

Approach Paper

Evaluation of the IDB Group's Support for Productive Development

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ACRONYMS AND ABBREVIATIONS

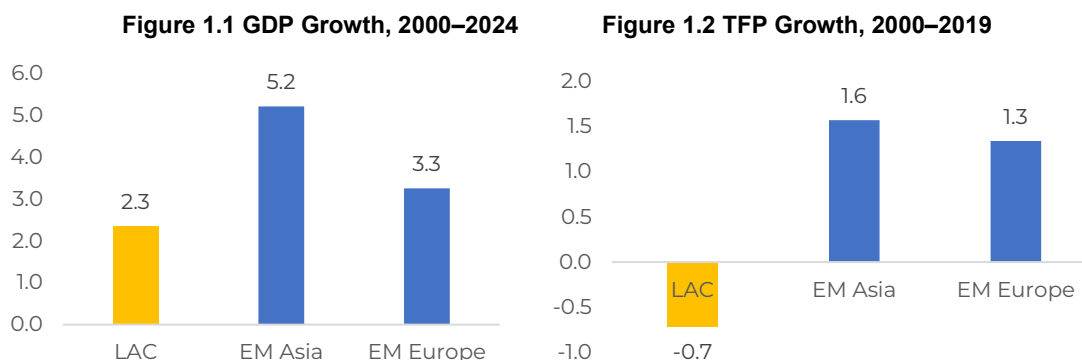
AI	Artificial Intelligence
CDC	Country Development Challenges
CDI	Country Diagnostics for Impact
CS	Country Strategy
DIA	Development in the Americas
GDP	Gross Domestic Product
GIS	Geographic Information System
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MDBs	Multilateral Development Banks
MSMEs	Micro, Small and Medium Enterprises
NDVI	Normalized Difference Vegetation Index
NLP	Natural Language Processing
OVE	Office of Evaluation and Oversight
PTI	Productivity, Trade and Innovation Department
R&D	Research & Development
SFD	Sector Framework Documents
SIDS	Small Island Developing States
TFP	Total Factor Productivity
WB	World Bank Group

I. INTRODUCTION

- 1.1. **This document sets out the approach that the Office of Evaluation and Oversight (OVE) will follow to assess the Inter-American Development (IDB) Group's support to productive development.** It explains the objectives, scope, guiding questions, and methodology for the evaluation. This evaluation is part of OVE's 2025-2026 work program (document RE-600-3), which was endorsed by the Boards of Executive Directors of the IDB and IDB Invest (the Board).
- 1.2. **Productive development is the focus of this evaluation.** Productive development refers to policies and programs designed to transform the structure of economic activity to achieve public objectives, typically by stimulating innovation, productivity, and economic growth (Juhász, Lane, and Rodrik, 2023). In this evaluation, productive development policies and programs will include those that aim to improve directly economy-wide and sector-specific productivity.
- 1.3. **Economy-wide productive development policies potentially affect the entire economy. Economy-wide policies tend to have a broad foundation and are not designed to target a single industry.** Economy-wide approaches also aim to strengthen incentives to improve the allocation of production factors (capital and labor) to the most productive industries. Economy-wide policies include trade liberalization, the protection of property rights, efforts to improve infrastructure and education quality and pertinence, increase access to financing, and measures to streamline the steps and costs involved in doing business, as well as the promotion of research and development (R&D) (Crespi, Fernandez-Arias, and Stein, 2014).
- 1.4. **Productive development policies may also be designed to target specific sectors. These sector-level policies contribute to the productivity of specific sectors and the functioning of their markets.** Examples of sector-specific policies in Latin America and the Caribbean include: a program in Brazil to develop the aerospace industry by fostering partnerships between universities and companies (Alcorta and Peres, 2018); a tech hub in Chile to support startup growth in the fintech sector (Benavente, 2020); and policy instruments implemented in Guanajuato that have fostered the consolidation of the automotive industry (Martínez-Martínez, & Carrillo, 2019).
- 1.5. **Both economy-wide and sector-level productive development policies foster productive development.** The Development in the Americas (DIA) report of 2019 "Trading promises for results: what global integration can do for Latin America and the Caribbean" emphasizes that these two types of policies address complementary challenges and opportunities, making their joint implementation critical (Ardila et al., 2019).
- 1.6. **The persistent stagnation in productivity represents a critical constraint on the capacity of Latin American and Caribbean (LAC) countries to achieve sustained and inclusive economic growth.** Over the past decades, economic growth in LAC was low to moderate and constrained by multiple factors. Average growth rate during 2000-2024 for some of the highest income Latin American economies was only 2.3%, lagging behind emerging economies (Figure 1.1) (WB, 2025). Low total factor productivity (TFP), insufficient investment levels,¹ and other

