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# 2018 Approved Program and Budget Final Version

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Budget and Administrative Services Department





## **2018 Approved Program and Budget Book – Final Version**

### **Purpose**

The purpose of this document is to provide Board members and Management with a single 2018 budget reference document, for information, that reflects all final budgetary adjustments and recommendations as approved by the Board on December 13, 2017, and shown in document [GA-266-4](#), *“2018 Program and Budget Proposal. Report of the Chairperson of the Budget and Financial Policies Committee”*.

### **Contents**

This document contains: (i) the final 2018 approved budget resolutions; and (ii) 2018 administrative, capital, OC strategic development programs and other budget tables and annexes presented originally in document [GA-266-1](#), *“2018 Program and Budget Proposal”*, submitted to the Board on October 31, 2017 and updated appropriately to reflect content of document [GA-266-4](#).

To comply with the Bank’s disclosure of information policy, this version will be available on the Bank’s internet website for public access.

For all inquiries or clarifications by Management departments/offices, please contact your Budget Division (BDA/BGT) Budget Officer or Carlos Herrera; Board members should contact Yeshy Edwin.



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<sup>1</sup> In some tables, figures and annexes, individual items may not add to totals due to rounding.

## 1. EXECUTIVE SUMMARY

### A. Regional Outlook and the Bank

- 1.1 Growth is a primary challenge for the majority of countries in the region. Overall, the economies of Latin America and the Caribbean (LAC) are expected to register growth of 1.2% in 2017 and 1.9% in 2018, reflecting a recovery over the 2016 recession (-1.0% growth). The 2018 expected simple average growth rate for the region (not weighted by Gross Domestic Product, GDP) is 2.6%, with as many as ten IDB borrowing member countries expected to grow by at least 3.4%.<sup>2</sup> The average growth rate for the 2018-2020 period is expected to be 2.3% for the region, helped by the stronger global growth.
- 1.2 While an improvement over recent years, this remains well below the 4.1% LAC growth rate achieved for the decade 2002-2012, which includes the global financial crisis. This improved outlook may be affected by considerable uncertainty both domestically and abroad, including, among other factors, potential changes to U.S. policy, volatile capital flows, and declining fiscal space. Additionally, several countries are now facing further hurdles as policies that used to effectively bolster growth in the past may no longer be doing so, hence highlighting the importance of innovation as an engine of growth.
- 1.3 In responding to this challenging outlook, the Bank is focused on continuing to leverage investments made over the past years to strengthen its financial position and to increase its outputs without budget increases in real terms. As described in the 2018 Long-Term Financial Projections (LTFP) Final document ([FN-709-2](#)), Management expects that Sovereign Guaranteed (SG) lending approvals will reach \$13.1 billion in 2018, including concessional lending of \$0.4 billion, and \$9.4 billion in SG disbursements. Management proposes to achieve this 18% increase in approvals and 9% increase in disbursements compared to 2017 levels, with a 2018 Management Budget of -0.6% real growth.
- 1.4 Within this budget envelope, and in addition to its core business activities, the 2018 work program includes special efforts in areas of utmost strategic importance to the IDB, such as its role in resource mobilization and climate change adaptation and mitigation, critical to the 2030 Sustainable Development, “Billions to Trillions”, and Paris Agreement agendas. To this end, highlights of new activities within the 2018 work program include efforts to operationalize the newly-established Public-Private Partnerships (PPP) Team. The PPP team will enhance IDB’s capacity to convene actors in the public and private sectors to engage them in joint ventures to share risks, mobilize additional resources, and broaden investment horizons, all of which are crucial to bridge the region’s infrastructure gap which is estimated at \$120 billion to \$150 billion per year. As for climate change, the Bank will continue its roll-out of the program begun in 2017 with an eye towards fully mainstreaming climate change adaptation and mitigation measures in operations where feasible, as well as efforts to mainstream an integrated approach to disaster risk management in Bank operations. Also of note, the Bank will continue consolidating efforts initiated in 2017 with regards to environmental and social safeguards so that each operation in preparation (both category A & B) and execution (Category A) includes a team member from the Environmental and Social Safeguards Unit (ESG). Close to 50% of Category B operations in execution will have a team member from ESG assigned to the operation. The Bank will also continue to implement the new Gender Action Plan for Operations to include an increase in the

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<sup>2</sup> Source: October 2017 World Economic Outlook, International Monetary Fund (IMF).

percentage of Bank projects that integrate a focus on gender equality or women's empowerment in both project design and execution (gender mainstreaming).

- 1.5 In addition, the IDB will address the new normal of low growth in the region, remaining a primary challenge that cuts across all areas of the Update to the Institutional Strategy (UIS). Adding to this challenging outlook, a tightening fiscal environment could leave little room for countries to offset the impact of low growth rates via countercyclical policies. As such, the IDB's role in supporting countries' efforts to attend to this emerging trend will be critical to sustain the social gains achieved thus far. For example, the IDB could be instrumental in supporting countries' efforts to search for new sources of economic growth and increase efficiency in public investment. Growth will be a central theme at the IDB Group's (IDBG) 2018 Annual Meeting of the Board of Governors in Mendoza, Argentina.
- 1.6 These efforts to ensure the IDB's responsiveness in the region are accompanied by a continued commitment to improve the way it works and deploys its resources. In this vein, the Bank continues to make significant progress towards more efficient use of its budgetary resources.

## **B. Strategic Context and Priorities of the 2018 Work Program**

- 1.7 The priority areas identified for 2018 emerge from factors previously discussed in the 2016 Development Effectiveness Overview (DEO) including: (i) an analysis of the areas where IDB can provide focused strategic value-added support over the medium-term to address borrowing member countries' unique development challenges; and (ii) IDB's progress in implementing the UIS, as measured by the Corporate Results Framework (CRF).
- 1.8 Within this broad context and the regional outlook discussed in the previous section, Management has identified the following priorities for the 2018 operational work program:
  - (a) Continued support to the region's social needs to address the recent uptick in poverty and persistent social exclusion;
  - (b) Continued efforts toward closing the region's infrastructure gaps to support the Sustainable Development Goals (SDGs) and the commitments of the Paris Agreement, particularly through public and private resource mobilization;
  - (c) Continued efforts to improve the scale and efficiency of the regional market; and,
  - (d) Continued attention to activities that advance the UIS guiding principles.
- 1.9 As for the 2018 corporate work program, the following priorities were identified:
  - (a) Continued support to increase resource mobilization; and,
  - (b) Continued efforts to boost the Bank's overall efficiency at the institutional level.
- 1.10 Since 2011, Management has presented budget proposals consistent with the Results Based Budgeting (RBB) Framework ([GA-245-12](#)), as mandated by the Ninth General Capital Increase (IDB-9) and approved by the Board of Executive Directors ("The Board") in 2010 to improve transparency and accountability of budgetary resource allocations by linking inputs with performance targets, indicators and outputs. The 2018 approved budget is articulated around RBB-based Main Business Functions (MBFs) that reflect the Bank's core production processes. MBFs are also incorporated in the Bank's SAP time reporting system (Time and Attendance)



and the employee annual work program and performance review system (Career Point), aligning the Bank's RBB framework inputs, outputs, and indicators with staff performance.

- 1.11 Table 1.1 below provides an overview of selected RBB performance indicators by MBF, with indicator values for the past 4 years and targets for 2018. Likewise, Table 1.2 below provides an overview of selected RBB outputs by MBF, with output values for the past 4 years and targets for 2018. Further details are provided in Chapter 3 under Table 3.1 and Table 3.2 for operations MBFs and Table 3.3 for corporate MBFs.

**Table 1.1. 2014-2018 Selected RBB Performance Indicators by Main Business Function**

Operations Main Business Functions	Indicator Values				2018 Plan	
	2014	2015	2016	2017	Indicator Estimate	Approved Budget (\$000) Percent of Budget
<b>Stakeholder Engagement</b>						
Percentage of partners satisfied with IDBG development solutions			79%		82%	\$52,047 9.4%
<b>Strategy and Programming</b>						
Percentage of country strategies delivered within the transition period <sup>1</sup>	75%	50%	40%	83%	100%	\$12,446 2.3%
<b>Preparation</b>						
Percentage of SG operations with impact evaluation design	43%	43%	51%	40%	40%	\$54,187 9.8%
<b>Supervision</b>						
Percentage of active operations with satisfactory performance classification	69%	69%	76%		73%	\$98,929 17.9%
<b>Knowledge Development</b>						
Percentage of economic sector work deliverables completed	93%	91%	91%	93%	96%	\$40,334 7.3%
<b>Operations Main Business Functions</b>						\$259,131 47.0%
<b>Corporate Operations Support <sup>2</sup> Main Business Functions</b>						\$90,004 16.3%
<b>Subtotal Operations Main Business Functions and Operations Support</b>						\$349,135 63.3%
<b>Corporate Non-Operational Main Business Functions</b>						\$202,052 36.7%
<b>Total Management Budget</b>						\$551,188 100.0%

Notes: SG - Sovereign Guaranteed  
Indicators with no values for a given year are not available or not in effect for that period.  
<sup>1</sup> The plan is to always deliver 100% of country strategies within the transition period. There are internal and external factors during this process which make it difficult to forecast and have direct impact in its achievement.  
<sup>2</sup> Includes all corporate activities performed by the operational vice presidencies as well as costs for country office operations and maintenance, and security.

**Table 1.2. 2014-2018 Selected RBB Outputs by Main Business Function**

Main Business Functions	Output Values				
	2014	2015	2016	2017	2018(e)
<b>Main Business Functions</b>					
<b>Stakeholder Engagement</b>					
Disbursement amount of client support technical cooperation (in millions of USD) <sup>1</sup>	\$82.5	\$85.3	\$97.6	\$112.2	\$80.9
<b>Strategy and Programming</b>					
Number of country strategies delivered to the Board	4	6	5	6	7
<b>Preparation</b>					
Approval amount of SG loans (in billions of USD) <sup>2</sup>	\$10.3	\$8.5	\$8.9	\$11.1	\$13.1
<b>Supervision</b>					
Disbursement amount of SG loans (in billions of USD) <sup>2</sup>	\$8.0	\$8.5	\$8.3	\$8.7	\$9.4
<b>Knowledge Development</b>					
Number of economic sector work deliverables	349	425	409	445	341
<b>Corporate Main Business Functions</b>					
<b>Learning and Collaborative Knowledge Management</b>					
Number of corporate input products deliverables	159	169	177	213	175

Notes: (e) = estimate, SG - Sovereign Guaranteed  
<sup>1</sup> Figures include all funds and operation type TCP for operational vice-presidencies.  
<sup>2</sup> Figures are for Ordinary Capital resources only. 2018 estimates are in line with the Long-term Financial Projections of the Ordinary Capital 2018 Final Document (FN-709-2).

## C. 2018 Approved Budgets for Administrative, Capital and Ordinary Capital Strategic Development Programs

- 1.12 The approved budget for 2018 reflects the Bank's commitment to continue to improve the way it works and deploys its budgetary and human resources through budget discipline, cost containment, and increased efficiencies in both the corporate and operational areas. This budget considers the regional outlook, the progress achieved to date in addressing the challenges and cross-cutting themes of the UIS, and the work program priorities identified for 2018.
- 1.13 Table 1.3 below provides an overview of the envelopes approved for 2018 for the Administrative, Capital, and Ordinary Capital Strategic Development Programs (OC-SDPs) budgets.

**Table 1.3. 2017 and 2018 Approved Budget/Funding for Administrative, Capital, and OC Strategic Development Programs (Bank Total Composite Cost Adjustment Component of 2.7% for 2018)**

	2017 Approved Budget/Funding		2018 Approved Budget/Funding		2018 vs. 2017 Approved Budget/Funding				
	HC	\$	HC	\$	HC	\$	% Nominal	% CCAC	% Real
<b>Administrative Budget</b>	1,937	\$580.0m	1,937	\$591.4m		\$11.5m	2.0%	2.7%	-0.8%
<i>BOG, EXD, MEC, OVE &amp; Tribunal</i>	140	\$40.1m	140	\$40.3m		\$0.2m	0.5%	2.7%	-2.3%
<i>Management Budget</i>	1,797	\$539.9m	1,797	\$551.2m		\$11.3m	2.1%	2.7%	-0.6%
<hr/>									
<b>Capital Budget</b>		\$47.8m		\$50.1m		\$2.3m	4.8%		
<hr/>									
<b>OC Strategic Development Programs</b>		\$100.0m		\$107.0m		\$7.0m	7.0%		

- 1.14 The total approved Administrative Budget envelope of \$591.4 million for 2018 represents a 2.0% nominal budget growth, or -0.8% real budget growth when considering a Composite Cost Adjustment Component (CCAC) of 2.7%, and a -0.6% real growth for the Management Budget category.
- 1.15 For 2018, Management has made diligent efforts to deliver higher levels of lending and disbursements within a negative real budget growth.
- 1.16 Management identified \$18.8 million in resource demands for 2018 relative to the 2017 Approved Budget. These demands include: (i) \$14.2 million to cover all expected market-driven increases in Labor Costs and Non-Labor Costs (2.7% CCAC); and (ii) \$4.6 million beyond the CCAC for recurring administrative expenses related to completed capital projects (\$3.1 million) and for promotions (\$1.5 million). The nominal 2.7% CCAC, corresponds to the actual dollars the Bank is expected to spend on its specialized Labor and Non-Labor Costs to sustain Bank operating costs in 2018, all else being constant.

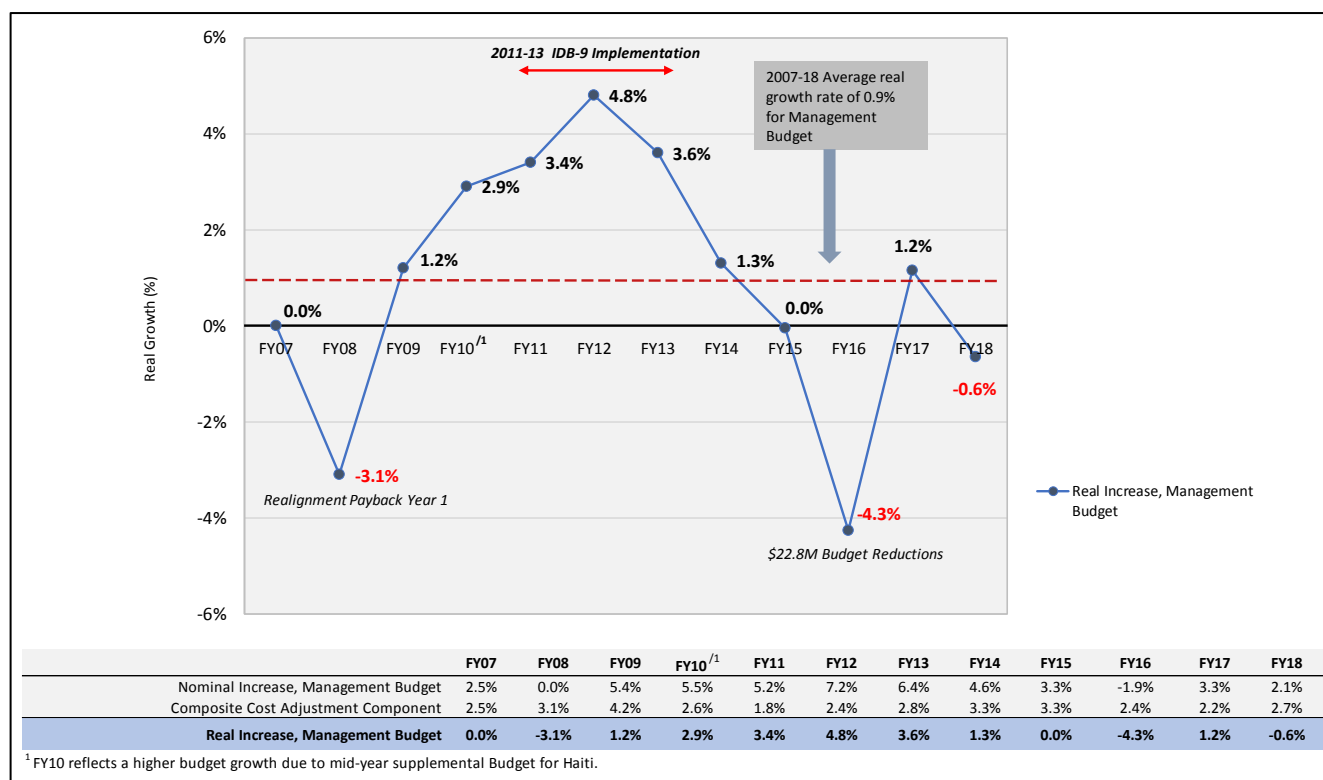
- 1.17 Furthermore, Management reduced this additional \$18.8 million resource demand by \$7.5 million to a nominal budget request of \$11.3 million for the Management Budget category, representing a -0.6% real budget growth equivalent to 2.1% nominal growth for 2018. The \$7.5 million will be reallocated to fund \$3.1 million for recurring administrative expenses related to completed capital projects and \$1.5 million for promotions, as well as provide \$2.9 million in budget reductions.
- 1.18 The 2018 CCAC computation reflects the specialized cost structure of the Bank and includes, on a weighted average basis, (i) market-driven Labor Cost increases (\$11.6 million), of which Staff Labor Costs are aligned with the Board-approved market-based salary increase methodology established in the Total Rewards Framework (TRF) Update<sup>3</sup> policy; and (ii) Non-Labor Cost increases (\$2.6 million), driven by the expected U.S. Composite Price Index (CPI) and Latin America regional inflation levels.
- 1.19 The 2018 Capital Budget, as presented in the 2018-2020 Medium-Term Capital Budget Plan ([GA-263-7](#)), amounts to \$50.1 million, which was approved by the Board on September 13, 2017.
- 1.20 The 2018 approved budget for OC-SDPs is \$107 million. This increase above the \$100 million funding level responds to a combination of factors, including: (i) the need to plug the funding gap which has left many priority operations unfunded over the last several years<sup>4</sup>; (ii) the additional demands placed on the OC-SDPs to support the technical work and policy dialogue associated with the growth of the lending program; and, (iii) an opportunity to partner with borrowing member countries to support the development of an informed growth agenda to identify and understand the critical factors limiting economic growth.
- 1.21 The IDB has made considerable efforts to utilize its budgetary resources more efficiently. During 2007-2018, the Bank's Management Budget category has experienced an average annual real growth of 0.9%, impacted mainly by the multiple mandates given to Management by the Board of Executive Directors and/or the Board of Governors, many of them captured under the IDB-9 and the Agenda for a Better Bank (ABB).
- 1.22 Figure 1.1 below provides an overview of the historical real growth trend of the Management Budget category and shows that the 2018 approved real growth of -0.6% is below the annual average real growth of 0.9% for the period 2007-2018.

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<sup>3</sup> Update to the Bank's Total Rewards Framework. Revised Version. ([GN-2799-16](#)).

<sup>4</sup> Due to the exhaustion of OC-SDP resources, demand for TC resources has exceeded availability between 2014 and 2016 by an average of \$7.4 million annually.

**Figure 1.1. 2007-2018 Management Budget Real Growth vs. 2007-2018 Average Real Growth**



- 1.23 Chapter 2 of this document presents the strategic context of the 2018 Approved Program and Budget, with a high-level overview of the progress achieved to date in addressing the UIS and the priorities set for the 2018 work program. Chapter 3 offers a Bank-wide consolidated business plan by MBF for 2018, including corresponding key activities and expected deliverables for both operations and corporate MBFs, together with an overview of the respective main inputs, outputs, and performance indicators. Chapter 4 provides detailed information on the approved IDB Management Budget nominal growth for 2018 relative to the 2017 Approved Budget, the 2018 approved Administrative Budget by Labor and Non-Labor Costs, organizational unit and major item of expenses. Chapters 5 and 6 contain additional details on the approved Capital Budget and OC-SDPs funding for 2018, respectively. Finally, Chapter 7 presents information on the 2018 estimated administrative income recorded directly to the Ordinary Capital, and estimated IDB Invest and other reimbursements and payments to be received outside the Administrative Budget.
- 1.24 Furthermore, disclosure of the 2018 estimated Bank contributions to the Retirement Plans is provided in Annex A. Under the established process, the results of final year-end actuarial valuations prepared by the Actuary, as well as the 2018 recommended contributions made by the governing committees of the IDB Retirement Plans, will be presented to the Board for approval during the third quarter of 2018.

