construction Sectors	\$1,179,650
TOTAL		12,091,534

Annex 7: Technical cooperations approved in 2017		
Country	Project name	Amount
Belize	Improving the Efficiency of The Public Health Expenditure	\$250,000
Belize	Support for Export-Led Development in The Corozal District (Including the Corozal Free Zone)	\$150,000
Belize	Design and Preparation of Sustainable Development Plan for The Caracol Region	\$700,000
Belize	Preparation Support for Climate Vulnerability Reduction Program	\$200,000
Belize	Support for The Design of a National Statistical System	\$190,000
Belize	Action Plan C&D	\$318,003
Belize	Capacity-Building for Climate Vulnerability Reduction in Belize	\$800,000
Costa Rica	Budget for Results	\$100,000
Costa Rica	Strengthening of Active Labor Market Policies in Costa Rica	\$300,000
Costa Rica	Human and Productive Empowerment for Indigenous and Afro-Descendant Peoples of Costa Rica	\$789,613
Costa Rica	Support to The Creation of a Long-Term Care Policy to Assist Dependent People in Costa Rica	\$180,000
Costa Rica	Urban Regeneration of The Four Central Districts of San José	\$228,000
Costa Rica	Action Plan C&D	\$326,372
Costa Rica	Technical Cooperation to Visit the Public-Private Support Model for The Continuous Development of Workers from Riviera Maya	\$17,700
Costa Rica	Knowledge Exchange on Electronic Invoicing and Fiscal Risk	\$4,622
Costa Rica	Support to The Preparation and Execution of The Operations of The Transport Sector in Costa Rica	\$450,000
Costa Rica	Emergency Support for The Tropical Storm Nate	\$200,000
El Salvador	Support for Strengthening of Tax Administration and Fiscal Policies for Inclusive Growth	\$275,000
El Salvador	Promoting A Culture of Integration and Equal Opportunities for Youth Living in Poverty	\$750,000
El Salvador	Evaluation of Ecosystem Services in The Coffee Area	\$300,000
El Salvador	Study Visit for Hospital Management and Experience on Public Private Partnership Projects	\$18,000
El Salvador	Action Plan C&D	\$502,111
El Salvador	Updating of The Transport Model and Travel Distribution Matrix for The Metropolitan Area of San Salvador	\$500,000
El Salvador	Impact Evaluation of The Ciudad Muter Program In El Salvador	\$425,000
El Salvador	Children Raised by Grandparents in The Northern Triangle: Education Policy Responses. Phase I.	\$500,000
El Salvador	Exchange of Experiences of The Regional Urban Airport Macro Project (MURA)	\$19,908

Country	Project name	Amount
Guatemala	Support to The Implementation of Educational Policies	\$400,000
Guatemala	Female Youth Symphony Orchestra "Alaide Foppa": A Contribution to the Promotion of Rights and Participation of Women in Guatemala	\$371,000
Guatemala	Public-Private Strategies for The Development of Huehuetenango And Other Departments with Mayan Population	\$300,000
Guatemala	Phase II of Preparation of The National Strategy for Reducing Emissions Through Avoided Deforestation and Forest Degradation in Guatemala	\$5,000,000
Guatemala	Support to The Preparation of The Program for The Institutional and Technological Strengthening of The Superintendence of Tax Administration (SAT), GU-L1162	\$400,000
Guatemala	Action Plan C&D	\$502,111
Guatemala	Exchange of Experiences for The Implementation of The Administrative Career.	\$13,767
Guatemala	Knowledge Exchange on Electronic Invoicing and Fiscal Risk	\$2,972
Guatemala	Transfer of Knowledge About the Implementation of Urban Transport Railway Projects	\$10,395
Guatemala	Support to The Structuring of Metrorail Project: Socio-Environmental and Sustainability Management	\$653,231
Honduras	Support to The Strategic Plan for Universal Access to Electricity	\$450,000
Honduras	Support for The Strengthening of The National System of Science, Technology and Innovation in Honduras	\$300,000
Honduras	Collective Education for The Prevention of Violence Against Women in Influence Associated with Ciudad Muter	\$360,000
Honduras	Support to Institutional Strengthening of Health and Social Protection Sectors in Honduras	\$150,000
Honduras	Support for The Implementation of The Reform Process and Sustainability of The Energy Sector	\$750,000
Honduras	Support to The Social Prevention of Violence and Promotion of Civic Coexistence in Honduras	\$200,000
Honduras	Action Plan C&D	\$605,043
Honduras	Program for Childhood Food Security, Health and Nutrition and Community Interventions in Poor Areas of Honduras	\$700,000
Honduras	Internship Program to The Government of Colombia For Exchange of Experiences on Governance for Climate Financing.	\$19,752
Honduras	Strengthening the Supervision Mechanisms of The National Bank and Insurance Commission (CNBS) And Increasing Financial Transparency	\$243,000
Honduras	Spatial Regional Economic Strategy of Honduras	\$700,000
Honduras	Knowledge Exchange on Electronic Invoicing and Fiscal Risk	\$1,700
Honduras	Support for A Sustainable Tourism Master Plan in Honduras	\$132,520
Nicaragua	Support to The Impact Evaluations of Early Childhood Development Programs	\$150,000
Nicaragua	Support to The Geothermal Exploration Program and Improved Power Transmission in The Framework of Nicaragua's Investment Plan (PINIC)	\$456,000
Nicaragua	Competition Improvement of The Power Generation Subsector	\$350,000
Nicaragua	Action Plan C&D	\$666,952
Nicaragua	Support for The Design and Implementation of The Projects for The Improvement and Sustainable Management of Potable Water and Sanitation Services in Urban and Peri Urban Areas	\$420,000
Nicaragua	Knowledge Exchange on Electronic Invoicing and Fiscal Risk	\$6,172
Nicaragua	Fomenting Healthy Practices in Nicaragua	\$200,000
Nicaragua	Exchange on Governance for Climate Financing	\$10,422
Nicaragua	Application of New Trends of Innovation and Technology in Nicaragua	\$500,000

