

Approach Paper

Evaluation of IDB-9 Commitments

Corporate Evaluation



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I. BACKGROUND

- 1.1 At IDB's 2010 Annual Meeting, the Board of Governors issued the "Cancun Declaration" ([AB-2728](#)), agreeing to a process leading to IDB's Ninth General Capital Increase (IDB-9), which added \$70b to the Bank's capital. Governors tied the capital increase to a series of Bank reforms, further detailed by IDB management in the "Report on the Ninth General Increase in the Resources of the Inter-American Development Bank" ("IDB-9 Agreement," [AB-2764](#)), which was subsequently adopted by Governors as part of the resolution inviting member countries to vote on IDB-9.
- 1.2 The IDB-9 Agreement incorporated the 13 specific requirements for the capital increase listed in the Cancun Declaration and fit them into a broader framework with a wider range of mandates. Recognizing the need to keep the IDB relevant and competitive in the LAC region, it laid out an institutional strategy with two overarching objectives -- reducing poverty and inequality and achieving sustainable growth -- and two strategic goals: address the special needs of the less developed and smaller countries and foster development through the private sector. It enumerated a broad set of priorities and activities, organized under three headings: "Operationalizing the Institutional Strategy," "What the Bank does," and "How the Bank works."
- 1.3 The IDB-9 Agreement included a requirement that OVE conduct a mid-term review, to be delivered before March 2013, to determine to what extent IDB was implementing the IDB-9 mandates fully and effectively. OVE undertook the review during 2012 and delivered it to the Board in December 2012. The Mid-term Evaluation of IDB-9 Commitments ([RE-425](#)) consisted of an overview paper and 22 background papers. The Board's Policy and Evaluation Committee (PEC) held individual discussions on each background paper during January-May 2013, and the overview paper was presented at the Annual Meeting of the Board of Governors in Panama in March 2013.
- 1.4 Given that the structures of the Cancun Declaration and the IDB-9 Agreement were somewhat different, for convenience OVE classified the IDB-9 mandates into 18 topic areas.¹ The Mid-Term Evaluation's broad conclusion was that "Management has invested heavily in efforts to implement the IDB-9 requirements. The requirement of 'full implementation' has been met or is in the process of being met on most fronts... The progress toward 'effective implementation' has been more mixed. Likely effectiveness varies widely across areas, with some moving forward well and others more slowly, and with a few having little impact or even imposing costs on the organization." The evaluation's findings on implementation progress and effectiveness by topic area are summarized in Table 1 (reprinted from the evaluation overview), and the evaluation's 10 recommendations are listed in Box 1.

¹ These topic areas were distilled from the longer list of specific topics delineated in the Cancun Declaration and the IDB9 Agreement, as detailed in the Approach Paper to the Mid-Term Evaluation, [RE-411-1](#), April 2012.

Table 1 - IDB-9 Mid-Term Evaluation Findings on Implementation and Likely Effectiveness		
IDB-9 Topic	Implementation progress	Effectiveness to date
<i>Institutional Strategy</i>		
Sector Priorities and Strategies	4	2
Small and Vulnerable Countries, Haiti, and FSO	4	2
Private Sector Development	3	2
<i>Operational Instruments and Processes</i>		
Lending Instruments	4	3
Knowledge and Capacity Building Products	3	2
Country Programming	3	2
Country Systems	3	3
<i>Results Measurement and Monitoring</i>		
Corporate Results Framework	4	2
Development Effectiveness Framework and Overview	3	3
<i>Safeguards and Accountability Mechanisms</i>		
Macroeconomic Sustainability	4	1
Environmental, Social, Gender, and other Safeguards	3	3
Independent Consultation and Investigation Mechanism	4	1
Combating Fraud and Corruption	3	3
Information Disclosure	4	3
<i>Resource Management</i>		
Organizational Performance and Budgeting	3	3
Integrated Business Solutions (Project Optima)	2	2
Human Resource Development	3	3
Financial and Risk Management	4	4

High	4
Medium	3
Low	2
Negligible	1

Box 1 - The Ten Recommendations of the Mid-term Evaluation of IDB-9 Commitments

1. Begin a process to update IDB's institutional and sector strategies and revisit the Corporate Results Framework with an eye to simplification, improved data accuracy, and full knowledge and ownership by Bank staff and other stakeholders.
2. Revisit the formal role and content of Country Strategies and Country Programming Documents to balance the need for strategic selectivity with the demand-driven character of the Bank.
3. Restructure the private sector windows of the Bank to integrate them much better with each other and with the public sector side of the Bank.
4. Undertake further reforms to streamline resource allocation processes and results monitoring for technical cooperation and capacity-building work.
5. Complete the implementation of the Development Effectiveness Framework as envisioned in the Cancun Declaration and IDB-9.
6. Refocus the Haiti program intensively on sustainable poverty reduction and economic growth, moderating short-term pressures for loan approvals and disbursements to take into account the country's absorptive capacity, and providing space for critical yet smaller or slower-disbursing activities.
7. Redesign the MSA process.
8. Reform the MICI mechanism.
9. Revise the policy on information disclosure.
10. Undertake further analysis and scenario testing of the Income Management Model and the Capital Adequacy rules.