## 2. STRATEGIC CONTEXT OF THE 2018 APPROVED PROGRAM AND BUDGET

- 2.1 As discussed in the 2018 Program and Budget Outlook Paper ([GA-266](#)), the strategic context of the Bank's 2018 work program is framed by the progress achieved to date in implementing the UIS<sup>5</sup>, as well as by technical inputs from IDB operational business areas, highlighting opportunities for the Bank to provide value-added support to its borrowers considering their unique development challenges at this juncture.<sup>6</sup>

### A. High-Level Overview of Bank Progress Addressing the UIS

- 2.2 As previewed in Chapter 1, growth remains a primary challenge for the region, cutting across all six challenges and cross-cutting themes of the UIS. Despite the mild recovery observed in 2017, medium-term growth rates are expected to be moderate, suggesting the region is beginning to experience a low-growth cycle underpinned by its weak internal demand and unresolved bottlenecks.
- 2.3 Adding to this challenging outlook, a tightening fiscal environment could leave little room for countries to offset the impact of low growth rates via countercyclical policies. As such, attending to this emerging trend will be critical to sustain the social gains achieved thus far, which have lifted nearly 200 million people out of poverty and led to the expansion of the middle class by more than 50% across the region.
- 2.4 In terms of **Social Inclusion and Equality**, low growth could threaten the gains achieved over the past few years, highlighting the importance of programs that protect vulnerable populations and facilitate their participation in the formal economy. Chronically-low levels of **Productivity and Innovation** continue to be a major obstacle to growth, and in turn reflect a variety of factors including a poorly trained labor force, lack of access to credit, and inadequate infrastructure, among others. Deeper **Economic Integration** may be challenged by a potential backlash against globalization from key actors outside the region, creating opportunities for regional integration as a low-cost growth policy.
- 2.5 Low growth could also lead to women, indigenous peoples and Afro-descendants, further sliding into poverty, which has historically been disproportionately concentrated among these groups, threatening progress in **Gender Equality and Diversity**. In terms of **Climate Change and Environmental Sustainability**, coordinated efforts by both the public and private sectors are necessary to support the effective implementation of country commitments to the SDGs, thus further advancing toward sustainable and climate-friendly development. Finally, challenges remain with respect to **Institutional Capacity and Rule of Law**, such as fostering trust in public institutions, greater transparency in government expenditure, and boosting citizen security. Table 2.1 below provides a summary of opportunity areas for IDB support at the operational work program level across each of the three UIS challenges and three cross-cutting themes, which reflect the stock-taking exercise discussed in the 2016 DEO.

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<sup>5</sup> As measured by the CRF.

<sup>6</sup> For extensive details about this discussion, please refer to the [2016 Development Effectiveness Overview](#).

**Table 2.1. Opportunities for IDB Support in 2018 and Beyond at the Operational Level**

UIS Strategic Priority	Specific Challenges
<b>Social Inclusion &amp; Equality</b>	<p>-High rates of poverty and inequality, even accounting for their decline over the past decade</p> <p>Progress achieved in recent years threatened by negative economic growth in 2015 and 2016, as well as the expectation of low growth in 2018 coupled with an already-tightening fiscal environment</p>
<b>Productivity &amp; Innovation</b>	<p>-Chronically low levels of both productivity and innovation</p> <p>Contributing factors include a poorly trained labor force, shallow and underdeveloped financial markets, prevalence of informal labor, lack of access to credit, inadequate infrastructure, and a sometimes-weak institutional framework that ultimately deters investment and innovation</p> <p>-Limited investment in Research and Development (R&amp;D) by the private sector</p>
<b>Economic Integration</b>	<p>-Lack of incentives for deeper integration of regional value chains</p> <p>-Mounting risk of a backlash against globalization</p>
<b>Gender Equality &amp; Diversity</b>	<p>-Poverty disproportionately concentrated among women, indigenous peoples, and Afro-descendants, with wide variations among countries in terms of the specific barriers faced by each group</p>
<b>Climate Change &amp; Environmental Sustainability</b>	<p>-Lack of technical capacity in institutions, particularly in poorer countries, which can slow the adoption and diffusion of management techniques and innovations to promote the sustainable use of natural capital</p>
<b>Institutional Capacity &amp; Rule of Law</b>	<p>-Deficient institutional arrangements</p> <p>-Ineffective governments and inefficient government expenditure</p> <p>-Low transparency in public administration entities</p> <p>-High perception of citizen insecurity</p>

- 2.6 In terms of how the Bank is contributing to close these gaps across the region, CRF indicators at the Country Development Results (CDR) level shed light on progress in supporting countries to address the three challenges and three cross-cutting themes in the UIS.
- 2.7 As also reported in the 2016 DEO, the Bank is on track to deliver on the expected results for 2016-2019 for nearly 80% (15) of the 19 CRF indicators at the CDR level, while two (10%) are currently showing moderate progress (students benefitted by education projects and beneficiaries of on-the-job training programs) and two (10%) are off track (beneficiaries receiving health services and micro, small, and medium enterprises financed). Indicators showing moderate progress and those off track are related to the UIS challenges of Social Inclusion and Equality, Productivity and Innovation, and Gender Equality and Diversity. Finally, as the above discussion suggests, although all indicators associated with Economic Integration, Climate Change and Environmental Sustainability, and Institutional Capacity and Rule of Law are currently on track with respect to 2016-2019 expected results, there are opportunities for the Bank to continue providing support to borrowers in these areas. These elements are reflected in the priorities identified for the operational program, discussed in Section B below.



- 2.8 Looking at the Bank's internal performance through the CRF's IDBG Performance<sup>7</sup> level, of the 13 IDBG Performance indicators for which there are targets, eight (62%) are on track, one (8%) is on watch, and four (31%) are off track. Indicators related to the UIS guiding principles of **Responsiveness** and **Multi-Sectoriality** are currently on track, whereas two related to **Effectiveness and Efficiency** (mid- and senior-level staff who are women, and operations with high environmental and social risks rated satisfactory in the implementation of mitigation measures) are on watch and off track, respectively. Under **Leverage and Partnerships**, one indicator is off track (partners satisfied with IDBG's ability to convene other partners), and two indicators under **Innovation and Knowledge** are currently off track. The priorities identified for the corporate work program reflect the main conclusions from this discussion.

## B. 2018 Work Program Priorities

- 2.9 Based on the information summarized above, Management identified the following priorities for the 2018 work program, which set the basis for formulation of the 2018 business plans at the Vice Presidency level, discussed in Chapter 3.

### 1. Operational Business Priorities

- 2.10 ***Considering a tightening fiscal outlook and low long-term growth expectations, continued support to the region's social needs is crucial to address the recent uptick in poverty and persistent social exclusion.*** The IDB must continue to support its borrowing members both through social programs addressing today's social needs, but also through the development of solutions to long-term needs, particularly through envisioning strategies to promote productivity growth and ultimately economic growth. This includes areas of focus such as employment (of note, for example, is Argentina's interest in promoting female and youth employment as part of its G20 presidency agenda). It is essential to continue attending to the needs of populations facing exclusion, such as indigenous peoples and Afro-descendants, and addressing gaps between males and females in several dimensions.
- 2.11 ***Continued efforts toward closing the region's infrastructure gaps will be critical to support the SDGs and the commitments of the Paris Agreement, particularly through public and private resource mobilization.*** The IDBG is looking to devote 30% to 50% of annual lending to energy, transport, water and sanitation, and information and communication technology infrastructure over the next three years, with an additional 5% to 10% in social infrastructure for health and education. At the same time, the IDBG must continue to support efforts to strengthen the capacity of the region's institutions to address their infrastructure needs. Instruments and strategies need to be developed to catalyze public and private sector resources to complement IDB lending and increase infrastructure investment as a key channel to promote economic growth.
- 2.12 The region's weak fiscal outlook increases the value of partnering with private sector actors to address infrastructure gaps. Indeed, PPPs have become critical to overcome the region's infrastructure gap, which is estimated to be around \$120–\$150 billion a year (based on the region's 2013 GDP).<sup>8</sup> Thanks to its knowledge of the region, its experience in developing both

<sup>7</sup> For the purposes of this discussion, only IDB-related indicators are considered, with the exception of "Partners satisfied with IDBG development solutions (%)", "total IDBG blog readership (#)", and "average visits to IDBG publications (#)", which are not broken down by IDB/IDB Invest.

<sup>8</sup> Serebrisky *et al.*, *Financing Infrastructure in Latin American and the Caribbean: How, How much and by Whom?*, IDB, Washington DC, 2015, p.8.

public and private-sector projects, and its reputation as a long-term trusted partner with decades of technical knowledge and operational expertise, the IDBG has the ability to convene the public and private sectors to engage them in these joint ventures to share risks, mobilize additional resources, and broaden investment horizons. The value of PPPs goes beyond coordination with the private sector from a financial point of view, as benefits can also be reaped from dialogue that can improve the regulatory and policy environments.

- 2.13 ***Continued efforts to improve the scale and efficiency of the regional market.*** The current challenging economic and political juncture raises the strategic value of regional integration work aimed at boosting the scale and efficiency of the regional market and improving the export, productivity, and growth prospects of the region's economies, which could also help offset slower growth or protectionist activities. The IDBG's technical support to effective initiatives such as the Pacific Alliance, the convergence between the latter and the Southern Cone Common Market (MERCOSUR), and the deepening of the Central American Common Market and CARICOM are all important to building a unified market worth about \$5 trillion or approximately 7% of global GDP.
- 2.14 ***Provide continued attention to activities that advance the UIS guiding principles.*** While the emphasis in 2018 will be on leverage & partnerships and effectiveness & efficiency, activities that continue advancing the Bank's responsiveness, multi-sectoriality, innovation & knowledge, and strategic alignment are also critical to remaining on track to meet the IDBG Performance targets for 2019 included in the CRF. Finally, in 2018 the Bank will kick off the process to update its Institutional Strategy, given the expected completion of the current UIS period in 2019.

## 2. Corporate Business Priorities

- 2.15 ***Support Bank efforts to increase resource mobilization.*** Considering the Bank's performance in 2016 as discussed in Section A above, continued emphasis on resource mobilization will be a top priority for the IDB—and the entire IDBG—over the next few years. Given the 2030 Sustainable Development and “Billions to Trillions” Agendas, the IDBG's role in resource mobilization continues to be of utmost importance and finding and exploiting synergies between the IDB and IDB Invest continues to be critical.
- 2.16 ***Boost the Bank's overall efficiency at the institutional level.*** Continued emphasis will be placed on improving the way the Bank works and deploys its budgetary and human resources. Considering that 2017 will be the second year of the Updated CRF 2016-2019 reporting period, the work program priorities for 2018 have been formulated to address areas of the UIS where the IDB should intensify its efforts. They are based on actual progress made on meeting CRF targets and will focus on the Operational Guiding Principles of the UIS.
- 2.17 The Bank will focus on enhancing its ability to innovate, collaborate, and supervise the execution of projects effectively and efficiently. It will also strengthen its efforts to meet its sustainability agenda by incorporating sustainability-related variables in the design and execution of loans and grants. In addition, the Bank will deepen the promotion of knowledge sharing, placing particular emphasis on the dissemination of lessons learned.



### **3. 2018 MAIN BUSINESS FUNCTIONS AND RESULTS BASED BUDGETING (RBB) PERFORMANCE INDICATORS**

- 3.1 As the backbone of the RBB framework, MBFs facilitate Management's formulation, execution, and evaluation of the budget across operations and corporate functions. In this sense, MBFs represent the core production function of each unit of the Bank and link their inputs and outputs.<sup>9</sup>
- 3.2 This Chapter provides a Bank-wide consolidated business plan by MBF for 2018, including corresponding key activities and expected deliverables for both operations and corporate MBFs, along with an overview of the respective main inputs, outputs, and performance indicators.
- 3.3 Included under each MBF are selected activities planned for 2018, the extent to which they will contribute to addressing the business priorities identified by Management for 2018, and the RBB indicators that will be used to measure results. More detailed information on the 2018 Business Plans and RBB Performance Indicators consolidated by Vice Presidency (VP) and Strategic Core (STC) can be found on the Office of the Secretary (SEC) website ([Business Plans](#)). The description of each MBF can be found in Annex C.

#### **A. Operations Main Business Functions**

- 3.4 Table 3.1 below provides an overview of the 2014-2018 key RBB performance indicators by Operations Main Business Functions (mostly structured along the operational business flow) and Table 3.2 provides an overview of the 2014-2018 consolidated key RBB outputs.
- 3.5 As indicated in Table 3.1, 63.3% or \$349.1 million of Management Budget is allocated to support the operational business priorities of the Bank: 17.9% of Management Budget or \$98.9 million is allocated to support the supervision of operations with a projected level of \$9.4 billion in disbursements of SG loan operations; 9.8% or \$54.2 million is allocated to support the preparation of new operations with a projected level of \$13.1 billion in SG loans; 9.4% or \$52.0 million in stakeholder engagement to support the Bank's strategic outreach and cooperation with stakeholders, partners and donors; and 7.3% or \$40.3 million in knowledge development to support the generation of institutional capacity related to country and sector knowledge across the Bank, amongst others.

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<sup>9</sup> Strategic Actions to Strengthen Results-Based Budgeting Implementation: Action Plan 2014-2016 ([GA-245-23](#)).

**Table 3.1. 2014-2018 Key RBB Performance Indicators by Operations Main Business Function**

Operations Main Business Functions	Indicator Values				2018 Plan		
	2014	2015	2016	2017	Indicator Estimate	Operations Approved Budget (\$000)	Total Operations as a % of Total Mgmt. Budget
<b>Stakeholder Engagement</b>						<b>\$52,047</b>	<b>9.4%</b>
<b>Stakeholder Dialogue</b>						\$47,575	8.6%
Percentage of partners satisfied with IDBG development solutions			79%		82%		
Percentage of repeat partners	56%	65%	54%	65%	60%		
<b>Client Support Technical Cooperations</b>						\$1,416	0.3%
<b>Resource Management of Donor Trust Funds and Ordinary Capital Strategic Development Programs</b>						\$3,057	0.6%
<b>Strategy and Programming</b>						<b>\$12,446</b>	<b>2.3%</b>
<b>Country Strategies</b>						\$3,738	0.7%
Percentage of country strategies delivered within the transition period <sup>1</sup>	75%	50%	40%	83%	100%		
<b>Country and Regional Programming</b>						\$7,306	1.3%
<b>Development Effectiveness in Strategy and Programming</b>						\$1,402	0.3%
<b>Origination</b>						<b>\$1,187</b>	<b>0.2%</b>
<b>Preparation</b>						<b>\$54,187</b>	<b>9.8%</b>
<b>Preparation of Public Sector Operations</b>						\$50,555	9.2%
Percentage of SG operations with impact evaluation design	43%	43%	51%	40%	40%		
<b>Preparation of Operational Support Technical Cooperations</b>						\$1,644	0.3%
Percentage of amount approved from Ordinary Capital Strategic Development Programs for technical cooperations <sup>2</sup>	74%	72%	76%	86%	70%		
<b>Others <sup>3</sup></b>						\$1,988	0.4%
<b>Supervision</b>						<b>\$98,929</b>	<b>17.9%</b>
<b>Supervision of Public Sector Operations</b>						\$74,904	13.6%
Percentage of active operations with satisfactory performance classification	69%	69%	76%		73%		
Percentage of loans in supervision rated satisfactory for safeguards implementation			82%	80%	85%		
<b>Portfolio Management</b>						\$14,903	2.7%
<b>Supervision of Operational Support Technical Cooperations</b>						\$4,300	0.8%
<b>Fiduciary Country Systems</b>						\$2,884	0.5%
Percentage of SG loan operations using fiduciary country systems to manage operations financed by the IDB		36%	41%	41%	40%		
<b>Others <sup>3</sup></b>						\$1,938	0.4%
<b>Knowledge Development</b>						<b>\$40,334</b>	<b>7.3%</b>
<b>Sector Knowledge</b>						\$34,148	6.2%
Percentage of economic sector work deliverables completed	93%	91%	91%	93%	96%		
<b>Country Knowledge</b>						\$6,186	1.1%
<b>Subtotal Operations Main Business Functions</b>						<b>\$259,131</b>	<b>47.0%</b>
<b>Corporate Operations Support <sup>4</sup></b>						\$90,004	16.3%
<b>Total Operations Main Business Functions and Corporate Operations Support</b>						<b>\$349,135</b>	<b>63.3%</b>

**Notes:** SG - Sovereign Guaranteed  
Indicators with no values for a given year are not available or not in effect for that period.  
<sup>1</sup> The plan is to always deliver 100% of country strategies within the transition period. There are internal and external factors during this process which make it difficult to forecast and have direct impact in its achievement.  
<sup>2</sup> Values shown correspond to VPS only.  
<sup>3</sup> Includes private sector operations and investment grants.  
<sup>4</sup> Includes all corporate activities performed by the operational vice presidencies as well as costs for country office operations and maintenance, and security.

**Table 3.2. 2014-2018 Consolidated Key RBB Outputs**

	Output Values				
	2014	2015	2016	2017	2018(e)
<b>Operations Main Business Functions</b>					
<b>Stakeholder Engagement</b>					
Approval amount of client support technical cooperation (in millions of USD)	\$103.7	\$98.1	\$104.8	\$120.6	\$97.7
Number of client support technical cooperation approvals	234	245	215	230	207
Disbursement amount of client support technical cooperation (in millions of USD)	\$82.5	\$85.3	\$97.6	\$112.2	\$80.9
Number of client support technical cooperation in portfolio	613	661	662	815	614
<b>Strategy and Programming</b>					
Number of country strategies delivered to the Board	4	6	5	6	7
Number of country programming documents delivered to the Board	26	26	26	26	26
<b>Preparation</b>					
Approval amount of SG loans (in billions of USD) <sup>1</sup>	\$10.3	\$8.5	\$8.9	\$11.1	\$13.1
Approval amount of operational support technical cooperation (in millions of USD)	\$26.5	\$25.2	\$18.9	\$33.5	\$23.1
Number of operational support technical cooperation approvals	59	61	58	82	50
<b>Supervision</b>					
Disbursement amount of SG loans (in billions of USD) <sup>1</sup>	\$8.0	\$8.5	\$8.3	\$8.7	\$9.4
Number of SG operations active in portfolio	633	627	608	594	640
Number of country portfolio reviews	26	27	32	43	52
Disbursement amount of operational support technical cooperation (in millions of USD)	\$35.9	\$30.4	\$27.4	\$36.6	\$32.8
Number of operational support technical cooperation in portfolio	232	206	191	253	233
<b>Knowledge Development</b>					
Number of economic sector work deliverables	349	425	409	445	341
Approval amount of research & dissemination technical cooperation (in millions of USD)	\$53.7	\$51.0	\$38.7	\$40.7	\$50.0
Number of research & dissemination technical cooperation approvals	78	79	82	85	82
Disbursement amount of research & dissemination technical cooperation (in millions of USD)	\$50.4	\$50.5	\$42.0	\$48.6	\$43.2
Number of research & dissemination technical cooperation in portfolio	294	289	280	362	288
<b>Corporate Main Business Functions</b>					
<b>Learning and Collaborative Knowledge Management</b>					
Number of corporate input products deliverables	159	169	177	213	175
<b>Notes:</b> (e) = estimate, SG - Sovereign Guaranteed Technical cooperation figures include all funds and operation type TCP for operational vice-presidencies. <sup>1</sup> Figures are for Ordinary Capital resources only. 2018 estimates are in line with the Long-term Financial Projections of the Ordinary Capital 2018 Final Document (FN-709-2).					