¹ It is one of the regions with the lowest investment as a percentage of GDP (20% to its GDP during 2000-2023) (WB, 2025) (Annex I, Figure 1.1).

factors have adversely affected the region’s economic growth. While TFP grew in most world regions, it decreased by 0.7% in some of the highest income Latin American economies between 2000-2019 (Figure 1.2). The region has struggled to bring its TFP in line with that of emerging and advanced economies in other regions.² Despite gains in export quality and technological integration,³ declining and lagging productivity has resulted in a limited industrial performance for most LAC countries.



Source: Figure 1.1 based on available data WB (2025). Figure 1.2 based on available data IMF (2025); notes: i) LAC: Brazil, Chile, Colombia, Mexico and Peru ii) Emerging Markets (EM) Asia: Indonesia, India, Malaysia, Philippines, and Thailand iii) EM Europe: Czech Republic, Estonia, Lithuania, Latvia, Slovakia, Slovenia, Poland, Romania. iv) Advanced Economies (AEs): Austria, Belgium, Germany, Denmark, Finland, France, Greece, Italy, Japan, Luxembourg, Netherlands, Norway, Spain, Sweden, United Kingdom, United States.

- 1.7. **The economic structure of Latin American countries varies widely.** Across the region, dominant sectors, in terms of their contribution to GDP or share of exports, vary by country, ranging from commodity activities such as agriculture and mining to manufacturing industries producing machinery, chemicals, and textiles, as well as tourism and business services. These sectors are largely export-oriented, contribute up to 68% to GDP, and account for as much as 60% of exports. While some countries rely heavily on commodity exports, others exhibit more diversified export bases that integrate both manufacturing and services. Table 1.1 groups countries into three sub-regions to illustrate how the sectors that dominate their exports differ—commodity-based sectors in many Andean and Southern Cone countries, and more diversified manufacturing- and services-based sectors in Central America, Mexico, and the Dominican Republic.

² LAC’s TFP relative to the United States is 0.52, while for the Emerging Markets (EM) in Europe is 0.74 (Annex I, Figure 1.5)

³ During 2016-2023, most countries in the region made advancements in the quality of their manufactured exports. Fewer countries, however, saw increases in the use of medium and high-technology capital in the production of their exports (Annex I, Table 1.1).

Table 1.1 Top export sectors of LAC countries

Region	Top Export Sectors' Share of Total Exports		
	Agriculture	Industry	Services
Andean	63.8%	1.5%	4.3%
Central America, Mexico and the Dominican Republic	7.1%	18.4%	25.9%
Southern Cone	50.0%	5.0%	5.8%

Top export sectors exclude minerals and hydrocarbons.

Source: OVE based on WB (2025); Growth Lab at Harvard University (2025) and *Trademap* ITC (2025) for business services and ICT with data from IMF, ITC, UNSD, Eurostat, UNCTAD, WTO and UN COMTRADE.