- 1.5 The institutional strategy laid out in the IDB-9 agreement extended until 2015, at which time the accomplishments under the strategy and the IDB-9 Results Framework were to be evaluated and a follow-on strategy was to be adopted. The Results Framework specified 2015 as the target date for achieving many IDB-9 mandates, in line with the strategy period. In 2016, the Board of Directors requested that OVE include an IDB-9 evaluation in its 2017-18 work program, to be delivered before the Annual Meetings in Mendoza, Argentina in March 2018.

II. EVALUATION QUESTIONS AND APPROACH

- 2.1 OVE's Mid-Term Evaluation was intended as an early progress report, and as such it focused primarily in detail on the first three years of implementation of the IDB-9 mandates. This evaluation intends to take a broader approach to focus not only on implementation but also on IDB's achievements to date under IDB-9 and their implications going forward.
- 2.2 The Mid-Term Evaluation identified four key sets of intermediate outcomes that the Bank sought to achieve from the specific mandates in the Cancun Declaration and the IDB-9 Agreement: (i) **strategic selectivity** in its choice of activities, with a focus on IDB-9 priority areas; (ii) **client responsiveness and development effectiveness** in its interactions with clients; (iii) **efficiency, accountability, and transparency** in its resource use; and (iv) **financial sustainability and competitiveness** in the "marketplace" of development finance. Though it may not be feasible to measure IDB-9's impact on the overarching IDB-9 objectives of sustainable growth and reduced poverty and inequality, it should be more feasible to assess IDB-9's contribution to these key intermediate outcomes that in turn help IDB contribute to the overarching objectives. The conceptual framework in Figure 1 shows how the various IDB-9 mandate areas map into these outcomes and will guide OVE's approach to answering the evaluation questions spelled out below.
- 2.3 This evaluation will thus address the following three questions:
- 1) **To what extent has the Bank implemented the commitments agreed to under IDB-9?**
 - 2) **To what extent is the Bank's implementation of these commitments contributing to the achievement of four key intermediate outcomes expected of IDB-9?**
 - a. To what extent is the Bank's implementation of IDB-9 commitments enhancing the Bank's *strategic selectivity*?
 - b. To what extent is the Bank's implementation of IDB-9 commitments promoting enhanced *client responsiveness* and *development effectiveness*?
 - c. To what extent is the Bank's implementation of IDB-9 commitments promoting greater Bank *efficiency, accountability, and transparency*?
 - d. To what extent is the Bank's implementation of IDB-9 commitments enhancing the Bank's *financial sustainability and competitiveness*?
 - 3) **What lessons can be drawn from the Bank's experience with IDB-9 for Bank Group priorities, strategies, and activities going forward?**

Figure 1: IDB-9 Evaluation Conceptual Framework



Source: OVE

- 2.4 To help answer evaluation questions 1 and 2 above, OVE will review IDB activities and results in the main areas covered by IDB-9, categorized under the key intermediate outcomes to which they contribute. Related evaluation questions are shown in Box 2. The forward-looking perspectives in the third evaluation question will be derived largely from the findings on the first two questions.
- 2.5 This evaluation will be able to draw on a large body of OVE work completed since the Mid-term Evaluation or underway in 2017, as shown in Table 2. OVE will also undertake additional interviews and data analysis to update previous findings and/or to generate evaluation evidence in areas not addressed by prior evaluations. A key goal is thus to synthesize and supplement existing evaluative material in a way that helps IDB's management and its governing bodies build on IDB's comparative advantages as it considers strategic options for the next decade and beyond.
- 2.6 Because the IDB included both public and private sector windows in its organizational structure when IDB-9 was concluded, the evaluation will cover IIC to the extent needed to assess IDB accomplishments pursuant to the IDB-9 mandates. Thus, while this evaluation does not formally cover the entire IDB Group, many of the findings will be relevant for the work of IIC going forward.