## 1. Stakeholder Engagement (includes Stakeholder Dialogue, Client Support TCs, and Resource Management of Donor Trust Funds and OC SDPs)

- 3.6 The Bank will continue to focus on knowledge sharing and collaboration, fostering regional integration, particularly in the areas of trade facilitation, economic integration, infrastructure and energy, deforestation and climate change, among others. To achieve these goals, the Bank will: (i) promote and implement regional strategies and initiatives (i.e., Mesoamerica, Central American Strategy to Facilitate Trade & Competitiveness, the Plan of the Alliance for Prosperity of the Northern Triangle, among others); (ii) support business summits in the framework of the Pacific Alliance and the Summit for the Americas; (iii) foster synergies between public and private windows of the IDBG; and (iv) conduct workshops and timely dialogue with government counterparts at the national and subnational levels and the civil society.
- 3.7 Through the Civil Society Institutional Capacity program, the Bank will continue to elevate the technical preparation of civil society in all borrowing countries, as new training is expected to reach representatives of indigenous people, gender-based organizations, and afro-descendants, among others. The Bank will continue fostering engagement with civil society through regular Civil Society Consultative Group (ConSoc) meetings and regional fora, such as the IDBG Civil Society Caribbean Forum and the Civil Society Regional Forum. In addition, work will continue on the civil society engagement strategy.

- 3.8 Furthermore, the PPP Team, responsible of coordinating the IDBG work on PPPs, will focus especially on supporting Country Representatives in early stage PPP technical assistance and project preparation.
- 3.9 The Office of External Relations (EXR) will produce communication materials and media plans to disseminate the IDBG's knowledge and generate awareness of its services. It will intensify its use of social media channels to promote knowledge products by carrying out content marketing campaigns and publishing short-format videos and infographics. These efforts could also benefit from the consolidation of functions currently assigned to EXR and the Knowledge and Learning Sector (KNL), as indicated in the Section of Knowledge Development of this Chapter. In addition, EXR will continue to use analytics tools to gather data and trends about audiences to improve the effectiveness of the IDBG's communications investment. It will position the IDB as a leader in the policy debate surrounding Creative and Cultural Industries (CCI) and will provide technical expertise to IDB sectors that are harnessing the CCI for operational purposes.
- 3.10 Lastly, the Office of Outreach and Partnerships (ORP) will continue to engage with partners to design and implement development solutions, crafting innovative partnership mechanisms to optimize opportunities for the mobilization of financial (reimbursable and non-reimbursable) and non-financial resources with the public and private development actors through IDBG's sovereign and non-sovereign guaranteed operation windows. In addition, a new Sustainable Infrastructure Program was created with public funding accessible both by IDB and IDB Invest, which is expected to be deployed in early 2018 in coordination with the IDB Invest, the Infrastructure and Environment Sector (INE) and the Climate Change and Sustainable Development Sector (CSD). The program aims to catalyze and mobilize strategic private sector investments in sustainable low carbon infrastructure to accelerate and enable the implementation of the Nationally Defined Contributions (NDCs) in the region.

## **2. Strategy and Programming (includes Country Strategies, Country and Regional Programming and Development Effectiveness)**

- 3.11 Given the global outlook, which may increase the financial needs in the region, the Bank will actively respond to the expected growth of loan demand and foster an operational program that supports country financing needs and priorities as identified in country strategies.
- 3.12 To achieve this goal the Bank will: (i) provide the analytical products that inform the strategic dialogue with the countries and diagnose the key development challenges that hinder a country inclusive and sustainable growth; (ii) identify the parameters of IDBG collaboration with the new governments in the region under the Country Strategy framework approved by the Board at the end of 2015; (iii) engage in strategic and operational dialogue with the countries; (iv) improve synergies between the public and private sector windows of the IDBG; (v) define the annual programming parameters for clients; and (vi) ensure the implementation of the operational program.
- 3.13 The Bank expects to approve seven Country Strategies (CS) and finalize eight Country Development Challenges (CDC) during 2018. At the beginning of the year, the Bank will prepare and present to the Board the 2018 Operational Program Report (OPR) and Country Programming Documents (CPD) for the 26 borrowing member countries.
- 3.14 With regards to concessional lending, the Bank will coordinate the preparation and submission to the Board of the Proposal for the Allocation of Concessional Resources (2019-2020), with the collaboration of various departments. This proposal will, among other things, be consistent with the new country eligibility criteria (per [AB-3066-2](#)) as well as a revision to the Debt

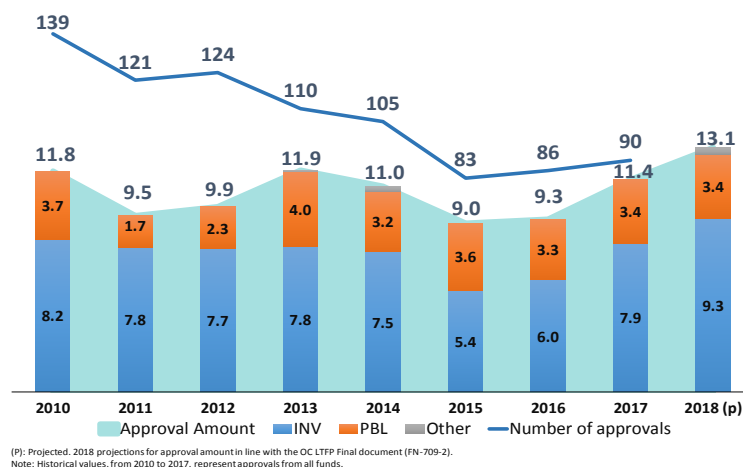
Sustainability Framework for Low-Income Countries approved by the Executive Boards of the World Bank and International Monetary Fund in 2017.

- 3.15 The Office of Strategic Planning and Development Effectiveness (SPD) will: (i) provide analytical leadership to ensure the development effectiveness of Bank interventions by assessing the evaluability of SG operations, CSs, and CPDs; and (ii) continue supporting project teams in the design and implementation of impact evaluations as required by team leaders, collaborating in around 70 impact evaluations and conducting at least ten short seminars and courses to strengthen the capacity of Bank staff and executing agencies.
- 3.16 In addition, SPD is working on a proposal to calibrate evaluability instruments and processes. The Development Effectiveness Matrix (DEM) checklist is being revised to acknowledge the value of innovative projects, incentivize strategic decision making regarding impact evaluations, and allow the use of more flexible but appropriate methodologies to assess efficiency in the use of Bank resources.

### 3. Preparation (includes Preparation of Public Sector Operations, Participation in Private Sector Operations, Operational Support TCs, and Investment Grants)

- 3.17 The 2018 SG operational work program will include \$13.1 billion in loan approvals, the highest amount since 2010, including concessional lending of \$0.4 billion. Figure 3.1 below shows the number and volume of SG loan approvals for the period 2010-2017 and projections for 2018.

**Figure 3.1. Number and Volume (\$ billions) of SG Loan Project Approvals**



- 3.18 Specific efforts in the preparation of loan operations include: (i) preparing more focused projects with fewer objectives and actors, simpler and more realistic execution schemes; (ii) using rigorous institutional capacity analysis; (iii) developing evaluable projects that include mitigation risk factors in the preparation process, strong economic analysis and ex-post evaluations; (iv) enhancing information sharing activities (both internal and external) on lessons learned that can inform other IDB financed operations; and (v) promoting operations with multidisciplinary team compositions.
- 3.19 The Bank expects to prepare 50 Operational Support TCs, which will target innovative lending projects, with a special emphasis on reaching the IDB Strategic Goals, the region's challenges,

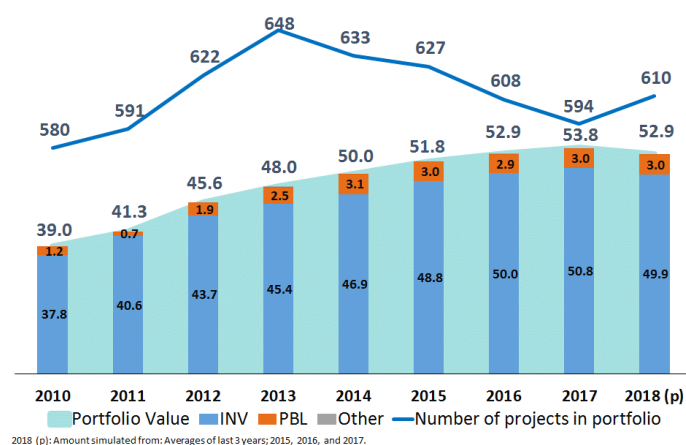
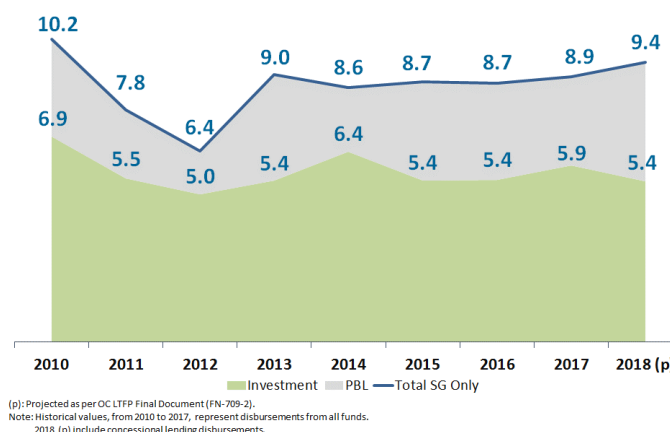
and cross cutting issues such as Gender Equality and Diversity, Climate Change and Environmental Sustainability, and Institutional Capacity and the Rule of Law.

- 3.20 In order to support the SDGs and the commitments of the Paris Agreement, the Bank will continue: (i) implementing the “IDBG Climate Action Plan 2020” for achieving the 30% goal and systematically mainstreaming climate change into operations; (ii) supporting countries in transforming NDCs into investment plans and assist them to access resources for generating and financing projects; (iii) mainstreaming biodiversity conservation in development planning with an ecosystem-based approach to prepare local population for infrastructure development and other land use changes; (iv) mainstreaming an integrated approach to disaster risk management aimed at avoiding the generation of new risks in Bank operations and reducing existing risks by requiring sound disaster risk analyses, thus enhancing the resilience of the investment and upstreaming disaster risk reduction activities into sectoral dialogues and early phases of operation design; (v) focusing on enhancing climate smart agriculture and forest friendly practices and technology in LAC; and (vi) applying lessons learned from Emerging and Sustainable Cities (ESC) and National Neighborhood Improvement Program (PROMEBA) to improve urban development and expand access to housing in the region.
- 3.21 In addition, ESG will continue to evaluate and promote the effective environmental and social management of the Bank's projects. At the preparation stage, ESG will screen all projects entering the pipeline, identifying the levels of impacts and risks.
- 3.22 The Independent Assessments of Macroeconomic Conditions (IAMCs) will continue to be used as a valuable instrument to strengthen the macroeconomic safeguards.

#### **4. Supervision (includes Supervision of Public Sector Operations, Participation in Private Sector Operations, Operational Support TCs, Investment Grants, Portfolio Management, and Fiduciary Country Systems)**

- 3.23 The Bank will supervise a projected active portfolio of approximately 610 SG operations, which will result in roughly \$5.4 billion in disbursements of investment loans, \$3.8 billion of policy-based loans, and \$0.2 billion in concessional resources, for a total of \$9.4 billion, the highest amount since 2011. Figure 3.2 below shows the number and value of SG loans in portfolio in execution during 2010-2017 and projections for 2018, while Figure 3.3 below illustrates the SG loan disbursements for the same period.



**Figure 3.2. Number and Value (\$ billions) of SG Loan Projects in Portfolio in Execution****Figure 3.3. SG Loan Project Disbursements (\$ billions)**

- 3.24 As part of its institutional priorities, the Bank will continue to strengthen the supervision of its portfolio through better planning, ongoing monitoring, and proactive corrective actions. Some specific tasks in this regard include: (i) close oversight of activities programmed in supervision plans, supported by technical interventions to review the progress of executing projects; (ii) periodic and proactive review of the loan portfolio for each country sector department and country, including a minimum of two portfolio review exercises per year mirroring the timing of the Progress Monitoring Report (PMR) cycle; (iii) monitor the 2018 disbursement cycle in order to improve accuracy of investment loan disbursement projections; (iv) continue efforts to better implement the Project Completion Reports (PCRs) to capture findings and recommendations for future operations; (v) strengthen the capacity of project teams to supervise projects while collaborating with Country Office teams to improve client dialogue and strengthen the executing agencies' project management capacities; (vi) support member countries in their efforts to modernize their public financial management and procurement systems via diagnostics, strengthening interventions, and validation of country systems; and (vii) integrate lessons learned from both public and private sector projects to enhance project supervision and development effectiveness.
- 3.25 The Bank will ensure that supervision efforts are strictly adhering to safeguards policies, and that key performance indicators are being identified as part of the environmental and social management reports, including related conditions in loan documents and operating manuals. Close to 50% of operations in execution Category B will have a team member from ESG assigned to the operation.
- 3.26 In addition, SPD will continue working on the implementation of the Office of Evaluation and Oversight's (OVE) recommendations on PCRs in which the scope, process, and guidelines are being reviewed.

## 5. Knowledge Development (includes Sector and Country Knowledge)

- 3.27 The overall objective of the Bank's knowledge and learning agenda is to increase the intellectual capital of the organization, its staff, and strategic partners in the region by consolidating an organizational culture of continuous learning and helping to strengthen capacities in the countries of the region.

- 3.28 The Bank has a fundamental part to play in the circulation of knowledge about the region's development, as a facilitator or intermediary promoting flows of knowledge relevant to the region, including knowledge originating inside the Bank based on its experience with operations and its analytical work, and knowledge from external sources (academia, research centers, professional associations, other multilateral organizations, governments, the private sector, etc.). The Bank then plays a role of intermediary, mobilizer, and disseminator at the service of the countries so they can reuse it.
- 3.29 The roles currently assigned in EXR and KNL to the management of knowledge, learning, communications, and innovation within the IDBG have the potential to present synergies and complementarities that could strengthen the organization's position in the region and optimize the quality of the Bank's products and services. Consolidating these functions could also ensure a more effective management of these strategic activities.
- 3.30 The Bank's Economic and Sector Work Products (ESW) program aims to address the region's challenges by including knowledge products that foster social inclusion and equality, productivity and innovation, economic integration, as well as knowledge work for gender equality and diversity, climate change sustainability and institutional capacity. The Bank will work on 84 ESWs ([ESWs list](#)) that will produce nearly 341 deliverables, which will include publications, databases, conferences and dissemination activities. In addition, the Bank expects to prepare 82 and supervise 288 Research and Dissemination TCs.
- 3.31 As in the past, the Bank will continue supporting the Regional Policy Dialogue through its 18 networks, addressing its main areas of work. Its activities include seminars and events, with the participation of high-level authorities from all countries in the region.
- 3.32 Approximately 52 draft IAMCs will be prepared in accordance with the established new guidelines to provide the framework for the operational program.
- 3.33 The Bank's country knowledge program will enhance and support dialogue to deepen its engagement with the region, producing studies to match the Bank's expertise with country needs. These products and activities are aligned with the key priorities of knowledge sharing and collaboration, respectively.
- 3.34 Technical sector inputs will be provided to CSs and CPDs, according to the new Country Strategy guidelines. In addition, six Sector Framework Documents will be prepared.

## **B. Corporate Main Business Functions**

- 3.35 Table 3.3 below provides an overview of the 2014-2018 key RBB performance indicators by Corporate Main Business Functions. As indicated in this table, 36.7% or \$202.1 million of Management Budget is allocated to support the corporate business priorities of the Bank: 26.1% or \$143.8 million of Management Budget is allocated to support the corporate services delivered across the Bank that encompass the efficient use of human and financial resources, and the effective provisioning of services to support the Bank's operational program; 8.5% or \$46.7 million is allocated to support corporate governance; and 1.6% or \$9.0 million is allocated to learning and collaborative knowledge management to respond to the Bank's needs, amongst others.



**Table 3.3. 2014-2018 Consolidated Key RBB Performance Indicators by Corporate Main Business Functions**

	Indicator Values				Indicator Estimate	2018 Plan			
	2014	2015	2016	2017		Operations Support <sup>1</sup> (\$000)	Non-Operational (\$000)	Total Approved Corporate Budget (\$000)	Non-Operational as a % of Total Mgmt. Budget
<b>Corporate Services</b>						<b>\$37,724</b>	<b>\$143,802</b>	<b>\$181,525</b>	<b>26.1%</b>
<b>Administrative Services</b>						\$20,956	\$35,346	\$56,302	6.4%
Facilities management cost per square meter at headquarters		\$102	\$95	\$96	\$97				
<b>Information Technology Services</b>						\$1,539	\$44,688	\$46,226	8.1%
Percentage of 2016-2020 Information Technology Strategy implementation indicators at or above target				96%	80%				
<b>Human Resources Management</b>						\$10,430	\$25,458	\$35,888	4.6%
Participant satisfaction rating with the delivery of Leadership and Employee Development (L&ED) Programs			4.5	4.5	4.5				
Percentage of clients satisfied or very satisfied with mediation services	94%	88%	85%	93%	80%				
<b>Financial Services</b>						\$986	\$18,806	\$19,792	3.4%
Percentage of borrowing program executed	127%	105%	100%	108%	100%				
<b>Budgeting Services</b>						\$3,787	\$5,142	\$8,929	0.9%
Percentage of client satisfaction with budgeting services	82%	58%	72%	83%	70%				
<b>Secretariat Services</b>						\$13	\$8,107	\$8,120	1.5%
Percentage of client satisfaction with SEC services provided to the Board of Directors		96%	97%	97%	85%				
<b>Legal Services</b>						\$3	\$6,214	\$6,217	1.1%
Average number of legal documents prepared, reviewed, commented and negotiated per attorney			49	45	47				
<b>Pensions Plan Management and Administration</b>						\$10	\$41	\$51	0.0%
<b>Corporate Governance</b>						<b>\$11,046</b>	<b>\$46,653</b>	<b>\$57,699</b>	<b>8.5%</b>
<b>Strategic Governance, Risk and Control</b>						\$926	\$29,467	\$30,393	5.3%
Percentage of active recommendations tracked in the ReTS whose corresponding action plans are being implemented within the established time frame			94%	97%	92%				
Percentage of AUG audits completed <sup>2</sup>	100%	100%	100%	69%	100%				
Percentage of OII cases in which the final decision results in sanction	95%	96%	94%	89%	80%				
Percentage of investment portfolio risks managed consistent with the Board risk appetite to ensure adequate liquidity for the Bank				100%	100%				
Percentage of ethics consultations answered within 10 business days		100%	100%	98%	80%				
<b>Corporate Management</b>						\$988	\$957	\$1,946	0.2%
<b>Policies, Guidelines, Reports and Advice</b>						\$762		\$762	
<b>Process Improvement</b>						\$8,370	\$16,229	\$24,599	2.9%
<b>Learning and Collaborative Knowledge Management</b>						<b>\$40,913</b>	<b>\$9,029</b>	<b>\$49,942</b>	<b>1.6%</b>
<b>Staff and Regional Training</b>						\$26,533	\$4,586	\$31,118	0.8%
Average number of training hours per person	72	70	62	77	68				
<b>Knowledge Dissemination</b>						\$1,201	\$79	\$1,280	0.0%
Percentage of corporate input products deliverables completed	94%	91%	93%	79%	93%				
<b>Internal Knowledge Sharing</b>						\$8,124	\$1,555	\$9,679	0.3%
<b>Management of Knowledge Products</b>						\$5,055	\$2,809	\$7,864	0.5%
<b>Capital Improvements Management</b>						<b>\$322</b>	<b>\$2,569</b>	<b>\$2,890</b>	<b>0.5%</b>
<b>Delivery of Technology Solutions</b>						\$3	\$468	\$471	0.1%
<b>Facilities Improvement, Replacement and Operations</b>						\$319	\$2,101	\$2,420	0.4%
<b>Subtotal Corporate Main Business Functions</b>						<b>\$90,004</b>	<b>\$202,052</b>	<b>\$292,057</b>	<b>36.7%</b>

Notes: SEC - Office of the Secretary, SPD - Office of Strategic Planning and Development Effectiveness, OII - Office of Institutional Integrity, AUG - Office of the Executive Auditor

Indicators with no values for a given year are not available or not in effect for that period.