- 1.8. **The Approach paper will be structured as follows.** Following this introduction, Section II situates the evaluation within the IDB institutional context. Section III presents economy-wide and sector-specific drivers of productive development across the firms' life cycle. Section IV outlines the evaluation's objectives, scope, and guiding questions. Section V describes the evaluation methodology. Finally, Section VI presents the evaluation team and timeline. Annexes include supporting materials such as charts, tables, and figures supporting the document.

II. INSTITUTIONAL CONTEXT

- 2.1. **Over the past decade, the IDB Group has progressively elevated productive development as a central pillar of its institutional strategies.** Beginning with the 2015 Update to the Institutional Strategy (document [GN-2788-5](#)), which first identified "Productivity and Innovation" as a core pillar, the Bank identified productivity as a key constraint to sustainable and inclusive growth in Latin America and the Caribbean. Subsequent updates of the Institutional Strategy, including the 2019 Second Update (document [GN-2933-3](#)), refined this focus by emphasizing technology adoption, innovation, and resource mobilization as essential operational lines of action to increase productivity.
- 2.2. **Sector Framework Documents (SFD) and Thematic Framework Documents since 2024 (as per [CII/PP-566](#)) have progressively articulated the specific policy and operational levers through which the IDB Group seeks to tackle productivity constraints.** These include improving access to finance, reducing logistics and regulatory costs, strengthening innovation and technological capabilities, trade facilitation, and promoting productivity in agriculture. In parallel, IDB Invest's 2018 MSME Action Plan (document [CII/GN-364-1](#)) focused attention on firm-level bottlenecks, particularly limited access to finance and weak business environments that hinder MSME growth and productivity.
- 2.3. **The current IDB Strategy+ sets the strategic direction through 2030 and further consolidates this evolution by placing productive development and innovation through the private sector among its seven operational priorities.** It links productivity gains to improvements in human capital, trade and investment, technological upgrading, financial deepening, and infrastructure, while addressing structural market failures and resource misallocation that constrain growth. The IDB Strategy+ Approach Paper to Bolstering Sustainable Regional Growth (document [GN-3241-3](#)) operationalizes the broader vision of the current Institutional Strategy by defining productivity growth as a precondition for sustainable growth, reinforcing the need to correct market failures and coordination problems that limit firms' efficiency, innovation, and integration into global value

chains. Other recent institutional changes that aim to strengthen coordination and increase impact of productive development policies include the creation of the new Productivity, Trade, and Innovation (PTI) sector department, and the adoption of a new business model for IDB Invest (Box 2.1). Figure 2.1 illustrates the past decade's institutional milestones aimed at supporting productive development.

Box 2.1. Recent Institutional Changes to Strengthen the IDB Group's Productive Development Support