Box 2: Specific evaluation questions related to IDB-9 intermediate outcomes

- 1. To what extent is the Bank's response to IDB-9's mandated priorities enhancing its strategic selectivity?**
 - How have sector strategies and priorities evolved in the Bank under IDB-9, and how do they relate to the overarching strategic goals of IDB-9?
 - How has IDB-9's focus on small and vulnerable countries been reflected in Bank programming? What roles have FSO and the IDB Trust Fund played in catalyzing such support?
 - How is the private sector merge-out progressing, and how is it affecting the Bank's ability to support development through the private sector?
 - What role has the Bank's Corporate Results Framework played in directing change and promoting strategic selectivity?
- 2. To what extent is the Bank's implementation of IDB-9 commitments promoting enhanced client responsiveness and development effectiveness?**
 - To what extent are the design and implementation of the Development Effectiveness Framework (and the equivalent in IIC) improving the Bank Group's ability to report on results?
 - To what extent are the Bank Group's financial instruments aligned with country demand?
 - Are recent changes in country strategies helping to prioritize country development challenges, identify the Bank's comparative advantage, and set appropriate strategies for Bank engagement in the country? Are they helping to facilitate Bank Group coordination? To what extent has the Bank's annual programming been guided by country strategies?
 - To what extent are IDB knowledge instruments well-aligned with IDB-9 mandates and with country demand?
 - What progress has the Bank made with respect to IDB-9 commitments on environmental and social (including gender) safeguards? Has ICIM's 2014 restructuring led so far to the desired results?
 - What progress has been made on the "country systems" agenda?
- 3. To what extent is the Bank's implementation of IDB-9 commitments promoting greater Bank efficiency, accountability, and transparency?**
 - What has been the experience with the Income Management Model?
 - What has been the experience with results-based budgeting?
 - What has been the experience with Optima and Convergence?
 - What progress has been made in HR policy and practice to date in IDB-9 mandated areas of talent management, decentralization, gender, and merit-based HR systems?
 - Are IAMCs effectively addressing the objectives related to macroeconomic sustainability in IDB-9?
 - To what extent and how effectively is IDB addressing challenges of fraud and corruption in Bank projects, at the country level, and within the Bank, as mandated in IDB-9?
 - To what extent have IDB-9 mandates on information disclosure been implemented?
- 4. To what extent is the Bank's implementation of IDB-9 commitments enhancing the Bank's financial sustainability and competitiveness?**
 - Has the CAP been implemented as agreed, and what has been the effect of recent changes?
 - Is the Bank's risk management framework meeting the mandates of IDB-9?
 - What evidence exists on the competitiveness of IDB in LAC vis-à-vis other sources of development finance?

Table 2 - Recent or ongoing OVE evaluations with relevance to IDB-9 topics	
IDB-9 Topics	Relevant OVE Evaluations (2013-17)
Sector Priorities and Strategies	Climate Change (2014) Citizen Security (2014) Agriculture and Food Security (2015) Secondary Education (2014) Public Finance (2017)
Small and Vulnerable Countries, Haiti, FSO	Various CPEs
Development Through the Private Sector	PPPs in Infrastructure (2016) IDB Support Through Financial Intermediaries (2016) Private Sector Merge-Out (2017)
Corporate Results Framework	Private Sector Merge-Out (2017)
Development Effectiveness Framework	IDB's Project Evaluation System (including validation of PCRs and XSRs) (2017)
Lending Instruments	Policy-based Lending (2015) Contingent Lending (2016) Various CPEs
Country Programming	Various CPEs
Knowledge and Capacity Building Products	Knowledge Bank (2017) Special Programs (2015) Sustainable Cities (2016) Impact Evaluations (2017)
Project Sustainability	Safeguards (2017) Gender and Diversity (2017)
Country Systems	Safeguards (2017)
Organizational Performance and Budgeting	Realignment (2014) Administrative Spending (2016)
Information Technology	
Organizational Structure and Human Resource Processes	Private Sector Merge-Out (2017)
Macroeconomic Safeguards	IAMCs (2017)
Combating Fraud and Corruption	Public Finance (2017) Various CPEs
Information Disclosure	
Financial and Risk Management	

III. TIMETABLE AND EVALUATION TEAM

3.1 The timetable for the evaluation is as follows:

Approach Paper to Board	June 2017
Draft for management review	December 2017
Delivery of final evaluation to Board	January 2018

3.2 The evaluation will be carried out by the staff and research fellows of OVE, with overall coordination by Cheryl Gray (Director) and Monika Huppi (Principal Advisor). Specialist consultants will be hired to work in specific technical areas as needed.