<sup>1</sup> Includes all corporate activities performed by the operational vice presidencies as well as costs for country office operations and maintenance, and security.

<sup>2</sup> A few audits are completed in the first quarter of the subsequent year.

## 1. Corporate Services

- 3.36 During 2018, the Bank will continue enabling a more efficient use of resources and an effective delivery of corporate services, while contributing to the 2018 work program priorities through: (i) supporting the Bank's operational program by providing quality and timely legal and financial services to operations; (ii) implementing the Human Capital Strategy (HCS) Update, the TRF Update, the 2016-2020 Information and Technology Strategy, and the 2018-2020 Medium Term Capital Budget Plan; (iii) enhancing collaboration with the IDB Invest under the Service Level Agreements (SLAs) environment; (iv) supporting the implementation of the new service provision environment between the Bank and the Multilateral Investment Fund (MIF); (v) strengthening the Vice Presidency for Finance and Administration (VPF) departments'

functional structures and streamlining processes to improve the way the Bank works and to continue identifying efficiencies and cost containment and avoidance; and (vi) optimizing and expanding the Costa Rica Service Center to reinforce the delivery and quality of Human Resources, Financial, Information Technology (IT) and other corporate services to the IDBG, while contributing to the Bank's overall efficiency.

#### **a) Administrative Services**

- 3.37 The Administrative Services, Security, and Corporate Procurement Division (BDA/ACP) will focus on: (i) reviewing sustainability efforts for its green certified offices and establishing goals for Leadership in Energy and Environmental Design (LEED) re-certification in 2019; (ii) leveraging the new Supplier Registration platform in SAP to expand its potential supplier base and track opportunities given to small, disadvantaged and minority/women-owned businesses; (iii) improving the efficiencies between the Bank Executed Operations Portal and Convergence to allow automated document transfer; (iv) consolidating the recent IDBG document repository - ezShare implementation in order to leverage the benefits for the IDBG, as well as enhancing the Records Management function in Country Offices (COFs); and (v) launching a travel data warehouse to provide the IDBG a tool to monitor and review travel details and expenses.

#### **b) Information Technology Services**

- 3.38 The Information Technology Department (ITE) will follow the 2016-2020 IT Strategy and will focus on: (i) managing strategic projects to increase client focus, and knowledge and decision making, such as the Business Intelligence, Analytics and Data Governance project, and the Audience Intelligence project; (ii) promoting the adoption of IDBG solutions and tools by employees to maximize the value of the tools; (iii) continuing the incorporation of mobility, cloud computing, and digitalization into IT solutions to provide agility, efficiency, and collaboration with emphasis on increased availability and response times for COFs' productivity, such as the COF Direct Connectivity to the Cloud project; (iv) providing innovation and digital advisory services to business areas across the IDBG that are relevant to fulfill internal and clients' needs; and (v) mitigating IT risks through the continued execution and update of the multi-year cyber-security roadmap.

#### **c) Human Resources Management**

- 3.39 The Human Resources Department (HRD) will continue with the implementation of the IDBG HCS in alignment with the UIS and by engendering a results-driven, inclusive, and diverse culture that engages staff and drives performance, while encouraging innovation and collaboration. HRD will focus on: (i) addressing talent identification, retention, career management, and staff development needs; (ii) deploying a workforce planning and management service and a proactive recruitment strategy through sourcing techniques powered by analytics; (iii) improving the performance management system; (iv) strengthening IDBG leadership and management capabilities by supporting supervisors as people managers; (v) implementing the TRF Update, including the development of incentives and rewards that promote inter/intra-institutional collaboration and synergies; (vi) implementing new contracts with third-party administrator(s) for the IDBG self-insured healthcare plans; and (vii) introducing key process improvements for an enhanced and efficient service delivery through new IT tools, including the optimization of the operations in the Costa Rica Service Center and its service delivery.
- 3.40 The Office of Mediation (MDN) will continue its work as an additional instrument to help solve work-related disputes thus contributing to boost the Bank's overall efficiency and improving

workplace relations by providing mediation services and reaching agreements, while avoiding the escalation of grievances and its related costs, as well as by supporting IDBG employees and Management in preventing and resolving potential conflicts at their earliest stages, resulting in a better work environment and a higher level of employee engagement.

#### **d) Financial Services**

- 3.41 The Finance Department (FIN) will focus on: (i) mobilizing external financing and leading the dialogue with various market stakeholders (e.g. counterparts, investors, external auditors and rating agencies) to enable the Bank to meet its operational program while preserving its strong financial footing; (ii) continuing its work on expanding local currency capabilities by growing operations in Brazil, Mexico and Colombia; (iii) improving efficiency through further automation and elimination of manual processes by completing the first release of the new Loan and Cash Management systems; (iv) contributing to increase resource mobilization by exploring new products and services to clients such as asset management and hedging instruments, possibly pursuing a pilot with one to two borrowing member countries; (v) expanding IDB Treasury's investment and funding alternatives by trading Repos/Reverse-repos; and (vi) improving value proposition to donors by simplifying financial management and reporting processes.

#### **e) Budgeting**

- 3.42 The Budget Division (BDA/BGT) will focus on: (i) delivering six program and budget documents and presentations to Senior Management and the Board; (ii) continuing to improve the budgetary process, tools, and training, leveraging the Hyperion budget formulation and execution system implemented in 2017; (iii) implementing the recommendations following the agreed upon roadmap resulting from the 2017 study on Strengthening the IDB Budget Process via Multi-year Budget Approach, Expenditure Review and RBB Framework Review; and (iv) continuing improvements on the transparency and rigor in the capital projects selection process and in project execution monitoring and reporting.

#### **f) Secretariat Services**

- 3.43 SEC will build resource and activity planning capacity in pursuit of efficiencies and continue to review internal processes and procedures for the timely delivery of high quality products and services. As a result, and in view of the increase in IDB/IDB Invest joint meetings, which are more complex in planning and execution, SEC will develop internal guidelines for closer coordination with the different parties involved and continue to unify its processes supporting the Boards of Executive Directors of the IDB and IDB Invest.

#### **g) Legal Services**

- 3.44 The Legal department (LEG) will focus on: (i) preparing, negotiating and executing Bank legal agreements, and developing and updating model agreements and forms; (ii) preparing and reviewing documents to support SG operations, such as the revised lending instruments under the IDB's Instruments Review; (iii) supporting negotiations and preparing legal documents for resource mobilization; (iv) providing legal opinions on the implementation of Bank policies, strategies and regulations, such as the Independent Consultation and Investigation Mechanism (MEC) policy and cases; and (v) supporting strategic initiatives such as the climate change goal and the use of Country Procurement Systems.

## **h) Pension Plans Management and Administration**

- 3.45 The Office of the IDBG Retirement Plans will focus on: (i) ensuring that the Plans' actuarial valuations and audited financial statements accurately reflect their financial condition; (ii) ensuring that the Plans' assets are invested in compliance with approved policies, with appropriate risk and return profiles, including implementation of new asset allocations for several plans; (iii) ensuring that the Plans are administered accurately, efficiently and responsively to participants' needs; and (iv) continuing the improvement and integration of the Pension Administration and the SAP systems.

## **2. Corporate Governance**

### **a) Strategic Governance, Risk and Control**

- 3.46 SPD will coordinate with relevant IDBG business units the preparation of the 2020-2023 Institutional Strategy and Corporate Results Framework. In addition, and as part of the work of its strategic workstream, SPD will lead projects that focus on developing and carrying out proposals and an analytical agenda to enhance the Bank's role in the region.
- 3.47 Among other activities related to corporate governance, SPD will also: (i) lead and coordinate the Bank's effort to improve overall data quality, including developing protocols for effective data governance; (ii) advance the implementation of the Operations Policy Committee (OPC)-approved proposal to update the Project Risk Management framework; and (iii) provide strategic guidance for the resource allocation of OC- SDP operations.
- 3.48 The Office of Institutional Integrity (OII) will continue to direct efforts at building partnerships and collaborate with other Multilateral Development Banks (MDBs) and national authorities to further the anti-corruption agenda, including a consistent approach to new and developing themes in the field, and to increase the impact beyond cross debarment. OII will continue to contribute to all IDB Invest operations, providing expert advice regarding the identification, assessment and mitigation of integrity and reputational risks. Where relevant, OII will provide technical assessments of (i) the systems of financial institution counterparties, and (ii) the tax risks posed by the use of cross-border corporate structures.
- 3.49 EXR, in coordination with ORP, will continue to work to better position the IDBG's work among key stakeholders and partners in the region. In close collaboration with operational departments and ORP in particular, EXR will produce a Demand Solutions event on cities as part of 2018 Annual Meeting. Also, EXR will have an active plan to protect, revitalize and revamp the IDB Art Collection through the implementation of a professional art management and storage system. In addition, EXR will be hosting leading innovators to showcase ideas and enterprises relevant to development challenges.
- 3.50 The Office of Risk Management (RMG) will be proposing changes to the capital adequacy regulations, as applicable, once the new S&P multilateral lending institution methodology is released. It will also implement a New Strategic Asset Allocation Framework with revised guidelines, limits, and benchmarks to keep investment strategies aligned with risk appetite, and implement portfolio risk measures and assessments, as well as daily monitoring, reporting, and risk mitigation to control investment and derivative portfolio risks. RMG will also continue to foster exchange of best practices among the Chief Risk Officers (CROs) of MDBs, and particularly to build common ground on the evolving topics of balance sheet optimization and rating agency methodologies.

- 3.51 The Office of Ethics (ETH) will roll out a new Declaration of Interests (DoI) platform, resulting in resource savings and efficiency gains to the IDBG realized through the merging of the IDB and IDB Invest programs, an improved user interface, and greater data capture and analytical capabilities.
- 3.52 The Office of the Executive Auditor's (AUG) 2018 Risk Based Audit Plan will continue to be focused on three priority areas of institutional importance, namely (i) Key Organizational Changes, (ii) Core Business, and (iii) Emerging Topics. AUG will continue to develop tools and techniques to improve corporate services, audit coverage, and identify relevant trends or exceptions that warrant further analysis. These new tools and techniques provide an array of benefits including, but not limited to, the ability to review 100% rather than only a sample of related transactions, the development of more comprehensive audit conclusions, the implementation of continuous risk assessments, and the execution of work in a less costly and more efficient manner.

### **b) Corporate Management**

- 3.53 SPD will lead the engagement of the IDBG with other MDBs and Development Finance Institutions (DFIs) as well as its participation in global governance fora on several fronts. In particular, SPD will coordinate IDBG support to the priorities of the Argentina G20 Presidency, and will engage with the Eminent Persons' Group (EPG), which has been tasked to issue recommendations to revamp the international financial architecture, including the participation and role of MDBs/Regional Development Banks (RDBs). Moreover, SPD will chair the RDB Working Group at all levels (Heads, Sherpas, and specialized working groups), and coordinate the IDBG's participation in this forum as well.

## **3. Learning and Collaborative Knowledge Management**

- 3.54 Management of knowledge and learning in the Bank covers its generation, sharing, and dissemination, already systematized internally or externally ('explicit' or 'codified' knowledge), and the sharing, systematization, and dissemination of knowledge that emerges from the Bank's operational and corporate experience (knowledge that has traditionally been 'implicit' or 'uncodified'). The effectiveness of the Bank's action will depend on identifying the complementarities and synergies between the previously-mentioned functions, as well its capacity to link its internally-generated knowledge with the knowledge it acquires from external sources and the maintenance and updating of the existing store of intellectual capital, through training, the sharing of knowledge, systematization of the learning that stems from experience, and the dissemination of knowledge.
- 3.55 An estimated 175 deliverables for 51 Corporate Input Products (CIPs) will be prepared, which include activities related to Gender, Climate Change and most of KNL's program ([CIP list](#)).
- 3.56 Regarding the Gender Action Plan (GAP) (2017-2019), a CIP will provide an important contribution for the achievement of GAP's main outcome of supporting the implementation of the Bank's Gender Policy by expanding and improving the quality of the IDB's development interventions that support member countries' goals and commitments to promote gender equality and women's empowerment.
- 3.57 CSD will also continue to support the positioning of the IDB in the international dialogue on sustainability and climate change in the emerging financial architecture and implementing the climate change action plan. CSD corporate input products will reinforce IDB's cross-sectorial collaboration in support of our public and private lending, and technical assistance efforts.



- 3.58 Having relevant and cutting-edge knowledge promotes the organization's capacity to dialogue effectively with the countries, while making it possible to identify and propose innovations, compile, systematize, and interpret data from different contexts, and capture key learning. It also turns the Bank into a repository of sector and institutional knowledge and a source of public goods for the countries in their efforts to design, implement, and evaluate policies, programs, and projects for the region's development.
- 3.59 During 2018, special effort and resources will be dedicated to support the current need of cutting-edge knowledge from external sources in fields demanded by the region in which the Bank has not yet accumulated expertise and experience. This program will aim to bring vanguard knowledge to the Bank in specific sectoral topics as well as the "Visiting Scholars program" that will support the generation, systematization, and dissemination of knowledge on current issues.

#### **4. Capital Improvements Management**

- 3.60 During 2018, the Bank will focus on managing the completion of the first release of the new Loan and Cash Management systems, which will increase the Bank's agility in responding to market driven offerings and clients' demands, while delivering improved functionality to service the Bank's loan and cash portfolios and providing better information to clients. The Bank will execute the Corporate and Operational Improvement Programs to drive efficiencies through SAP and Convergence systems. The Budget and Administrative Services Department (BDA) will manage (i) Phase II of the Ashburn Conference and Training Center, and (ii) the replacement of COFs Jamaica and Dominican Republic.

#### 4. 2018 IDB APPROVED ADMINISTRATIVE BUDGET

##### A. 2018 IDB Management Budget Nominal Growth Relative to the 2017 Approved Budget

- 4.1 The IDB has made considerable efforts to utilize its budgetary resources more efficiently. During 2007-2018, the Bank's Management Budget has experienced an average annual real growth of 0.9%, to deliver on the multiple mandates given to Management by the Board of Executive Directors and/or the Board of Governors, many of them captured under the IDB-9 and the Agenda for a Better Bank. These mandates have resulted in, among others, changes to the Bank's production functions, increasing the specialization of inputs to produce more complex operations with higher developmental impact ([PP-588-18](#)); accompanied by higher levels of loan approvals and disbursements.
- 4.2 Management's continuous commitment to increase efficiencies and enhance cost management and financial sustainability have led to the implementation of a variety of measures aimed at containing costs and performing internal budget reallocations and reductions. As a result of these measures, since 2008 Management has delivered a total of approximately \$191 million in cost savings and cost avoidance measures in both the Administrative and Capital budgets.<sup>10</sup> These costs consist primarily of the Realignment payback, savings in the implementation of the IDB-9 Mandates, Capital Budget cancellations, and policy and process reforms, amongst others. These savings were not recorded as administrative expenses in the Income Management Model (IMM) and, hence, did not affect loan charges, but in fact contributed to accumulation of Bank capital via higher retained earnings.
- 4.3 In order to address the Bank's need and demands on its operational program, the approved Administrative Budget envelope for 2018 is \$591.4 million, amount that represents a negative real growth of -0.8%, or a nominal growth of 2.0% (with a CCAC of 2.7%). For the Management Budget category, the approved budget entails a -0.6% real growth, equivalent to a 2.1% nominal growth, amounting to \$551.2 million.
- 4.4 Management identified \$18.8 million in resource demands for 2018 relative to the 2017 Approved Budget. These demands include: (i) \$14.2 million (corresponding to 2.7% CCAC) to cover all expected market-driven increases in Labor Costs (82% or \$11.6 million) and Non-Labor Costs (18% or \$2.6 million); and (ii) \$4.6 million beyond the CCAC for recurring administrative expenses related to completed capital projects (\$3.1 million) and for promotions (\$1.5 million).
- 4.5 Furthermore, Management reduced this additional \$18.8 million resource demand by \$7.5 million to a nominal approved budget of \$11.3 million for the Management Budget category. The \$7.5 million will be reallocated to fund \$3.1 million for recurring administrative expenses related to completed capital projects, and \$1.5 million for promotions, as well as provide \$2.9 million in budget reductions.

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<sup>10</sup> Costs savings and cost avoidance measures totaling \$136.5 million up to April 2015 were highlighted in the presentation to Budget and Financial Policies Committee (BUFIPO) on Cost Savings and Cost Avoidance Measures ([GA-258-13](#)).

## 1. 2018 Resource Demands Before Budget Reductions and Internal Reallocations (\$18.8 million)

- 4.6 Management identified \$18.8 million in resource demands for 2018 relative to the 2017 Approved Budget, as follows:

### a) 2018 Composite Cost Adjustment Component (\$14.2 million)

- 4.7 The 2018 CCAC computation reflects the specialized cost structure of the Bank and includes expected market-driven Labor and Non-Labor Cost increases on a weighted average basis. For CCAC computation purposes, Labor Cost increases are aligned with the Board-approved market-based salary increase methodology established in the TRF Update<sup>11</sup> policy; while Non-Labor Costs are set by the expected U.S. CPI and Latin American regional inflation levels. The purpose of the CCAC is to reflect market-based price inflation increases that Management expects to pay in 2018, and as in past years sets the threshold in nominal terms for computing the zero-real budget growth level.<sup>12</sup>
- 4.8 As illustrated in Table 4.1 below, the Administrative Budget for 2018 involves a CCAC of 2.7% based on a weighted Labor Cost Adjustment Component of 2.3% and a weighted Non-Labor Cost Adjustment Component of 0.5%.

**Table 4.1. 2018 Composite Cost Adjustment Component**

Item	Cost Adjustment Component	Weight <sup>1</sup>	Weighted Cost Adjustment Component
Labor Costs	2.8%	81.8%	2.3%
Non - Labor Costs	2.6%	18.2%	0.5%
<b>2018 Composite Cost Adjustment Component</b>			<b>2.7%</b>

<sup>1</sup> Determined based on 2017 Approved Budget.

- 4.9 The 2018 CCAC of 2.7% corresponds to the actual dollars the Bank is expected to spend on its specialized Labor and Non-Labor Costs to sustain Bank operating costs in 2018, all else being constant. CPI and other cost-of-living measurements are not related to the Bank's specialized labor costs. The Bank pays salaries at levels competitive in specific labor markets, as required to attract and retain highly qualified staff in accordance with TRF Update policy. The use of CPI is only applicable to the Non-Labor components of the CCAC.

### i. 2018 CCAC - Labor Costs

- 4.10 Table 4.2 below shows detailed information on the construction of the Labor Cost portion of the CCAC. Labor Costs include both Staff Labor Costs (SLC) and Complementary Labor Costs (CLC), i.e. consulting services that are directly engaged in business-related activities, including Complementary Workforce (CWF), learning firms to support knowledge management and training, employment agencies and freelancers, business consulting firms, internship programs, and audit and legal fees.

<sup>11</sup> Update to the Bank's Total Rewards Framework. Revised Version. ([GN-2799-16](#)).