Country	Project name	Amount
Panamá	Strengthening the Model of The Centers of The National Institute of Women (CINAMU)	\$380,000
Panamá	Institutional Capacity for Multi-Sectoral Planning and Promotion of Productivity	\$450,000
Panamá	Support to The Reform Program for The Sustainability of The Electricity Sector	\$500,000
Panamá	Improvements to Nutritional Health and Quality of Education Among Infants and Children of School Age in Indigenous Areas	\$300,000
Panamá	Unified Schools: Sport and Inclusive Education as Development Tools in Panama	\$600,000
Panamá	Tools for The Sustainable Preservation and Management of Panama's Cultural and Natural Heritage	\$500,000
Panamá	Improving the Integrity, Financial and Fiscal Transparency in Panama	\$170,000
Panamá	Support to The Design of Integrated Health Services Networks (RISS)	\$200,000
Panamá	Support to The Program for Transparency and Equity in Social Spending II	\$200,000
Panamá	Action Plan C&D	\$326,372
Panamá	Support for The Panama's Transport and Logistics Sector Reform Program	\$500,000
Panamá	Support Integral Urban Development of Intermediary Cities in Panama	\$750,000
Panamá	Mainstreaming Biodiversity Conservation Through Low-Impact Ecotourism in SINAP II (ECOTUR-AP Second Phase)	\$753,400
Panamá	Knowledge Exchange on Electronic Invoicing and Fiscal Risk	\$8,508
Panamá	Exchange Experiences with Chile On Territorial Economic Development and Financial Inclusion of Indigenous People	\$20,000
Panamá	Knowledge Exchange Experiences with Chile On Territorial Economic Development and Financial Inclusion of Indigenous People II	\$20,000
Panamá	Exchange Experiences with Chile On Territorial Economic Development and Financial Inclusion of Indigenous People III	\$2,217
Dominican Republic	Institutional Strengthening of The Ministry of Mines and Energy (MEM)	\$300,000
Dominican Republic	Support Macro Fiscal Management in The Dominican Republic	\$275,000
Dominican Republic	Improving Management in The Ministry of Education of The Dominican Republic.	\$500,000
Dominican Republic	Support for The Design of The Sustainable Agroforestry Development Program	\$500,000
Dominican Republic	Action Plan C&D	\$416,991
Dominican Republic	Institutional Strengthening for The Agroforestry Development Program	\$300,000
Dominican Republic	CANEF Dominican Republic Phase I: Integral Support to The Extractive Sector	\$400,000
Dominican Republic	Knowledge Exchange on Electronic Invoicing and Fiscal Risk	\$11,144
Regional	Support to The Analogue Switch Off in Central-America	\$500,000
Regional	Broadband 2.0: Diagnosis and Recommendations for Sustainable BBD Development in Paraguay, Honduras And Argentina	\$1,500,000
Regional	Planning for Universal Access to Sustainable Energy for All In LAC	\$500,000
Regional	Support to The Mesoamerican Agenda on Transport, Logistics and Economic Integration	\$800,000
Regional	Support to The Promotion of The Trade Facilitation Agenda in Latin America And the Caribbean	\$950,000

Country	Project name	Amount
Regional	Strengthening Fiscal Transparency	\$340,000
Regional	Sociodemographic Statistics: A Common Approach for Central American Integration System (SICA) Countries	\$300,000
Regional	Cultural and Creative Industries in Sustainable Urban Revitalization Projects	\$450,000
Regional	Promotion of Energy Efficiency and Distributed Renewable Energy Generation, With A Focus on Public Sector Energy Users	\$1,000,000
Regional	Strengthening the Digital Competencies in The Region	\$200,000
Regional	Facility to Support Public-Private Partnerships in Infrastructure	\$7,000,000
Regional	Strengthening of Coordinated Border Management (GCF)	\$750,000
Regional	Support for The Design and Implementation of The Central American Digital Trade Platform	\$9,401,200
Regional	Capacity Building of Public Innovation Agencies, For the Development of The Transfer and Technological Entrepreneurship in Central America.	\$400,000
Regional	Accelerating NDC Implementation. Unlocking Clean Buses In LAC	\$1,200,000
Regional	Public-Private Initiative to Reduce Economic Gender Gaps	\$650,000
Regional	Network for Pensions in Latin America And the Caribbean (PLAC Network) Phase II	\$800,000
Regional	Regional Project for The Institutionalization, Sustainability and Permanent and Quality Update of The DIME Platform	\$250,000
TOTAL		\$58,894,198



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