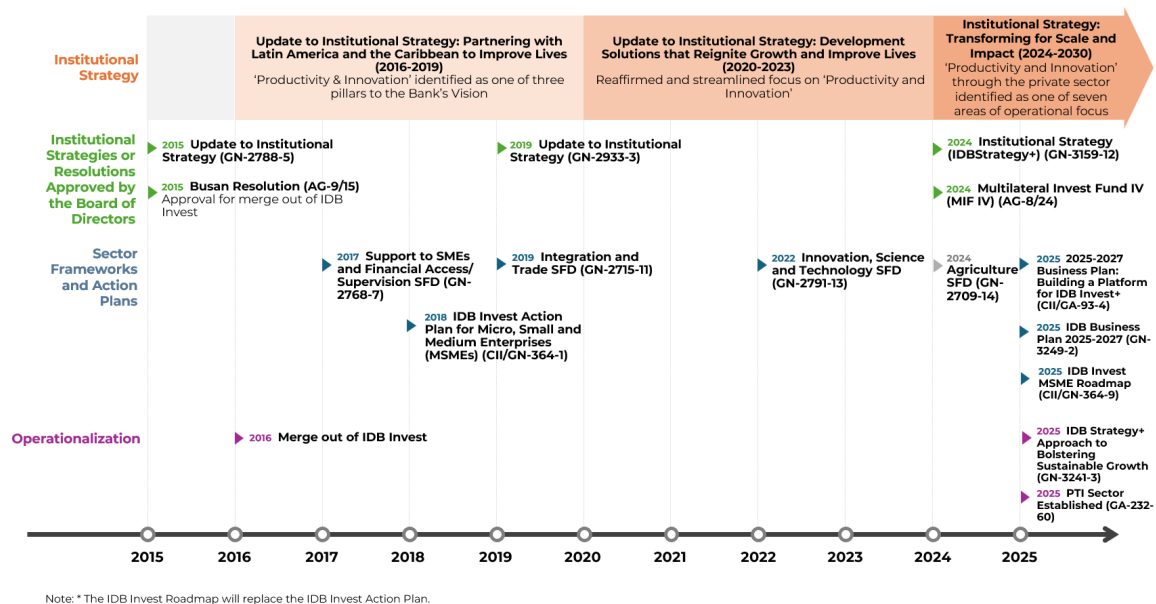
Creation of the Productivity, Trade, and Innovation (PTI) Sector. In 2024, the IDB Group created the new PTI Sector (document GA-232-60) to consolidate trade and investment, competitiveness, technology and innovation, and agriculture and rural development under a single structure. The reform aims to improve coordination across these policy areas, leverage synergies between public and private interventions, and strengthen the Bank's responsiveness to countries' evolving productive development needs.

IDB Invest's New Vision and Business Model. In parallel, IDB Invest adopted a new Vision and Business Model (document CII/CA-221) that shifts the institution toward a modern "originate-to-share" approach focused on mobilization, selectivity, and impact at scale. Supported by a US\$3.5 billion capital increase, the new model seeks to expand the institution's capacity to crowd in private investment, with targeted support to MSMEs as a core element. The IDB Invest 2025–2027 Roadmap (document CII/GN-364-9) updates the 2018 MSME Action Plan, incorporating lessons from OVE's assessment of the previous IDB Invest's MSME Action Plan and functions as guiding framework for IDB Invest's overall engagement with MSMEs.

IDB Lab's New Replenishment and Business Model. During the IDB's 2024 Annual Meetings, IDB Lab received approval from member countries for its 'MIF IV' proposal to pursue replenishment of funds up to US\$400 million to back a new business model that is more scalable, financially sustainable, and generates more impact per dollar deployed (Resolution AG-8/24). Focusing on early-stage entrepreneurs and innovation ecosystems, IDB Lab's capital increase aims to triple resource mobilization, boost firm productivity and support technology-enabled sectors by scaling up 40% of projects and allocating 75% of approvals to reimbursable, market-based, scalable models over a 7 year horizon.

Source: OVE based on documents GA-232-60, CII/CA-221

Figure 2.1: IDB Group Support to Productive Development in Latin America and the Caribbean (2015-2025)



Source: OVE, based on IDB Group institutional and corporate documents. Note: The IDB Invest MSME Roadmap will replace the IDB Invest Action Plan for MSMEs.

III. ECONOMY-WIDE AND SECTOR-SPECIFIC DRIVERS OF PRODUCTIVE DEVELOPMENT ACROSS THE FIRMS' LIFE CYCLE

- 3.1. **This section presents productive development challenges and interventions across the firms' life cycle.** Productive development requires support at different stages of the firms' life cycle: —Entry/Firm Establishment, Cluster & Value-Chain Development, Trade & Commercialization, and Exit/Bankruptcy & Dissolution (Figure 3.1). The firm lifecycle approach serves as an analytical lens, not a prescriptive pathway. It acknowledges that productive development requires support at various stages—from "jump-starting" nascent sectors to enabling existing firms to adapt and diversify. This approach is dynamic and non-linear, reflecting that not all firms progress linearly.