<sup>12</sup> IDB Composite Price Adjustment Factor (CPAF) Methodology ([GA-258-10](#)).



**Table 4.2. 2018 Labor Cost Adjustment Component**

Item	Source	Cost Adjustment Component	Weight <sup>1</sup>	Weighted Cost Adjustment Component
<b>Labor Costs</b>		<b>2.8%</b>	<b>81.8%</b>	<b>2.3%</b>
SLC - International Staff (HQS & COF)	HRD - Approved Funded Salary Increase (FSI) for 2018	2.7%	58.0%	1.6%
SLC - National Staff (COF)	HRD - Approved Funded Salary Increase (FSI) for 2018	3.5%	5.0%	0.2%
CLC - Complementary Workforce (CWF) - International <sup>2</sup>	HRD - Projected increase in International Complementary Workforce (CWF) fees <sup>3</sup>	2.7%	17.0%	0.5%
CLC - Complementary Workforce (CWF) - National <sup>2</sup>	HRD - Projected increase in National International Complementary Workforce (CWF) fees <sup>3</sup>	3.5%	1.8%	0.1%

<sup>1</sup> Determined based on 2017 Approved Budget.

<sup>2</sup> Includes consulting services that are directly engaged in business-related activities: Complementary Workforce (DTC, TTC, and PEC), employment agencies and freelancers, business consulting firms, learning firms to support Knowledge Management and Training, internship programs, audit and legal fees.

<sup>3</sup> Source used for CWF is the Funded Salary Increase.

- 4.11 In line with the TRF Update policy<sup>13</sup> approved by the Board, an indexation survey was conducted and was used as an input to determine the Funded Salary Increase (FSI) recommended by Management for 2018. The resulting FSI is 2.7% for international staff and 3.5% for national staff. In the case of national staff, the FSI takes into account the overall impact of exchange rate fluctuations.

## ii. 2018 CCAC - Non-Labor Costs

- 4.12 Table 4.3 below provides details on the construction of the 0.5% Non-Labor weighted cost adjustment component for 2018.

<sup>13</sup> Update to the Bank's Total Rewards Framework. Revised Version. ([GN-2799-16](#)), October 17, 2016.

**Table 4.3. 2018 Non-Labor Cost Adjustment Component**

Item	Source	Cost Adjustment Component	Weight <sup>1</sup>	Weighted Cost Adjustment Component
<b>Non - Labor Costs - NLC</b>		<b>2.6%</b>	<b>18.2%</b>	<b>0.5%</b>
Outside Services <sup>2</sup>	2018 Average projected U.S. Consumer Price Index (CPI): Congressional Budget Office, Fed, IMF, and the Economist Intelligence Unit	2.1%	0.7%	0.0%
Travel <sup>3</sup>	2018 Average projected U.S. Consumer Price Index (CPI): Congressional Budget Office, Fed, IMF, and the Economist Intelligence Unit	2.1%	5.4%	0.1%
General Administrative Costs COF	2018 Projected regional inflation for Latin America: Latin Focus Consensus (independent economic forecast) <sup>4</sup>	5.3%	2.7%	0.1%
Learning Logistics and Fees <sup>5</sup> and General Administrative Costs HQS	2018 Average projected U.S. Consumer Price Index (CPI): Congressional Budget Office, Fed, IMF, and the Economist Intelligence Unit	2.1%	9.5%	0.2%

<sup>1</sup> Determined based on 2017 Approved Budget.

<sup>2</sup> Includes consulting services that do not directly support the Bank's business activities.

<sup>3</sup> Includes international and local business travel and training travel to support Knowledge Management.

<sup>4</sup> Reflects a lower Cost Adjustment Component by excluding outliers.

<sup>5</sup> Includes learning and tuition fees and learning logistics to support Knowledge Management.

### **b) 2018 Resource Demands Beyond the CCAC (\$4.6 million)**

- 4.13 2018 resource demands beyond the CCAC amount to \$4.6 million which will be funded with internal budget reductions and budget reallocations.

#### **i. Incremental funding for recurring administrative expenses related to completed capital projects (\$3.1 million)**

- 4.14 Additional resources will be required in 2018 to fund recurrent administrative expenditures generated by capital budget IT and Facilities projects foreseen for completion by the end of 2017. These additional resources amount to \$3.1 million<sup>14</sup> and reflect the net increase over the existing administrative costs for the products/facilities that are being replaced/expanded and fresh resources for new products. The \$3.1 million needed will be funded internally through internal budget reallocations.

#### **ii. Promotions (\$1.5 million)**

- 4.15 Continuing with past practice and based on the Bank's historical promotion pattern, Management is proposing 0.5% (\$1.5 million) of payroll for promotions, which will be funded through internal Staff Labor Costs resources in 2018.

<sup>14</sup> Resources for capital projects such as the Loan Financial Management and Cash Management Solutions Renewal Program, the Operations Solutions and IT Security Renewal Programs for 2017-2019, the Local Currency Implementation Project, and eleven other projects.

## 2. 2018 Budget Reductions and Internal Reallocations (\$7.5 million)

- 4.16 Given Management's continued commitment to contain costs, the \$18.8 million in resource demands for 2018 relative to the 2017 Approved Budget was reduced by \$7.5 million, a portion of which was reallocated internally to fund the \$4.6 million in resource demands beyond the CCAC. The internal budget reductions were made in the following areas:
- (a) **Staff Labor Costs** as a result of structural changes in the Bank's organization and other staff cost savings.
  - (b) **Complementary Labor Costs**, due to lower 2018 projected costs.
  - (c) **Non-Labor Costs** to reflect: (i) lower utility costs from energy efficiency projects, (ii) lower costs given the renegotiation of some Bank's services provider's contracts (printing, mobile telephony); (iii) a reduction of non-transactional travel budget and the globalization of travel agency services; and (iv) MIF's new strategy and the Social Entrepreneurship Program's (SEP) projected volume, impacting the Micro, Small and Medium Enterprise Unit (MIF/MSM).

## 3. 2018 Variable Pay and Recognition

- 4.17 The reward elements of variable pay<sup>15</sup> and recognition<sup>16</sup> were also addressed in the TRF Update.<sup>17</sup> For 2018, variable pay and recognition are being financed with internal resources during budget execution.

## B. 2018 Approved Administrative Budget by Labor and Non-Labor Costs

- 4.18 Table 4.4 below shows the 2018 Administrative Budget split into Labor and Non-Labor Costs. Labor costs comprise both 63.2% in Staff Labor Costs and 18.3% in Complementary Labor Costs, i.e. consulting services that are directly engaged in business-related activities, including Complementary Workforce (CWF), learning firms to support knowledge management and training, employment agencies and freelancers, business consulting firms, internship programs, and audit and legal fees. The 18.5% in Non-Labor Costs includes consulting services that do not directly support the Bank's business activities (Outside Services), as well as business and training travel, learning logistics and fees, and general administrative costs.
- 4.19 The 2018 approved Labor Costs under Management Budget represent 81.4% of the total cost, or \$448.9 million, of which \$345.4 million correspond mainly to staff salaries and benefits, and \$103.5 million to the Complementary Workforce (including \$20.7 million to the Complementary Workforce under the Transactional Budget). Non-Labor Costs total \$102.3 million or 18.6 % of all costs (including \$12.7 million of travel under the Transactional Budget).
- 4.20 Labor Costs approved for Operational departments (including the Transactional Budget) total \$268.4 million or 86.1% versus \$43.2 million or 13.9% for Non-Labor Costs, whereas for Corporate departments these numbers are \$171.8 million or 78.8% and \$46.2 million or 21.2%, respectively.

<sup>15</sup> Variable pay is defined as non-pensionable, lump sum award to staff based on their performance.

<sup>16</sup> Recognition is defined as acknowledgement of day-to-day contributions and valued behaviors through small monetary and non-monetary awards provided to employees.

<sup>17</sup> Update to the Bank's Total Rewards Framework. Revised Version. [GN-2799-16](#), October 17, 2016.

Table 4.4. 2018 Approved Administrative Budget by Labor and Non-Labor Costs

Organizational Unit (\$000)	a		b		c = a + b		Non-Labor Costs				d		e = c + d
	Labor Costs		Total Labor Costs		NLC				Total Non-Labor Costs		TOTAL COSTS		
	SLC	CLC											
	Staff Costs <sup>1 2</sup>	Complementary Workforce (CWF) <sup>3</sup>	\$	%	Outside Services <sup>4</sup>	Learning Logistics and Fees <sup>5</sup>	Travel <sup>6</sup>	General Administrative Cost	\$	%			
Total BOG, EXD, MEC, OVE & Tribunal	28,228	4,745	32,973	81.9%	300	4,310	2,674	7,283	18.1%	40,256			
Management Budget													
Vice Presidency for Countries	74,460	16,223	90,683		24	428	4,104	13,821	18,376	109,059			
Vice Presidency for Sectors and Knowledge	134,819	22,281	157,099		305	2,265	5,330	4,235	12,135	169,234			
Transactional (Operational Support Budget) <sup>7</sup>		20,655	20,655				12,718		12,718	33,374			
Sub-total VPC, VPS, and Transactional	209,278	59,160	268,438	86.1%	328	2,693	22,152	18,056	43,229	13.9%	311,667		
Strategic Core	58,755	11,938	70,693		146	386	2,289	6,110	8,931	79,624			
Vice Presidency for Finance and Administration	70,713	30,428	101,141		2,308	909	644	33,406	37,268	138,408			
Sub-total STC and VPF	129,468	42,366	171,834	78.8%	2,454	1,295	2,933	39,516	46,199	21.2%	218,033		
Bankwide <sup>8</sup>	4,482	613	5,095			4	23	1,726	1,753	6,848			
Sanctions Office	500	318	818			18	28	32	78	896			
Funded Salary Increase	450		450							450			
Sub-total Bankwide, Sanctions Office & Funded Salary Increase	5,432	931	6,363	77.6%		22	51	1,758	1,832	22.4%	8,194		
Staff in Transition and Reassignment	1,200		1,200							1,200			
Termination Payments								1,500	1,500	1,500			
Central Accounts		577	577		728		25	8,775	9,529	10,106			
Ethics/Conduct/ Grievance Systems		488	488							488			
Sub-total	1,200	1,065	2,265	17.0%	728		25	10,275	11,029	83.0%	13,294		
Total Management Budget	345,378	103,521	448,899	81.4%	3,511	4,010	25,162	69,605	102,288	18.6%	551,188		
BANK TOTAL (BOG, EXD, MEC, OVE, Tribunal, and Management Budget)	373,606	108,266	481,872	81.5%	3,511	4,310	29,472	72,279	109,572	18.5%	591,443		

<sup>1</sup> Includes Salaries, Benefits, Overtime, and Special Employees.

<sup>2</sup> VPs/Departments include an estimated Funded Salary Increases of 2.7% for International Staff and 3.5% for National Staff, for illustrative purposes only.

<sup>3</sup> Includes consulting services that are directly engaged in business-related activities: complementary workforce (CWF) (DTC, TTC, and PEC), learning firms to support Knowledge Management and training, employment agencies and freelancers, business consulting firms, internship programs, and audit and legal fees.

<sup>4</sup> Includes consulting services that do not directly support the Bank's business activities.

<sup>5</sup> Includes learning and tuition fees and learning logistics to support Knowledge Management.

<sup>6</sup> Includes international and local business travel and training travel to support Knowledge Management.

<sup>7</sup> Transactional budget will be executed primarily by VPS.

<sup>8</sup> Includes Staff, Family and Retirees Associations, Office of the Ombudsperson, Young Professionals, Internship Program, Staff Relations, Staff on Secondment, and other centrally held items.

### **C. 2018 Approved Administrative Budget by Organizational Unit and Major Item of Expense**

- 4.21 Table 4.5 below shows the 2018 approved budget by organizational unit. The decrease in the Board of Governors (BOG)/Board of Executive Directors (EXD)/MEC/OVE/Administrative Tribunal (TRI) category is driven primarily by the expected reduction in travel costs for the Bank's 2018 Annual Meeting in Mendoza, Argentina.
- 4.22 For 2018, the Management Budget category shows the Transactional Budget (Operational Support Budget) as a separate line item in order to track its formulation and execution separately from the Vice Presidency for Countries (VPC) and the Vice Presidency for Sectors and Knowledge (VPS). However, the established protocols for managing those resources between the two Vice Presidencies remain unchanged.
- 4.23 Within the Management Budget category, major percentage decreases between the 2017 Adjusted Approved Budget and the 2018 Approved Budget are mainly observed in: (i) the Micro, Small and Medium Enterprise Unit given MIF's new strategy and organizational structure as well as SEP's projected volume; and (ii) Central Accounts, due to lower printing costs and lower utility costs from energy efficiency projects in the Bank's Washington D.C. buildings.
- 4.24 On the other hand, major percentage increases between the 2017 Adjusted Approved Budget and the 2018 Approved Budget are observed in: (i) VPC and VPF's front offices, given that they include resources that will be distributed to their departments during budget execution based on work program priorities and unanticipated needs; and (ii) ITE where 80% of the \$3.1 million resource demand for 2018 for recurring administrative expenses related to completed capital projects will be executed.

Table 4.5. 2018 Approved Administrative Budget by Organizational Unit

Organizational Unit (\$000)	2017 Adjusted Approved Budget <sup>1</sup>		2018 Approved Budget <sup>2</sup>		2018 Approved vs. 2017 Adjusted Approved		
	HC	\$	HC	\$	\$	% Nominal	% Real
Board of Governors		4,964		4,493	(472)	-9.5%	-12.2%
Board of Executive Directors	102	22,992	102	23,386	394	1.7%	-1.0%
Independent Consultation and Investigation Mechanism	6	2,536	6	2,632	96	3.8%	1.0%
Office of Evaluation and Oversight	30	8,014	30	8,181	167	2.1%	-0.6%
Administrative Tribunal	2	1,564	2	1,564			-2.7%
<b>Sub-total BOG, EXD, MEC, OVE &amp; Tribunal</b>	<b>140</b>	<b>40,070</b>	<b>140</b>	<b>40,256</b>	<b>186</b>	<b>0.5%</b>	<b>-2.3%</b>
<b>Management Budget</b>							
<i>Strategic Core</i>							
Office of the President	23	5,893	23	6,028	135	2.3%	-0.4%
Office of Institutional Integrity	13	3,455	13	3,513	57	1.7%	-1.1%
Office of the Executive Vice President	9	2,638	9	2,670	31	1.2%	-1.5%
Office of the Executive Auditor	23	5,433	23	5,552	119	2.2%	-0.5%
Office of External Relations	44	12,445	44	12,696	251	2.0%	-0.7%
Office of Outreach and Partnerships	41	11,927	41	12,190	263	2.2%	-0.5%
Office of Risk Management	24	8,197	24	8,390	193	2.4%	-0.4%
Office of the Secretary	62	13,020	62	13,301	281	2.2%	-0.6%
Office of Strategic Planning and Development Effectiveness	31	10,305	31	10,463	157	1.5%	-1.2%
Office of Ethics	7	1,872	7	1,901	29	1.5%	-1.2%
Micro, Small and Medium Enterprise Unit	14	3,977	10	2,920	(1,056)	-26.6%	-29.3%
<b>Sub-total Strategic Core Departments</b>	<b>291</b>	<b>79,164</b>	<b>287</b>	<b>79,624</b>	<b>461</b>	<b>0.6%</b>	<b>-2.2%</b>
Vice Presidency for Countries	14	4,640	14	4,980	339	7.3%	4.6%
Country Department Southern Cone	76	20,889	76	21,297	408	2.0%	-0.8%
Country Department Central America, Haiti, Mexico, Panama and the Dominican Republic	123	30,161	123	30,513	353	1.2%	-1.6%
Country Department Andean Group	76	16,248	76	16,290	43	0.3%	-2.5%
Country Department Caribbean Group	67	15,681	67	16,007	326	2.1%	-0.7%
Operations Financial Management and Procurement Services Office	88	19,418	88	19,971	553	2.8%	0.1%
<b>Sub-total Vice Presidency for Countries</b>	<b>444</b>	<b>107,037</b>	<b>444</b>	<b>109,059</b>	<b>2,022</b>	<b>1.9%</b>	<b>-0.8%</b>
Vice Presidency for Sectors and Knowledge	12	3,129	12	2,986	(143)	-4.6%	-7.3%
Environmental and Social Safeguards Unit	30	7,042	30	7,187	145	2.1%	-0.7%
Department of Research and Chief Economist	32	9,946	32	10,133	187	1.9%	-0.9%
Infrastructure and Energy Sector	134	30,086	134	30,881	795	2.6%	-0.1%
Social Sector	118	29,051	118	29,790	739	2.5%	-0.2%
Institutions for Development	145	34,995	145	35,991	996	2.8%	0.1%
Knowledge and Learning Sector	38	15,894	38	16,151	258	1.6%	-1.1%
Integration and Trade Sector	42	13,131	42	13,400	269	2.0%	-0.7%
Climate Change and Sustainable Development Sector	98	21,996	99	22,716	720	3.3%	0.5%
<b>Sub-total Vice Presidency for Sectors and Knowledge</b>	<b>649</b>	<b>165,269</b>	<b>650</b>	<b>169,234</b>	<b>3,965</b>	<b>2.4%</b>	<b>-0.3%</b>
Transactional (Operational Support Budget) <sup>3</sup>		33,374		33,374			-2.7%
<b>Sub-total Transactional</b>		<b>33,374</b>		<b>33,374</b>			<b>-2.7%</b>
<b>Sub-total VPC, VPS, and Transactional</b>	<b>1,093</b>	<b>305,680</b>	<b>1,094</b>	<b>311,667</b>	<b>5,987</b>	<b>2.0%</b>	<b>-0.8%</b>
Vice Presidency for Finance and Administration	7	2,292	7	2,416	124	5.4%	2.7%
Mediation Office	1	569	1	579	10	1.8%	-1.0%
Finance Department	100	24,146	100	25,073	927	3.8%	1.1%
Human Resources Department	68	19,404	68	19,740	336	1.7%	-1.0%
Information Technology Department	97	48,175	97	51,395	3,220	6.7%	3.9%
Budget and Administrative Services Department	58	29,163	58	29,850	687	2.4%	-0.4%
Legal Department	45	9,139	45	9,356	217	2.4%	-0.4%
<b>Sub-total Vice Presidency for Finance and Administration</b>	<b>376</b>	<b>132,888</b>	<b>376</b>	<b>138,408</b>	<b>5,520</b>	<b>4.2%</b>	<b>1.4%</b>
<b>Sub-total Strategic Core, VPC, VPS, Transactional, and VPF</b>	<b>1,760</b>	<b>517,731</b>	<b>1,757</b>	<b>529,699</b>	<b>11,968</b>	<b>2.3%</b>	<b>-0.4%</b>
Bankwide <sup>4</sup>	6	7,053	6	6,848	(205)	-2.9%	-5.6%
Sanctions Office	2	882	2	896	14	1.6%	-1.1%
Funded Salary Increase		634		450	(184)	-29.0%	-31.7%
<b>Sub-total Bankwide, Sanctions Office, and Funded Salary Increase</b>	<b>8</b>	<b>8,569</b>	<b>8</b>	<b>8,194</b>	<b>(375)</b>	<b>-4.4%</b>	<b>-7.1%</b>
Unfunded Vacancies from Departments	21		24				-2.7%
Staff in Transition and Reassignment	8	1,200	8	1,200			-2.7%
Termination Payments		1,500		1,500			-2.7%
Central Accounts		10,411		10,106	(305)	-2.9%	-5.7%
Ethics/Conduct/ Grievance Systems		488		488			-2.7%
<b>Sub-total</b>	<b>29</b>	<b>13,599</b>	<b>32</b>	<b>13,294</b>	<b>(305)</b>	<b>-2.2%</b>	<b>-5.0%</b>
<b>Sub-total Management Budget</b>	<b>1,797</b>	<b>539,899</b>	<b>1,797</b>	<b>551,188</b>	<b>11,288</b>	<b>2.1%</b>	<b>-0.6%</b>
<b>BANK TOTAL (BOG, EXD, MEC, OVE, Tribunal, and Management Budget)</b>	<b>1,937</b>	<b>579,969</b>	<b>1,937</b>	<b>591,443</b>	<b>11,474</b>	<b>2.0%</b>	<b>-0.8%</b>

<sup>1</sup> Adjustments were made to the Approved Budget (GA-263-6) for interdepartmental transfers of funds and functions until 08/15/2017.

<sup>2</sup> VPs/Departments include an estimated Funded salary increases of 2.7% for International Staff and 3.5% for National Staff, for illustrative purposes only, as well as \$2.5 million in ITE, \$476 thousand in FIN, \$55 thousand in BDA, \$40 thousand in CSC, and \$67 thousand in CCB for recurring administrative expenses from completed capital projects.

<sup>3</sup> Transactional budget will be executed primarily by VPS.

<sup>4</sup> Includes Staff, Family and Retirees Associations, Office of the Ombudsperson, Young Professionals, Internship Program, Staff on Secondment, Staff Relations, and other centrally held items.



4.25 Table 4.6 below shows the 2018 Approved Budget by major item of expense.

**Table 4.6. 2018 Approved Administrative Budget by Item of Expense**

Items of Expense (\$000)	2017 Adjusted Approved Budget <sup>1</sup>	2018 Approved Budget	2018 Approved vs. 2017 Adjusted Approved		
			\$	% Nominal	% Real
<b>Management Budget</b>					
<b>Labor Costs</b>					
SLC - Staff Costs <sup>2</sup>	337,717	345,378	7,661	2.3%	-0.5%
CLC - Complementary Workforce (CWF)	104,374	103,521	(853)	-0.8%	-3.6%
DTC & TTC - Contractual Modalities <sup>3</sup>	36,850	36,373	(477)	-1.3%	-4.0%
PEC - Contractual Modalities <sup>3</sup> & Business Consulting Firms <sup>4</sup>	46,839	46,493	(346)	-0.7%	-3.5%
Contractuals - Transactional Budget <sup>5</sup>	20,685	20,655	(30)	-0.1%	-2.9%
<b>Sub-total Labor Costs</b>	<b>442,091</b>	<b>448,899</b>	<b>6,808</b>	<b>1.5%</b>	<b>-1.2%</b>
<b>Non-Labor Costs - NLC</b>					
Outside Services <sup>6</sup>	3,875	3,511	(364)	-9.4%	-12.1%
Learning Logistics and Fees <sup>7</sup>	3,123	4,010	888	28.4%	25.7%
Travel	26,184	25,162	(1,022)	-3.9%	-6.6%
Training Travel & Business Travel - Local & International	13,495	12,444	(1,052)	-7.8%	-10.5%
Business Travel - Transactional Budget <sup>5</sup>	12,688	12,718	30	0.2%	-2.5%
General Administrative Costs <sup>8</sup>	64,627	69,605	4,978	7.7%	5.0%
<b>Sub-total Non-Labor Costs</b>	<b>97,808</b>	<b>102,288</b>	<b>4,480</b>	<b>4.6%</b>	<b>1.8%</b>
<b>Sub-total Management Budget</b>	<b>539,899</b>	<b>551,188</b>	<b>11,288</b>	<b>2.1%</b>	<b>-0.6%</b>
BOG, EXD, MEC, OVE & Tribunal	40,070	40,256	186	0.5%	-2.3%
<b>Sub-total BOG, EXD, MEC, OVE &amp; Tribunal</b>	<b>40,070</b>	<b>40,256</b>	<b>186</b>	<b>0.5%</b>	<b>-2.3%</b>
<b>BANK TOTAL (BOG, EXD, MEC, OVE, Tribunal, Management Budget)</b>	<b>579,969</b>	<b>591,443</b>	<b>11,474</b>	<b>2.0%</b>	<b>-0.8%</b>

<sup>1</sup> Adjustments were made to the Approved Budget (GA-263-6) for interdepartmental transfers of funds and functions until 08/15/2017.

<sup>2</sup> Includes Salaries, Benefits, Overtime, and Special Employees.

<sup>3</sup> Includes contractuals to support Knowledge Management and training and internship programs.

<sup>4</sup> Includes employment agencies and freelancers, business consulting firms, firms to support Knowledge Management and Training, audit and legal fees.

<sup>5</sup> Transactional budget will be executed primarily by VPS.

<sup>6</sup> Includes consulting services that do not directly support the Bank's business activities.

<sup>7</sup> Includes resources to support an increase in cutting-edge knowledge programs bringing to the institution specific sectoral knowledge and specialized courses to fulfill strategic institutional knowledge goals.

<sup>8</sup> Includes \$3.1 million for recurring administrative expenses related to completed capital projects.

4.26 Annex B illustrates the expenditures by Organizational Unit as of December 31, 2017.

## 5. 2018 APPROVED CAPITAL BUDGET

- 5.1 The 2018 approved Capital Budget has been presented with comprehensive details in the “2018-2020 Medium-Term Capital Budget Plan” ([GA-263-7](#)) approved by the Board on September 13, 2017. The present Chapter summarizes the key elements of the information presented in that document.

### A. Outcome of the Prioritization Exercise for 2018 Projects

- 5.2 After a review of all project proposals submitted for funding in 2018, 10 new projects were ultimately considered, further prioritized, and included in the 2018 Plan, together with 31 continuing projects (Figure 5.1). For further details on the 2018 Approved Capital Budget Plan by project category, namely Headquarters (HQS), COF and IT, as well as corresponding estimated requirements for 2019 and 2020, please refer to Annexes D1, D2 and D3.

**Figure 5.1. Outcome of the Prioritization Exercise for 2018 Projects**

2018 Capital Budget (41 Projects for \$50.1M)					
Facilities HQS		Facilities COF		IT	
10 Projects for <b>\$6.8M</b>		6 Projects for <b>\$8.6M</b>		25 Projects for <b>\$31.7M</b>	
Continuing: 6 Projects for \$6.4M	New: 4 Projects for \$0.4M	Continuing: 6 Projects for \$8.6M	New: 0	Continuing: 19 Projects for \$27.6M	New: 6 Projects for \$4.1M
Flexible Resources: <b>\$3.0M</b>					

### B. 2018 Capital Budget Plan – Overview

- 5.3 Management conducted an evaluation of the Capital Budget resource requirements initially requested by project sponsors, taking into consideration sponsors' capacity to execute their respective projects and estimated expenses and milestones foreseen for each individual project during 2018.
- 5.4 The result of the 2018 evaluation shows an approved Capital Budget for 2018 of \$50.1 million (versus \$52.8 million initially requested by project sponsors), that includes:
- \$47.1 million for all continuing and new projects which corresponds to the resources required to fund the set of achievable milestones foreseen for these projects in 2018.
  - \$3.0 million of Flexible Resources to enable funding of subsequent milestones for fast executing projects during 2018.
- 5.5 Table 5.1 below provides an overview of the 2018 approved Capital Budget Plan by Project Category.



**Table 5.1. 2018 Capital Budget by Project Category – Overview**

<b>Project Categories (\$000)</b>	<b>2017 Approved Budget</b>	<b>2018 Continuing Projects (a)</b>	<b>2018 New Projects (b)</b>	<b>Flexible Resources (c )</b>	<b>Total 2018 Approved Budget (a+b+c)</b>
Headquarters & Country Offices					
Headquarters	6,568	6,437	369		6,806
Country Offices	9,562	8,569			8,569
<b>Total Headquarters &amp; Country Offices</b>	<b>16,130</b>	<b>15,006</b>	<b>369</b>		<b>15,375</b>
Information Technology	28,700	27,595	4,147		31,742
<b>Total Information Technology</b>	<b>28,700</b>	<b>27,595</b>	<b>4,147</b>		<b>31,742</b>
Flexible Resources	3,000			3,000	3,000
<b>Total Flexible Resources</b>	<b>3,000</b>			<b>3,000</b>	<b>3,000</b>
<b>Total Approved Capital Budget</b>	<b>47,830</b>	<b>42,601</b>	<b>4,516</b>	<b>3,000</b>	<b>50,117</b>

## 6. 2018 APPROVED OC STRATEGIC DEVELOPMENT PROGRAMS

### A. Background Information and Overview

- 6.1 Over the past several years, Management has worked collectively with the Board of Executive Directors to enhance the planning and management of TC operations financed by the IDB's Ordinary Capital. This work began with the identification of areas for improvement and Management's subsequent elaboration of the Action Plan for the Special Programs/Grants Financed by Ordinary Capital ([GN-2819](#)). This action plan delineated several lines of action aimed at ensuring that the use of resources allocated to the OC Special Programs (OC-SPs) continue to be efficient, effective, and strategic, and included: (i) the streamlining and rationalization of the OC-SPs to ensure alignment to Bank strategies; (ii) the systematization of monitoring and reporting on results; and, (iii) the development of mechanisms to promote knowledge management and dissemination. Results from the implementation of these lines of action – carried out through a two-stage process in 2015 and 2016 – include the successful launch of the TC Monitoring and Reporting system (TCM) in the Convergence operations platform and the complete restructuring of the OC-SP architecture. This restructuring, which included streamlining and rationalizing the programs by reducing them in number (from nineteen to six), developing standardized results frameworks for each to facilitate robust monitoring and reporting, aligning each with the challenges and cross-cutting themes of the UIS, and renaming them as the OC Strategic Development Programs (OC-SDPs), represents the most significant overhaul of the financial mechanism used to deliver Bank-financed TCs in more than a decade. The overhaul has ushered in greater levels of flexibility, transparency, and accountability in the management of OC-SDP resources. The OC-SDPs became effective on January 1, 2017 in accordance with their establishment document ([GN-2819-1](#)).
- 6.2 The emphasis placed on further improving the planning and management of OC-financed TC operations stems from a shared understanding among the Board and IDB Management of the centrality of these resources, which are crucial to positioning the Bank as a knowledge institution in the region, distinguishing it from commercial counterparts, and meeting the pressing needs of clients. Importantly, these clients have demonstrated an overwhelmingly positive perception of TC operations, with 90% of public sector beneficiaries reporting to be either satisfied or very satisfied with the delivery of services related to TC operations.<sup>18</sup> Moreover, these resources play a key role in: (i) bringing about the Bank's current and future lending program with rigorous studies to support investments and policy development; (ii) generating knowledge to make inroads into new and innovative areas, such as the digital economy, to increase the intellectual and institutional capital of regional member countries, and ultimately, to construct future operations; and, (iii) leveraging the Bank's own capital to advance efforts to mobilize donor resources in priority areas where the market for Official Development Assistance (ODA) resources is narrow.

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<sup>18</sup> IDB External Feedback System. 2015 Report.

## B. 2018 OC Strategic Development Programs

- 6.3 The OC-SDP approved allocation for 2018 is \$107 million, marking the first funding level above \$100 million since the Program's inception. The approved level is consistent with agreements reached under the GCI-9, in which the IMM expressly contemplates the use of OC net income to finance TCs at \$100 million in real terms,<sup>19</sup> which would correspond to approximately \$111 million for 2018. Moreover, the approved funding level responds to a combination of factors, including:
- 1) **Unmet demand levels that have averaged \$7.4 million annually due to exhaustion of OC-SDP resources**<sup>20,21</sup>. For 2018, this figure could increase to as much as \$18.4 million due to the depletion of the Institutional Capacity Strengthening Fund (ICSF), which supported cross-cutting institutional capacity issues throughout the Bank for \$11 million annually since 2010.
  - 2) The increased demand for non-reimbursable TC resources having taken place in conjunction with: (i) the **growth of the operational program, with the SG loan approval level expected to reach \$13.0 billion in 2018 and the active SG loan portfolio growing at a rate of 3.6%**, on average, between 2012 and 2016; and, (ii) an **OC-SDP allocation level that had remained flat since 2012**.
  - 3) **The pressing need to address the new normal of low economic growth in the region**. The following years are expected to be characterized by weaknesses in domestic demand while external risks may become an additional drag.<sup>22</sup> Against this backdrop, structural problems remain unsolved as total factor productivity has been declining steadily. As a result, projected growth rates will not close the income gap between LAC and the world's advanced economies anytime soon.<sup>23</sup> The IDB will partner with borrowing member countries to support the development of a growth agenda to identify and understand the critical factors limiting economic growth.

<sup>19</sup> Report on the Ninth General Increase in the Resources of the Inter-American Development Bank ([AB-2764](#)), Annex II, Paragraph 2.3

<sup>20</sup> Unmet demand is calculated using the annual sum of TC operations sent to the Grants and Co-Financing Unit (GCM) Single Window for funding that were not financed during the current year due to resource constraints (such as the depletion of the program's resources). 2014 was the first year in which GCM began to measure unmet demand, and as such \$7.4 million is the average unmet demand between 2014 and 2016.

<sup>21</sup> Examples of TC operations that went unfunded in 2016 include: (i) CO-T1426 - *Rural Microfinance Sector Development* - Operational Support for \$0.2 million; (ii) PN-T1174 - *Strengthening the capacities of the Instituto Nacional de Cultura (INAC) for the conservation and management of historical and cultural heritage* - Operational Support for \$0.5 million; (iii) PR-T1230 - *Labor Markets and Social Security Analysis* - Client Support for \$0.25 million; and, (iv) RG-T2722 - *Improvement of accreditation systems of firms incubators in LAC* - Client Support for \$0.4 million. Examples of TCs expected to go unfunded in 2017 include: (i) CR-T1172 - *Support to the preparation and execution of the operations of the Transport Sector in Costa Rica* - Operational Support for \$0.5 million; (ii) RG-T3108 - *Power Caribbean Initiative* - Client Support for \$1.0 million; (iii) CO-T1438 - *Support for the National Program to Ensure Sustainable and Efficient Energy Supply* - Client Support for \$0.3 million; and (iv) RG-T2994 - *Innovation Mainstreaming in the Transport Sector - Research and Dissemination* for \$0.3 million.

<sup>22</sup> See chapter 2 in *Regional Economic Outlook: A Tale of Two Adjustments, IMF and IDB macro report, Routes to Growth in a New Trade World*.

<sup>23</sup> Given the IMF estimate of 2.6% growth for the period 2019-2022, it would take at least 60 years for the average LAC country to reach the 2015 output level of the average advanced economies.

6.4 **The feasibility of the approved funding level is rooted in the Bank's improving capital position**, which is currently situated above the buffer zone<sup>24</sup> established within the Amendment and Restatement of IDB's Income Management Model ([AB-3044](#)). At this position, the IMM allows Management to submit a proposal to the Board which requests, among other matters, "increasing the level of OC Special Programs and non-reimbursable TCs funded with resources from the OC beyond \$100 million per year."

6.5 The 2018 allocation to the OC-SDPs was approved through the Resolution for "Ordinary Capital Strategic Development Programs for Fiscal Year 2018". The allocation of resources was approved for the following OC-SDPs:

### 1. OC-SDP for Countries

6.6 In 2018, the work undertaken by the OC-SDP for Countries will be rooted in the premise that sound institutions and a clear national planning framework are key to designing appropriate policies to address LAC development challenges. As such, resources will be directed to activities aimed at strengthening the planning, monitoring and evaluation capacities of Planning/Finance ministries to foster evidence-based decision making. Resources from this OC-SDP will also be directed towards robust dialogue with governments, and knowledge exchanges that benefit key actors in borrowing member countries. Finally, in consideration of alignment with its objectives, eligible areas of intervention, and eligible activities outlined in document [GN-2819-1](#), this OC-SDP will finance 'Growth Priority TCs', which will support efforts to accelerate economic growth as described in paragraph 6.3.(3).

### 2. OC-SDP for Infrastructure

6.7 In 2018, this OC-SDP will focus on financing activities to support better infrastructure project preparation, and to improve beneficiaries' project execution capacity. Regarding the former, this OC-SDP's financed activities will focus on studying the causes and reducing the incidence of cost overruns in infrastructure projects. It will also fund INE's alliance with the Social Sector (SCL) to improve execution of the hard infrastructure components that usually accompany Social Sector loans, particularly in education operations. The OC-SDP's pipeline of initiatives also includes promoting regional integration of pairs of LAC countries, in the realms of electricity and transport and logistics. To foster cross-pollination of ideas and sharing of good practices, the OC-SDP will also support knowledge-transfer activities between the IDB, governments, and executing agencies. 2018 priorities also include support to improving the design and implementation of PPPs in the infrastructure sector, as well as strengthening of institutional capacities and regulatory frameworks needed to ensure adequate PPP operationalization.

### 3. OC-SDP for Institutions

6.8 In 2018, this OC-SDP – which is the main channel of support to the UIS cross-cutting issue of Institutional Capacity and Rule of Law – will continue supporting initiatives: (i) to leverage digital technologies as a cross-cutting strategy to foster institutional and policy quality; and, (ii) strengthening implementation capacity for more effective and efficient service delivery and to achieve policy objectives. This SDP will continue to devote a significant part of its resources to meeting demand for digital economy interventions. The drive towards a digital economy presents a host of new challenges the SDP will seek to address as well, including

<sup>24</sup> See *Long-term Financial Projections of the Ordinary Capital 2018 Final Document* ([FN-709-2](#)).

ensuring digital inclusion, developing institutional frameworks embedded with accountability mechanisms and which can leverage these technologies. The SDP will also further its support to strategic areas such as strengthening and use of country systems, citizen security, and knowledge sharing and dialogue tools, while exploring new opportunities for engagement such as the Regional Policy Dialogue.

#### **4. OC-SDP for Integration**

- 6.9 In 2018, the OC-SDP for Integration will continue to support Bank efforts to promote productive integration through a focus on interventions in: (i) Integration Hardware (supporting the preparation of strategic integration infrastructure initiatives and projects in borrowing member countries for regional connectivity); (ii) Integration Software (facilitating improved and regionally harmonized regulatory and procedural frameworks, and supporting borrowing member country efforts to participate in and implement trade agreements, promote trade, investment, and cross-border and regional initiatives); and (iii) hardware and software connections through a comprehensive agenda for functional cooperation and the generation of Regional Public Goods (RPG) to address collective development challenges and opportunities. By financing activities that support improvements to regional infrastructure and connectivity, inserting firms into value chains, harmonizing integration policies and procedures, and leveraging South-South and Triangular cooperation, this SDP will continue to serve as an indispensable support channel for the UIS challenge of Limited Productive Integration.

#### **5. OC-SDP for Social Development**

- 6.10 During 2018, this OC-SDP will contribute to efforts geared towards addressing the UIS regional challenge of Social Exclusion and Inequality by supporting interventions in education, health, social protection, gender, diversity and improvement of labor markets. This contribution will entail generating rigorous evidence to inform policy and applying innovation approaches to the delivery of social programs. Specifically, part of its work will involve efforts to reduce costs and improve quality of social service delivery by capitalizing on the expansion of the digital economy in LAC through the piloting of innovative technological solutions in the economic sectors that fall under the SDP's purview.

#### **6. OC-SDP for Sustainability**

- 6.11 In 2018, this OC-SDP will focus on supporting borrowing member countries efforts to implement and design future investment plans associated with their NDC in different sectoral areas. It will also focus on developing practical tools and knowledge products that serve purposes ranging from informing key decision makers on relevant climate change issues, to strengthening capacities related to disaster risk management (DRM) to mainstreaming agricultural capital. The OC-SDP will also support efforts in the Region conducive to increasing agricultural productivity, quality, and access to food. The OC-SDP will support municipal governments in their efforts to prepare, through sustainable policies and investments, for challenges related to rapid urban growth. Finally, in order to meet demand for the growing number of requests for support in the aftermath of natural disasters, up to \$2.0 million within this OC-SDP can be directed to TCs that fall under the Natural Disaster Assistance intervention type delineated in paragraph 7.29(6) of document [GN-2819-1](#).