Figure 3.1. Different stages of firms' lifecycle



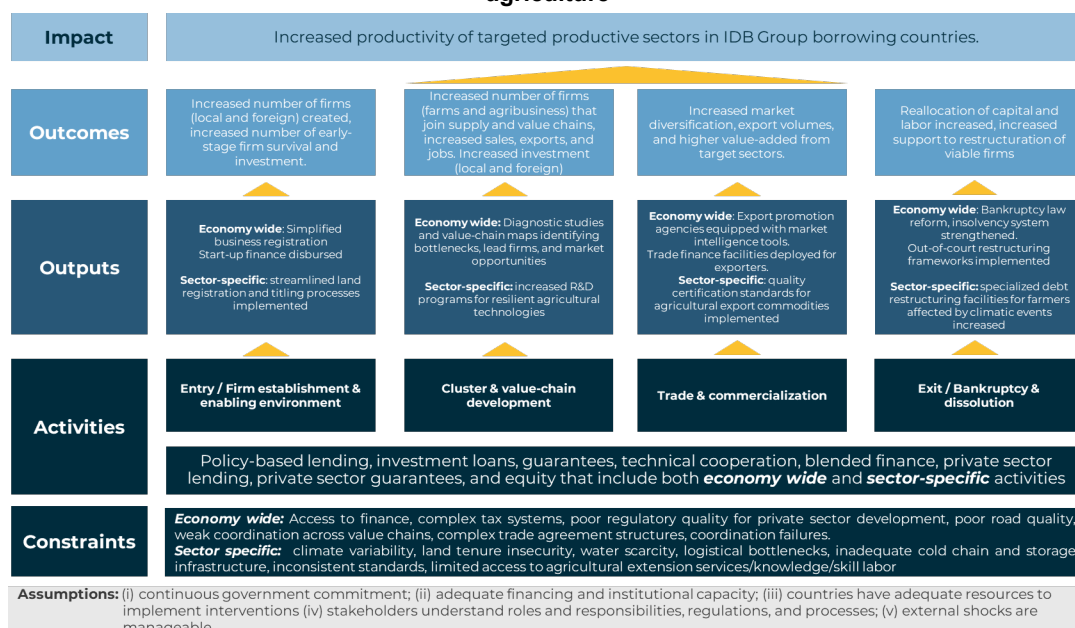
- 3.2. **Empirical evidence demonstrates that both economy-wide and sector-specific policies play a critical role in fostering productivity.** Productivity dynamics can be understood through a firm life-cycle perspective, highlighting the importance of entry, growth, exit, and policy interventions at key stages (Cusolito & Maloney, 2018; Cefis, Bettinelli, Coad, and Marsili, 2022; and Crespi et al., 2014). While economy-wide interventions create a broad enabling environment, their effects are not uniform and often have different implications across sectors. Therefore, a combination of these broad policies with tailored, sector-specific approaches is crucial for addressing the diverse factors driving productivity across firms' lifecycle stages. For instance, while general financial access supports the agricultural sector, its susceptibility to climate variability (Lachaud, Bravo-Ureta, and Ludena, 2015) also demands sector-specific interventions such as adoption of climate resilient technologies. Similarly, manufacturing, hindered by resource misallocation and skills gaps (Aboal and Tacsir, 2018), benefits from general technical assistance but also from specialized programs such as the creation of a mechanical engineering program in Costa Rica that specifically attracted companies from the electronics sector (Crespi, Fernandez-Arias and Stein, 2014).
- 3.3. **Throughout a firm's lifecycle, multiple economy-wide drivers critically influence productivity.** Some drivers, such as market competition,⁴ access to finance or innovation, exert influence throughout the entire lifecycle, while others become particularly influential at specific phases. In the initial entry phase, predictable regulations, an environment that facilitates entrepreneurship (Lederman et al., 2014), low transaction costs, and efficient administrative procedures are key, as they create the necessary enabling environment for new business formation and reduce entry barriers (Djankov et al., 2002 and Klapper, Laeven, and Rajan, 2006). As firms progress into their survival and growth phases, access to finance allows for investment and expansion (Ayyagari, Demirgüç-Kunt,