**Table 6.1. 2018 Approved Funding for Strategic Development Programs  
Financed by Ordinary Capital (\$ Millions)**

Ordinary Capital Strategic Development Program (OC-SDP)	2017 Funding Approved (DE-145/16)	Total Availability as of Jan 1, 2017 <sup>1</sup>	2018 Funding Approved (DE-129/17)	Total Availability as of Jan 1, 2018 <sup>2</sup>
OC-SDP for Countries <sup>3</sup>	15.50	16.29	22.50	22.96
OC-SDP for Infrastructure	22.60	24.95	18.40	19.84
OC-SDP for Institutions <sup>4</sup>	18.70	20.96	17.70	19.35
OC-SDP for Integration	11.70	13.10	13.00	13.62
OC-SDP for Social Development	15.10	15.93	15.50	16.15
OC-SDP for Sustainability <sup>5</sup>	11.40	14.54	14.55	16.07
Flexibilization Resources <sup>6</sup>	5.00	5.00	5.35	5.35
<b>Total</b>	<b>100.00</b>	<b>110.76</b>	<b>107.00</b>	<b>113.34</b>
<sup>1</sup> Includes funding approved for 2017 and carryovers and cancellations from 2016.				
<sup>2</sup> Includes 2018 funding approved and 2017 cancellations.				
<sup>3</sup> 2018 funding approved for the OC-SDP for Countries includes \$7 million to be directed to "Growth Priority Technical Cooperation."				
<sup>4</sup> 2017 funding approved includes \$2 million allocated to the Broadband Seed Program, which expired at the end of 2017 and was mainstreamed into the OC-SDP for Institutions in 2018.				
<sup>5</sup> Up to \$2 million of the 2018 approved allocation to the OC-SDP for Sustainability can be used to finance Natural Disaster Assistance.				
<sup>6</sup> 2018 Flexibilization Resources level corresponds to 5 percent of the 2018 approved funding level.				



## 7. 2018 ESTIMATED ADMINISTRATIVE INCOME AND REIMBURSEMENT FLOWS OUTSIDE THE ADMINISTRATIVE BUDGET

- 7.1 The details presented below have been moved to this new Chapter, as compared to previous budget documents, for additional clarity.

### A. 2018 Estimated Administrative Income

- 7.2 The Bank's administrative income is not accessible for use by the Bank departments, but is recorded directly as income to the Ordinary Capital and reflected in the Bank's OC financial statements.
- 7.3 Table 7.1 below provides details on the sources and amounts involved in the \$8.3 million estimated administrative income to be recorded directly to the OC in 2018: (i) \$608 thousand from the Inter-American Institute for Social Development (INDES) training fees and Argentina's Contribution to the Institute for Latin American Integration (INTAL); (ii) \$333 thousand from leasing the Bank's HQS and COF facilities and parking to third parties; (iii) \$4.5 million from leasing to the IDB Invest the Bank's HQS and COF facilities and parking; (iv) \$1.5 million from staff benefit costs paid by the MIF to the Bank; and (v) \$1.4 million from the standard 5% fee received from donors to help defray the management of Donor Trust Funds (DTFs) and Project Specific Grants (PSGs).

**Table 7.1. 2018 Sources of Estimated Administrative Income Recorded Directly to the Ordinary Capital**

Sources of Estimated Income	(\$000)
INDES Training Fees	108
Argentina Contribution to INTAL	500
HQS & COF Space Lease and Parking	333
IDB Invest - HQS & COF Space Lease and Parking	4,460
MIF - Staff Benefit Costs <sup>1</sup>	1,475
Donor Trust Funds and PSGs Standard Fee	1,379
<b>Total Estimated Income</b>	<b>8,255</b>

<sup>1</sup> Numbers are being reviewed in the context of MIF's New Strategy.

### B. 2018 Estimated Reimbursement Flows

- 7.4 As opposed to the Bank's administrative income, reimbursements are received by IDB's departments for Bank services performed in addition to their regular RBB work program. These reimbursements are allocated and executed outside the Administrative Budget, keeping a "firewall" between the two sources and preventing the co-mingling of funds.
- 7.5 As shown in Table 7.2 below, the 2018 total estimated reimbursements to be received and executed outside the Bank's Administrative Budget amounts to \$18.2 million:

- a) Reimbursements of \$8.7 million will come from:
    - (i) Specific trust fund agreements established with a customized fee under a cost-sharing modality<sup>25</sup> instead of the 5% standard fee to cover all or part of the costs incurred by the Bank in preparing, executing and monitoring projects, as well as in administering the funds; this fee is distributed among the departments that perform this work in addition to their regular RBB work program;
    - (ii) Similar to the above-mentioned specific trust funds, Bank departments receive reimbursements from PSGs requiring special and extraordinary partnership services and arrangements for which additional workload is generated by the preparation, execution and monitoring of PSG operations (TCs and Investment Grants) and by the administration of PSG resources. The distribution of the fee is stated in the individual PSG;
  - b) Reimbursements of \$1.2 million are expected from parking garage users, paying agency fees, and MIF reimbursements for services rendered<sup>26</sup>; and
  - c) A total of \$8.3 million are estimated to be reimbursed to IDB departments by IDB Invest for services provided under the SLAs
- 7.6 Furthermore, a total of \$66.9 million are estimated to be paid to IDB Invest by the IDB from the SLA for Non-Sovereign Guaranteed (NSG) services related to new operations, portfolio, and special assets services provided by the IDB Invest. This payment is also executed outside the Administrative Budget, to keep a “firewall” between the two sources and prevent co-mingling of funds.

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<sup>25</sup> In all cases, for trust funds as well as PSGs, the customized cost-sharing modality has been presented to and authorized by the Board.

<sup>26</sup> MIF reimbursements to the IDB are being reviewed in the context of MIF's New Strategy.

**Table 7.2. 2018 Estimated IDB Invest and Other Reimbursements and Payments to be Received Outside the Administrative Budget**

Estimated Reimbursements and Payments from SLAs Between IDB and IDB Invest (\$000)	Donor Trust Funds (Cost Sharing) <sup>2</sup>	HQS Parking & Other <sup>3</sup>	IDB Invest SLAs <sup>4</sup>	Total
VPC	1,759		437	2,197
VPS	5,229		471	5,700
<b>Total Operational Departments</b>	<b>6,989</b>		<b>908</b>	<b>7,897</b>
MEC & OVE			1,623	1,623
STC	734	80	2,342	3,156
VPF	943	75	3,064	4,082
OMB & SRP			380	380
HQS Facilities		1,080		1,080
<b>Total Non- Operational Support Departments &amp; Others</b>	<b>1,677</b>	<b>1,235</b>	<b>7,408</b>	<b>10,320</b>
<b>Total Estimated Reimbursements to be Received by the IDB <sup>1</sup></b>	<b>8,666</b>	<b>1,235</b>	<b>8,316</b>	<b>18,217</b>
<b>Total Estimated IDB Payments to IDB Invest for NSG Services <sup>5</sup></b>			<b>66,900</b>	<b>66,900</b>

<sup>1</sup> Reimbursements are provided to the corresponding departments in cost centers maintained outside of the Administrative Budget, to keep a "firewall" between the two sources of funds and prevent co-mingling of funds.

<sup>2</sup> These reimbursements are from Donor Trust Funds and PSGs such as Global Environmental Facility, Mesoamerica Health Facility, and China Co-financing Fund for LAC, among others, to cover departments' additional workload related to loans/TCs/investment grants, independent of the Bank's regular work program.

<sup>3</sup> Corresponds to the parking fees collected from employees to cover the overhead cost of operating the garage (repairs, guards, access control equipment, painting, etc.), paying agency fees, and MIF reimbursements for services rendered.

<sup>4</sup> Related to different corporate, oversight and other services provided by the IDB, as well as space lease.

<sup>5</sup> Related to new operations, portfolio, and special assets services provided by the IDB Invest.

## **APPROVED RESOLUTIONS**

## DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## RESOLUTION DE-127/17

Administrative Budget and Capital Improvements Program  
of the Inter-American Development Bank  
for Fiscal Year 2018

The Board of Executive Directors

## RESOLVES:

**A. Administrative Budget of the Inter-American Development Bank for Fiscal Year 2018**

1. To approve the Administrative Budget of the Inter-American Development Bank for fiscal year 2018 in the total amount of US\$ 591,443,417 to be financed from the Bank's income. This amount shall be applied to the following budgetary categories:

I.	Board of Governors	US\$ 4,492,533
II.	Board of Executive Directors	23,386,490
III.	Independent Consultation and Investigation Mechanism	2,632,016
IV.	Office of Evaluation and Oversight	8,181,084
V.	Administrative Tribunal	1,563,711
VI.	Headquarters and Country Offices	551,187,583

2. To authorize payments to be charged against the Bank's income, up to the amounts specified in each of the above-mentioned categories. Any payment exceeding the total amount provided under any of these categories should be submitted for prior approval to the Board of Executive Directors, except when it is necessary to cover unforeseen expenditures in excess of the amount allocated to any category or categories, in which case the President of the Bank is authorized to transfer thereto up to a total of 2% of the amount allocated to any other category, provided that the amount so transferred is not in excess of 10% of the total already authorized for the category to which it is transferred. Any transfers made as provided herein shall be included in the periodic Program and Budget Execution Reports mentioned in paragraph A.8 of this Resolution.

3. To authorize the President of the Bank to make adjustments between this budget and the Administrative Budget for the Social Progress Trust Fund as a result of the allocation of expenses pursuant to the Social Progress Trust Fund Agreement.

4. To provide that, during fiscal year 2018, administrative expenses be charged: (a) to the income from the Ordinary Capital; and (b) to the resources of the Social Progress Trust Fund

or any other trust fund under administration, as it may be applicable, in accordance with the terms of their agreements.

5. To provide that the amount remaining from the savings that were transferred to the “Board of Executive Directors” category in the budget for fiscal year 2017 pursuant to paragraph A.5 of Resolution DE-143/16 be transferred to the budget for fiscal year 2018 to the same category contemplated in subparagraph A.1.II of this Resolution for the purpose of completing the financing of the cost of an external evaluation of the Office of Evaluation and Oversight and the cost of the selection and hiring of a new Director for said office. This amount shall be separate from any savings to be transferred to the budget for fiscal year 2018 pursuant to paragraph A.6 of Resolution DE-143/16.

6. To provide that any savings for the fiscal year 2018, up to 1.5% of each of the budgetary categories in subparagraphs A.1.I-VI above, may be transferred to the corresponding budgetary categories in the budget for fiscal year 2019. These savings will be reported to the Board of Executive Directors following the close of the accounting cycle for fiscal year 2018.

7. To take note of the estimated contribution to the Bank’s Retirement Plans in the amount of US\$ 84,815,246 and that the allocation for the actual contribution shall be authorized by separate resolution.

8. To provide the Board of Executive Directors with periodic Program and Budget Execution Reports detailing the 2018 administrative expenses.

**B. Capital Improvements Program of the Inter-American Development Bank for Fiscal Year 2018**

1. To approve the Capital Improvements Program for fiscal year 2018 in the amount of US\$ 50,116,560.

2. To authorize that payments and commitments may be made up to the total amount specified in this program.

3. To provide the Board of Executive Directors with periodic Program and Budget Execution Reports detailing the 2018 Capital Improvements Program.

(Adopted on 13 December 2017)



DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

RESOLUTION DE-128/17

Administrative Budget for the Social Progress Trust Fund for Fiscal Year 2018

The Board of Executive Directors

RESOLVES:

1. To approve the Administrative Budget for the Social Progress Trust Fund for fiscal year 2018 in the amount of US\$ 173,634.
2. To authorize that payments and commitments to cover expenses pertaining to services provided by the Bank as Administrator of the Social Progress Trust Fund may be made up to the amount specified including external auditor fees. Should it be necessary to make adjustments between this budget and the Administrative Budget of the Bank as a result of the allocation of expenses, in accordance with the Social Progress Trust Fund Agreement, the President of the Bank is authorized to make transfers and to modify the two budgets accordingly.

(Adopted on 13 December 2017)

## DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## RESOLUTION DE-129/17

Ordinary Capital Strategic Development Programs  
for Fiscal Year 2018

The Board of Executive Directors

## RESOLVES:

1. To approve, for fiscal year 2018, the following allocations to be charged to the ordinary capital resources of the Bank, to finance the OC-SDPs in accordance with Resolution DE-34/16:

OC-SDP	Fiscal Year 2018 Allocation
OC-SDP for Countries	US\$ 22,500,000
OC-SDP for Infrastructure	US\$ 18,400,000
OC-SDP for Institutions	US\$ 17,700,000
OC-SDP for Integration	US\$ 13,000,000
OC-SDP for Social Development	US\$ 15,500,000
OC-SDP for Sustainability	US\$ 14,550,000

2. To approve, for fiscal year 2018, an allocation in the amount of US\$ 5,350,000 to be charged to the ordinary capital resources of the Bank for use as Flexibilization Resources in accordance with Resolution DE-34/16 and document GN-2819-1. Unused Flexibilization Resources in fiscal year 2018 will not be carried over to the following fiscal year.

(Adopted on 13 December 2017)

## **ANNEXES**

### Annex A. 2017 Approved and 2018 Estimated Bank Contributions to Retirement Plans

Organizational Unit (\$000)	2017 Approved Budget <sup>1</sup>	2018 Estimated Budget <sup>2</sup>	2018 Estimated vs. 2017 Approved Budget		
	\$	\$	\$	% Nominal <sup>3</sup>	% Real <sup>3</sup>
<b>Bank Contributions</b>					
Retirement Plans	52,253	54,737	2,484	4.8%	2.0%
Post-Retirement Benefits	28,781	30,078	1,297	4.5%	1.8%
<b>Total Bank Contributions</b>	<b>81,034</b>	<b>84,815</b>	<b>3,781</b>	<b>4.7%</b>	<b>1.9%</b>
Total Budget from Table 4.5	579,969	591,443	11,474	2.0%	-0.8%
<b>Grand Total Including Bank Contributions <sup>3</sup></b>	<b>661,004</b>	<b>676,259</b>	<b>15,255</b>	<b>2.3%</b>	<b>-0.4%</b>

<sup>1</sup> Figures shown for 2017 are per Resolution DE-87/17 approved by the Board of Executive Directors on November 15, 2017.

<sup>2</sup> Bank contribution figures are for disclosure purposes only. Pursuant to Document "Proposal for an Alternate Process for Consideration of the Bank's Pension Contributions" (GN-2599-26), Management will present actual final contributions to be considered and approved by the Board in the third quarter of 2018.

<sup>3</sup> For illustrative purposes only.

## Annex B. 2017 Expenditures by Organizational Unit as of December 31, 2017

Organizational Unit (\$000)	Approved Budget <sup>1</sup>	Expended as of 12/31/2017			Expended as % of Approved Budget
		PC	NPC	TOTAL	
Board of Governors	4,964		3,952	3,952	79.6%
Board of Executive Directors	22,992	19,101	2,512	21,614	94.0%
Independent Consultation and Investigation Mechanism	2,536	994	1,295	2,289	90.3%
Office of Evaluation and Oversight	8,014	5,005	1,870	6,875	85.8%
Administrative Tribunal	1,564	246	529	775	49.6%
<b>Sub-Total</b>	<b>40,070</b>	<b>25,347</b>	<b>10,158</b>	<b>35,504</b>	<b>88.6%</b>
Administrative Carryover for BOG, EXD, MEC & OVE <sup>2</sup>	1,177				
<b>Sub-total BOG, EXD, MEC, OVE and Tribunal</b>	<b>41,247</b>	<b>25,347</b>	<b>10,158</b>	<b>35,504</b>	<b>86.1%</b>
<b>Management Budget</b>					
Office of the President	5,610	5,162	1,628	6,790	121.0%
Office of Institutional Integrity	3,427	2,167	1,270	3,437	100.3%
Office of the Executive Vice President	2,575	2,127	360	2,487	96.6%
Office of the Executive Auditor	5,394	4,245	619	4,865	90.2%
Office of External Relations	12,359	8,038	4,516	12,554	101.6%
Office of Outreach and Partnerships	12,128	7,691	3,614	11,305	93.2%
Office of Risk Management	8,145	4,886	3,079	7,965	97.8%
Office of the Secretary	13,014	9,912	2,410	12,321	94.7%
Office of Strategic Planning and Development Effectiveness	10,414	5,978	3,758	9,736	93.5%
Office of Ethics	1,926	1,054	477	1,531	79.5%
Micro, Small and Medium Enterprise Unit	3,963	2,667	834	3,501	88.3%
<b>Sub-total Strategic Core Departments <sup>3</sup></b>	<b>78,956</b>	<b>53,926</b>	<b>22,565</b>	<b>76,490</b>	<b>96.9%</b>
Vice Presidency for Countries	4,460	2,357	1,277	3,634	81.5%
Country Department Haiti	4,821	1,334	1,389	2,722	56.5%
Country Department Southern Cone	21,112	10,415	9,576	19,991	94.7%
Country Department Central America, Haiti, Mexico, Panama, and the Dominican Republic	26,567	16,275	13,450	29,725	111.9%
Country Department Andean Group	16,253	10,158	6,056	16,214	99.8%
Country Department Caribbean Group	15,743	9,919	5,947	15,866	100.8%
Operations Financial Management and Procurement Services Office	19,394	16,780	1,791	18,571	95.8%
<b>Sub-total Vice Presidency for Countries <sup>3</sup></b>	<b>108,351</b>	<b>67,238</b>	<b>39,486</b>	<b>106,724</b>	<b>98.5%</b>
Vice Presidency for Sectors and Knowledge	3,073	2,550	1,028	3,577	116.4%
Environmental and Social Safeguards Unit	7,088	4,827	2,223	7,051	99.5%
Department of Research and Chief Economist	9,868	5,536	4,627	10,163	103.0%
Infrastructure and Environment Sector	30,450	24,408	4,117	28,525	93.7%
Social Sector	28,938	23,271	5,896	29,167	100.8%
Institutions for Development	35,607	29,961	4,633	34,593	97.2%
Knowledge and Learning Sector	15,739	6,861	11,204	18,065	114.8%
Integration and Trade Sector	13,306	7,303	6,588	13,891	104.4%
Climate Change and Sustainable Development Sector	21,882	16,761	3,941	20,702	94.6%
<b>Sub-total Vice Presidency for Sectors and Knowledge <sup>3</sup></b>	<b>165,952</b>	<b>121,477</b>	<b>44,257</b>	<b>165,734</b>	<b>99.9%</b>
Transactional (Operational Support Budget)	33,374		51	51	0.2%
VPC Resources – Transactional (Operational Support Budget)			3,903	3,903	
VPS Resources – Transactional (Operational Support Budget)			30,666	30,666	
SPD Resources – Transactional (Development Effectiveness)			973	973	
<b>Sub-total Transactional <sup>3</sup></b>	<b>33,374</b>		<b>35,592</b>	<b>35,592</b>	<b>106.6%</b>
<b>Sub-total VPC, VPS &amp; Transactional</b>	<b>307,677</b>	<b>188,715</b>	<b>119,335</b>	<b>308,051</b>	<b>100.1%</b>
Vice Presidency for Finance and Administration	1,929	1,729	311	2,040	105.8%
Mediation Office	567	373	151	524	92.4%
Finance Department	24,107	16,556	6,685	23,241	96.4%
Human Resources Department	18,050	12,555	7,325	19,880	110.1%
Information Technology Department	48,315	15,934	34,405	50,339	104.2%
Budget and Administrative Services Department	29,074	9,639	20,666	30,305	104.2%
Legal Department	8,966	8,015	1,861	9,876	110.1%
<b>Sub-total Vice Presidency for Finance and Administration</b>	<b>131,009</b>	<b>64,801</b>	<b>71,405</b>	<b>136,206</b>	<b>104.0%</b>
<b>Sub-total Strategic Core, VPC, VPS, Transactional &amp; VPF</b>	<b>517,642</b>	<b>307,442</b>	<b>213,305</b>	<b>520,747</b>	<b>100.6%</b>
Bankwide <sup>4</sup>	6,955	2,014	1,134	3,147	45.2%
Sanctions Office	883	487	406	893	101.1%
Funded Salary Increase	634				
<b>Sub-total Bankwide, Sanctions Office, and Funded Salary Increase</b>	<b>8,472</b>	<b>2,500</b>	<b>1,539</b>	<b>4,040</b>	<b>47.7%</b>
Staff in Transition & Reassignment	1,200	1,392	5	1,397	116.4%
Termination Payments	1,500		5,790	5,790	386.0%
Central Accounts	10,597		6,127	6,127	57.8%
Central Benefits, Previous Year Accounts, and others <sup>5</sup>		1,845	(691)	1,154	
Ethics/Conduct/Grievance Systems Reforms	488	224	184	408	83.5%
<b>Sub-total</b>	<b>13,785</b>	<b>3,461</b>	<b>11,415</b>	<b>14,876</b>	<b>107.9%</b>
Administrative Carryover for Management Budget	7,861				
<b>Sub-total Management Budget</b>	<b>547,760</b>	<b>313,403</b>	<b>226,259</b>	<b>539,662</b>	<b>98.5%</b>
<b>BANK TOTAL (BOG, EXD, MEC, OVE, Tribunal, Management Budget &amp; Carryover)</b>	<b>589,007</b>	<b>338,750</b>	<b>236,417</b>	<b>575,167</b>	<b>97.7%</b>

<sup>1</sup> As per Board approved (GA-263-6). Includes Regular and Special Carryover of \$9.0 million.