⁴ Particularly, in LAC, limited competition prevents market share from shifting toward more efficient producers and reduces firms' incentives to innovate (IMF, 2025).

and Maksimovic, 2010). Simultaneously, the availability of skilled labor (Berman and Machin, 2000) and the capacity for technology adoption (Hall and Khan, 2003) become crucial for sustained productivity upgrading. Further along, logistics performance, broader connectivity, and efficient trade facilitation shape a firm's ability to access larger markets and integrate into global value chains (Freund and Rocha, 2011). Finally, during the maturity and restructuring stages, the strength of national innovation systems, the quality of institutional frameworks, and a firm's adaptive capabilities are key determinants of whether it can effectively upgrade, diversify, or resiliently adjust to economic shocks (Cimoli, Dosi, and Stiglitz, 2009 and Cirera and Maloney, 2017). Collectively, these interconnected economy-wide factors systematically impact firms at every stage, underscoring their central role in successful productive development strategies.

- 3.4. **Productive development interventions (economy-wide and sector-specific) in different stages of the firm's lifecycle can help overcome constraints and leverage opportunities to boost productivity.** IDB Group's economy-wide and sector-specific interventions are expected to increase productivity across the stages of the firms' life cycle through specific transmission channels. Figure 3.2 serves as an example of the key areas and types of interventions the evaluation will cover. These interventions are understood as illustrative examples rather than an exhaustive set. For instance, to enhance productivity within the agricultural and agribusiness sector, economy-wide activities that facilitate *firm entry* include a streamlined business environment, generating outputs such as increased disbursement of start-up finance or simplified business registration. Sector-specific interventions at this stage include land registration and titling processes for farmers. Economy-wide interventions for *cluster and value chain development* could generate outputs such as reforms affecting allocation of labor or capital in rural areas, while sector-specific efforts could include the establishment of agro-industrial parks, R&D for resilient agricultural technologies, or the expansion of agricultural extension services to foster farmer cooperation and knowledge transfer. Economy-wide initiatives for *trade and commercialization* include improvements in customs and logistics infrastructure, which reduce export costs for all agricultural goods. Sector-specific interventions include efforts for certification standards for specific organic produce, supporting market access for smallholder farmers into international supply chains, or promoting branding initiatives for regional agricultural products. They also pursue market diversification. Finally, economy-wide interventions at the *exit/bankruptcy* stage include bankruptcy law reforms that apply broadly across sectors. Sector-specific examples include debt restructuring facilities for farmers affected by climatic events or market shocks.

Figure 3.2. Economy-wide and Sector-specific interventions across the firms' life cycle for agriculture



Source: OVE

- 3.5. **As an early and central task, OVE will develop a Theory of Change (TOC) to provide the overarching analytical framework for this evaluation.** The TOC will map the intended causal pathways from interventions to outcomes, clarifying the logic of the IDB Group support to productive development and its critical assumptions. This TOC will frame the entire evaluation—guiding the evaluation questions, and structuring the analysis for the economy-wide and sector-specific interventions and country strategies.

IV. EVALUATION OBJECTIVE, QUESTIONS, AND SCOPE

- 4.1. **The objective of this evaluation is to assess the relevance and effectiveness of the IDB Group's interventions approved between 2016 and 2025 in supporting productive development.** The evaluation will assess (1) the relevance of the IDB Group support to productive development, examining how economy-wide and sector-specific interventions address country needs (relevance); and (2) the extent to which IDB Group's interventions have achieved their intended objectives (effectiveness). The evaluation will address the following questions:

A. Relevance: How relevant is the IDB Group in its strategy and interventions for addressing specific needs and constraints in the productive sector?