<sup>2</sup> Includes Special Carryover of \$600.0 thousand (Resolution DE-143/16) for the purpose of financing the cost of an external evaluation of the Office of Evaluation and Oversight and the cost of the selection and hiring of a new Director for said office.

<sup>3</sup> Transactional is reported under one line item outside of VPC, VPS, and STC different than as previously reported.

<sup>4</sup> Includes: Staff, Family and Retirees Association, Office of the Ombudsperson, Young Professionals, Internship Program, Staff Relations and Staff on Secondment.

<sup>5</sup> Includes: Central benefits, Departments end of year surplus, variable pay, and Other Centrally Paid Administrative Expenses.

## Annex C. Key Main Business Functions Description

Operations Main Business Functions	
<b>Stakeholder Engagement</b>	Products and activities related to the Bank's strategic outreach and cooperation with stakeholder, partners, and donors.
<b>Strategy and Programming</b>	Products and activities related to the preparation of sector inputs for the design and implementation of country/regional strategies, management of country and regional programming.
<b>Origination</b>	Activities related to business development, leading to new private sector operations and/or products.
<b>Preparation</b>	Products and activities related to the design and obtaining approval of operations to finance economic and social development through lending and grants to public entities.
<b>Supervision</b>	Products and activities related to the oversight, management, and execution of Bank operations (including portfolio monitoring, disbursement management, restructuring, and project completion activities).
<b>Knowledge Development</b>	Products and activities related to the generation of institutional capacity supporting country and sector knowledge across the Bank. Includes: economic studies, macroeconomic assessments, advisory and knowledge services, Economic and Sector Work (ESW), research and dissemination technical cooperation.

Corporate Main Business Functions	
<b>Corporate Services</b>	Services delivered across the Bank that encompass the efficient use and management of human and financial resources, and the effective provisioning of services to support the operations of the Bank.
<b>Corporate Governance</b>	Processes and mechanisms through which objectives are set and pursued, including monitoring of actions, policies and decisions of corporate affairs.
<b>Learning and Collaborative Knowledge Management</b>	Products and services whose primary objective is to respond to the Bank's needs in terms of training and human capital development, knowledge management, sector strategies, action plans and tools to support Bank operations.
<b>Capital Improvements Management</b>	Products and activities related to the design and implementation of capital projects.



### Annex D.1. Approved Capital Budget for Headquarters 2018-2020

Headquarters (\$000)	Estimated Total Cost	Approved until 2016	Approved 2017	Approved for 2018	Estimated for 2019	Estimated for 2020	Future Recurrent Admin. Costs Upon Project Completion
<b>Continuing Projects</b>							
CP-F5048 1330 Facilities Improvements	1,800	50	1,250	390	110		
CP-F5052 HQS Parking Areas Restoration	2,700		100	2,600			15
CP-F5055 HQS Office Space Modification 2017-19	1,500		250	511	739		
CP-F5058 HQS Furniture Replacement Project 2017-19	600		100	270	230		50
CP-F5060 Ortiz Mena and Cecilio Morales Board Rooms AV/SI, Technology and Facilities Renovation	2,270		150	900	1,220		5
CP-F5062 Ashburn Conference & Training Improvements - Phase II	2,160		200	1,765	195		300
<b>Sub Total Continuing Projects</b>	<b>11,030</b>	<b>50</b>	<b>2,050</b>	<b>6,437</b>	<b>2,493</b>		<b>370</b>
<b>New Projects</b>							
CP-F5056 IDB Art Collection Restoration and Facilities Renovation	790			189	451	150	38
CP-F5059 Building Exterior and Skylight Restoration	1,450			45	1,405		
CP-F5063 Ortiz Mena and Cecilio Morales Board Rooms HVAC Equipment	675			68	607		
CP-F5064 HQS Building Exterior Safety	1,875			68	7	300	
<b>Sub Total New Projects</b>	<b>4,790</b>			<b>369</b>	<b>2,471</b>	<b>450</b>	<b>38</b>
FY17 Approved Projects with no continued funding			350				
<b>Total</b>	<b>15,820</b>	<b>50</b>	<b>2,400</b>	<b>6,806</b>	<b>4,964</b>	<b>450</b>	<b>408</b>

### Annex D.2. Approved Capital Budget for Country Offices 2018-2020

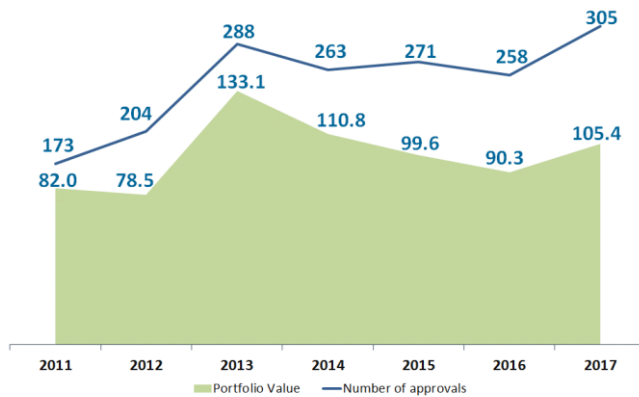
Country Offices (\$000)	Estimated Total Cost	Approved until 2016	Approved 2017	Approved for 2018	Estimated for 2019	Estimated for 2020	Future Recurrent Admin. Costs Upon Project Completion
<b>Continuing Projects</b>							
CP-F5007 Jamaica - Kingston Replacement	13,645	2,500	1,202	1,660	283		227
CP-F5046 Dominican Republic -Replacement	14,028	1,528		953	547		50
CP-F5051 COF Furniture Replacement Project 2016-18	2,400	100	400	314	1,486		50
CP-F5053 O&M Bundle III	7,425		700	1,642	1,603	1,163	
CP-F5061 Service Center in Costa Rica Phase II	6,518		500	4,000	2,018		120
<b>Sub Total Continuing Projects</b>	<b>44,016</b>	<b>4,128</b>	<b>2,802</b>	<b>8,569</b>	<b>5,937</b>	<b>1,163</b>	<b>447</b>
FY17 Approved Projects with no continued funding			1,250				
<b>Total</b>	<b>44,016</b>	<b>4,128</b>	<b>4,052</b>	<b>8,569</b>	<b>5,937</b>	<b>1,163</b>	<b>447</b>

### Annex D.3. Approved Capital Budget for Information Technology 2018-2020

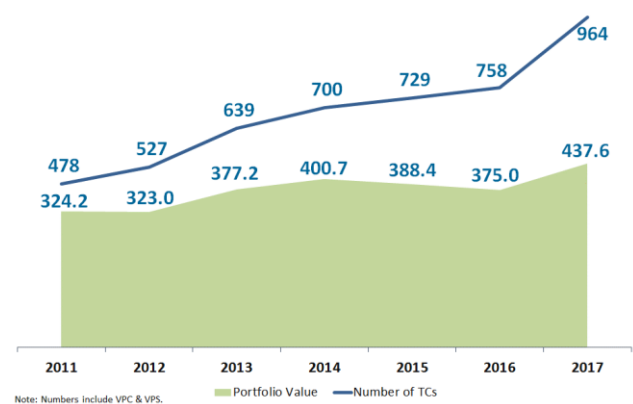
Information Technology (\$000)	Estimated Total Cost	Approved until 2016	Approved 2017	Approved for 2018	Estimated for 2019	Estimated for 2020	Future Recurrent Admin. Costs Upon Project Completion
<b>Continuing Projects</b>							
CP-I0318 Web Upgrade and Migration	2,965	1,275	808	614	68		
CP-I0321 Telephony Upgrade	2,476	1,573	307	296			
CP-I0322 Personal Computer Renovation	14,000	7,500	3,233	2,267			
CP-I0330 Enterprise Identity Governance and Secure Access Management	2,360	850	665	760	85		
CP-I0336 Loan Financial Management and Cash Management Solutions Renewal Program	14,500	3,000	6,500	5,000			600
CP-I0337 New Governors' Extranet & Website	654	250	280	120			45
CP-I0338 IT Security Renewal Program 2017-2019	3,500		750	1,376	1,374		
CP-I0339 IT Infrastructure Lifecycle Refresh and Upgrade 2017-2019	5,500		2,000	2,000	1,500		
CP-I0360 Corporate Solutions Program 2017-2019 (Process Improvement and Technology Upgrade)	11,676		2,750	5,336	3,589		60
CP-I0361 Operations Solutions Program 2017-2019 (Process Improvement and Technology Upgrade)	11,400		3,000	4,863	3,537		
CP-I0364 Local Currency Implementation Project	3,150	1,000	1,150	766	84		
CP-I0365 Repurchase Agreements (REPO) Short-Term Investments	1,500	650	595	230	25		65
CP-I0369 Cloud Risk Security Program	925		380	329	216		428
CP-I0370 Increasing the findability and openness of the Bank's data and knowledge	1,995		700	675	620		208
CP-I0371 IDB Audience Intelligence	1,400		100	365	640		350
CP-I0373 Connecting People, Learning and Knowledge	1,790		750	450	50		
CP-I0375 Balance Sheet Stress Testing and Dashboard Reporting	1,925		550	878	497		
CP-I0377 Business Intelligence Program 2017-2019	2,900		500	1,000	1,400		21
CP-I0378 Country Office Audio Visual Equipment Renewal	1,200		300	270	330	300	
<b>Sub Total Continuing Projects</b>	<b>85,815</b>	<b>16,098</b>	<b>25,318</b>	<b>27,595</b>	<b>14,015</b>	<b>300</b>	<b>1,777</b>
<b>New Projects</b>							
CP-I0349 Testing Framework and Application Implementation	600			540	60		60
CP-I0350 Integration & Collaboration Components for Operations, Corporate and Treasury	2,250			766	1,484		440
CP-I0363 Treasury and Risk Solutions Program 2018-2020 (Process Improvement and Technology Upgrades)	4,550			495	2,055	2,000	54
CP-I0381 COF Direct Connectivity to the Cloud	1,750			1,000	750		
CP-I0382 Strategic Core Solutions Program 2018-2020 (Process Improvement and Technology Upgrade)	3,050			946	1,104	1,000	157
CP-I0383 Enterprise Mobile Computing Program	850			400	450		100
<b>Sub Total New Projects</b>	<b>13,050</b>			<b>4,147</b>	<b>5,903</b>	<b>3,000</b>	<b>811</b>
FY17 Approved Projects with no continued funding			1,390				
<b>Total</b>	<b>98,865</b>	<b>16,098</b>	<b>26,708</b>	<b>31,742</b>	<b>19,918</b>	<b>3,300</b>	<b>2,588</b>

## Annex E. Trends in Bank Products and Services

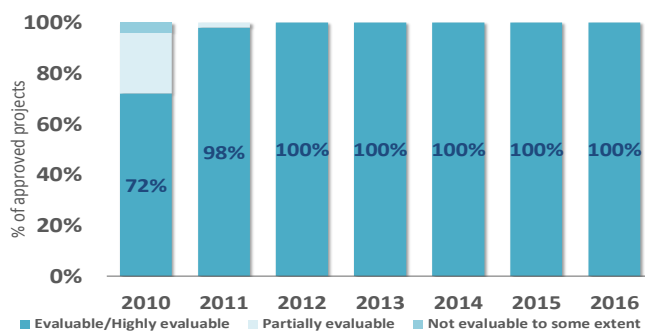
**Number and Volume (\$ millions) of OC TC Approvals as of December 31**



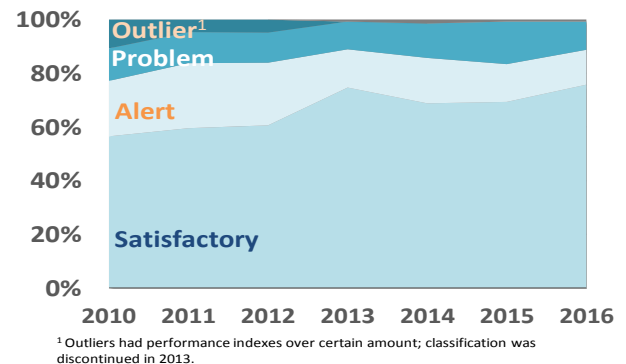
**Number and Value (\$ millions) of Outstanding OC TC Portfolio as of December 31**



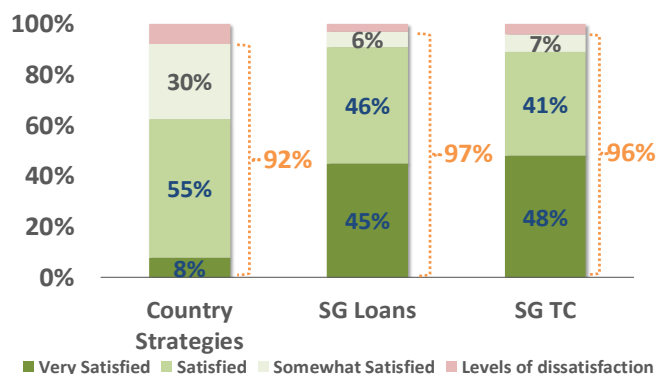
**Evaluability Levels of SG Loan Approvals per DEM Scores (% of Approved Projects)**



**PMR Classification of SG Portfolio (% of Operations in Portfolio)**



**Partner Satisfaction with Selected IDB Products in 2016**



## Annex F. Acronyms

ABB	Agenda for a Better Bank
AUG	Office of the Executive Auditor
BDA	Budget and Administrative Services Department
BDA/ACP	Administrative Services, Security and Corporate Procurement Division
BDA/BGT	Budget Division
BOG	Board of Governors
BUFIPOL	Budget and Financial Policies Committee
CAN	Country Department Andean Group
CARICOM	Caribbean Community
CCB	Country Department Caribbean Group
CCAC	Composite Cost Adjustment Component
CCI	Creative and Cultural Industries
CDC	Country Development Challenges
CDR	Country Development Results
CID	Country Department for Central America, Haiti, Mexico, Panama, and Dominican Republic
CIP	Corporate Input Product
CLC	Complementary Labor Costs
ConSoc	Civil Society Consultative Group
COF	Country Office
CPAF	Composite Price Adjustment Factor
CPD	Country Programming Document
CPI	Composite Price Index
CRF	Corporate Results Framework
CRO	Chief Risk Officer
CS	Country Strategy
CSC	Country Department Southern Cone
CSD	Climate Change and Sustainable Development Sector
CSR	Corporate Environmental and Social Responsibility
CWF	Complementary Workforce
DEM	Development Effectiveness Matrix
DEO	Development Effectiveness Overview
DFI	Development Finance Institution
DoI	Declaration of Interest
DRM	Disaster Risk Management

DTC	Defined Term Contractual
DTF	Donor Trust Fund
EPG	Eminent Persons' Group
ESC	Emerging and Sustainable Cities
ESG	Environmental and Social Safeguards Unit
ESW	Economic and Sector Work Product
ETH	Office of Ethics
EVP	Office of the Executive Vice President
EXD	Board of Executive Directors
EXR	Office of External Relations
ezShare	IDBG Document Repository
FIN	Finance Department
FSI	Funded Salary Increase
FSO	Fund for Special Operations
GAP	Gender Action Plan
GCI-9	Ninth General Capital Increase
GCM	Grants and Co-Financing Unit
GDP	Gross Domestic Product
HCS	Human Capital Strategy
HQS	Headquarters
HRD	Human Resources Department
IAMC	Independent Assessments of Macroeconomic Conditions
ICSF	Institutional Capacity Strengthening Fund
IDB	Inter-American Development Bank
IDBG	Inter-American Development Bank Group
IDB-9	Ninth General Capital Increase
IMF	International Monetary Fund
IMM	Income Management Model
INAC	Instituto Nacional de Cultura
INDES	Inter-American Institute for Social Development
INE	Infrastructure and Environment Sector
INT	Integration and Trade Sector
INTAL	Institute for Latin American Integration
IT	Information Technology
ITE	Information Technology Department
KNL	Knowledge and Learning Sector

LAC	Latin American and the Caribbean
LEED	Leadership in Energy and Environmental Design
LEG	Legal Department
LTFP	Long-Term Financial Projections
MBF	Main Business Functions
MDB	Multilateral Development Bank
MDN	Mediation Office
MEC	Independent Consultation and Investigation Mechanism
MERCOSUR	Southern Cone Common Market
MIF	Multilateral Investment Fund
MIF/MSM	Micro, Small and Medium Enterprise Unit
NDC	Nationally Defined Contributions
NLC	Non-Labor Costs
NSG	Non-Sovereign Guaranteed Operation
OC	Ordinary Capital
OC-SDP	Ordinary Capital Strategic Development Program
ODA	Official Development Assistance
OII	Office of Institutional Integrity
OPC	Operations Policy Committee
OPR	Operational Program Report
ORP	Office of Outreach and Partnerships
OVE	Office of Evaluation and Oversight
PCR	Project Completion Report
PEC	Products and External Services Contractual
PMR	Progress Monitoring Report
PPP	Public-Private Partnership
PROMEBA	National Neighborhood Improvement Program
PSG	Project Specific Grants
RBB	Results-Based Budgeting
RDB	Regional Development Bank
R&D	Research and Development
REPO	Repurchase Agreements
RES	Department of Research and Chief Economist
RMG	Office of Risk Management
RPG	Regional Public Goods
SAP	Systems Application and Products in Data Processing



SCL	Social Sector
SDG	Sustainable Development Goals
SEC	Office of the Secretary
SEF	Social Entrepreneurship Fund
SG	Sovereign Guaranteed Operation
SEP	Social Entrepreneurship Program
SLA	Service Level Agreement
SLC	Staff Labor Costs
SPD	Office of Strategic Planning and Development Effectiveness
STC	Strategic Core
TC	Technical Cooperation
TCM	Technical Cooperation Monitoring and Reporting System
TRF	Total Rewards Framework
TRI	Administrative Tribunal
TTC	Temporary Term Contractual
UIS	Update to the Institutional Strategy
VP	Vice Presidency
VPC	Vice Presidency for Countries
VPF	Vice Presidency for Finance and Administration
VPS	Vice Presidency for Sectors and Knowledge