- How do the IDB and the IDB Invest's strategies reflect the countries' needs and constraints (both economy-wide and sector-specific) to boost productive development?
- How do the IDB and IDB Invest's interventions reflect the countries' needs and constraints (both economy-wide and sector-specific) to boost productive development, including market diversification?

- iii. To what extent has IDB Lab supported the countries' innovation needs and constraints through financing, the promotion of technology adoption and skills, the creation of knowledge-based services, and entrepreneurial ecosystems for productive development? And how have IDB Lab interventions complemented IDB and IDB Invest interventions?
- iv. To what extent do the IDB interventions complement the interventions of other institutions to support productive development in LAC?

B. Effectiveness: How effective is the IDB Group's support in addressing the specific needs and constraints that hinder productive development?

- i. To what extent have IDB Group's interventions (economy-wide and sector-specific) delivered their intended results?⁵

4.2. **The evaluation covers IDB Group interventions related to productive development during the period 2016-2025.** The selected evaluation period ensures consistency of the analysis as it covers the period after the merge-out of the IDB Group's private sector window, and the implementation of the sustained and evolving strategic commitment to boost productive development in LAC. Over the last decade, this agenda has been progressively strengthened—starting with the 2015 Update to the Institutional Strategy (2016–2019)—and further elevated by the current IDB Group Institutional Strategy (2024-2030). In addition, the evaluation will explore to what extent do IDB interventions complement the interventions of other institutions to support productive development in LAC.

4.3. **The evaluation will cover all IDB Group borrowing countries except those currently included in the ongoing Evaluation of the IDB Group's Support in Small Island Developing States (SIDS) and the ones that do not have an active Country Strategy (CS).** The portfolio will include interventions in 16 borrowing countries. Since the Evaluation of the IDB Group's Support in SIDS will focus on sustainable inclusive growth, the Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname, and Trinidad and Tobago—collectively referred to as the SIDS-7—will be excluded from the scope of this evaluation to avoid duplication across evaluation exercises. Venezuela and Nicaragua are also excluded, given that the IDB Group does not have an active CS with those countries. Finally, Haiti is also excluded from the evaluation because its unique context and structural specificities limit the extent to which findings could be generalized or extrapolated to other countries.

4.4. **The evaluation proposes an in-depth analysis covering four countries – Brazil, Colombia, Panama, and Uruguay.** A purposive sample of four countries—Brazil, Colombia, Panama, and Uruguay—is proposed for an in-depth relevance and effectiveness analysis. This sample is based on portfolio significance and contextual diversity, with the objective of maximizing learning rather than achieving statistical representativeness. The sample includes one large economy from the Southern Cone (Brazil), one mid-sized country from the Andean region (Colombia), one small country from Central America (Panama), and one country that has prioritized market diversification (Uruguay), allowing the evaluation to capture variation in country size, regional context, and institutional environments. An additional selection criterion explicitly links country choice to the evaluation focus on sector-specific interventions and to the region's productive diversity. The four

⁵ As per board approved documents

proposed countries capture LAC sub-regional economic variety through distinct productive structures and leading export sectors. Brazil is broadly characterized by agricultural and manufacturing exports; Panama by service exports (i.e., tourism); Colombia combines agricultural and service (i.e., tourism) exports; and Uruguay combines agriculture, business and ICT services, with a special focus on market diversification. As shown in Annex 3, these four countries account for substantial portfolios across all evaluation windows, ensuring adequate coverage for the relevance and effectiveness analyses.

- 4.5. **The evaluation will encompass IDB Group interventions –across IDB, IDB Invest, and IDB Lab– directly related to productive development, excluding most social sector interventions.** The evaluation will cover *economy-wide and sector-level* IDB and IDB Invest loans and guarantees, excluding regional and emergency loans, along with prepaid and cancelled operations.⁶ IDB’s technical cooperations linked to approved loans and guarantees are also included. IDB Invest’s advisory services are excluded.⁷ For IDB Lab, the evaluation will cover interventions (reimbursable and non reimbursable) that directly promote the development of innovation capabilities within the sectors under analysis, as well as those aimed at creating entrepreneurial ecosystems. Although social sector interventions such as health, education, housing, and water and sanitation operations may indirectly contribute to productivity in the long run through human capital and welfare channels, they are not directly linked to production processes. Accordingly, and consistent with the evaluation’s scope, the analysis excludes social sector operations, except for labor market mobility and skills-matching interventions, which have more direct and observable links to productivity outcomes.
- 4.6. **The evaluation includes IDB Group interventions that seek to improve economy-wide conditions.** These encompass: business climate, competition policy, labor mobility and skills matching, technology adoption, energy, logistics, digital connectivity, trade facilitation, regulatory strengthening related to bankruptcy, access to finance and innovation, foreign direct investment , market linkages and market diversification. These areas were selected because they directly affect firm-level productivity and the efficiency of resource allocation across firms. These interventions have direct and observable links to production processes, costs, competitiveness, and firm performance. As such, they are closely aligned with the evaluation’s focus on productive development.⁸
- 4.7. **The evaluation also includes IDB Group interventions that target specific productivity constraints in four sectors: agriculture, manufacturing, tourism, and business services and ICT.**⁹ OVE selected the sectors of analysis based on

⁶ A recent OVE analysis found insufficient information to support an in-depth analysis of cancelled operations.

⁷ OVE provided specific recommendations to strengthen the governance of IDB Invest’s advisory services in the IDB Invest Evaluation (2023). These included a clear definition of the different types of services and their objectives, the establishment of selection and prioritization criteria, funding and client concessionality mechanisms, and a monitoring and evaluation system. IDB Invest Management is currently implementing these recommendations as part of the deployment of its new business model.

⁸ Annex 3 describes in detail the interventions included and excluded from this analysis.

⁹ Software development and publishing, IT services, digital platforms, cloud computing and data services, business process outsourcing (BPO), consulting, and other IT-enabled or professional services, particularly those with export potential.

their importance in each country's export structure, as a proxy for their structural relevance within the productive economy. Export-relevant sectors tend to play a central role in countries' growth models, are exposed to international competition, and face stronger pressures to improve efficiency, quality, and innovation. Table 4.1 details the selected sectors (i.e., agriculture, manufacturing, tourism, and business services and ICT) by country. Within these sectors, the analysis will cover interventions supporting firms at different stages of development—including small and medium-sized enterprises and lagging firms—not only exporting firms at the productivity frontier. While mining is an important sector in some countries, it will not be analyzed due to the limited portfolio of the IDB Group.

Table 4.1: Top Export Sectors by Country

	Country	Sectors				Total
Andean countries	Bolivia	Fuels, oils & others 36%	Gold 22%	Agriculture 21%		79%
	Colombia	Mineral fuels, oils & waxes 37%	Agriculture 15%	Tourism 11%		63%
	Ecuador	Agriculture 46%	Mineral fuels, oils & waxes 31%	Tourism 6%		83%
	Peru	Copper 31%	Agriculture 19%	Gold 12%	Manufacturing (Chemicals, textiles, machinery) 6%	68%
Mexico and Central America	Costa Rica	Business Services & ICT 25%	Manufacturing (machinery) 21%	Tourism 13%		59%
	Dominican Republic	Tourism 39%	Agriculture 11%			50%
	El Salvador	Manufacturing (textiles & chemicals) 27%	Tourism 25%			52%
	Guatemala	Agriculture 41%	Business Services & ICT 8%	Tourism 7%		56%
	Honduras	Agriculture 32%	Manufacturing (textiles & electronics) 26%			58%
	Mexico	Manufacturing (vehicles, machinery, electronics) 55%	Agriculture 7%			62%
	Panama	Transport 40%	Tourism 24%			64%
Southern Cone	Argentina	Agriculture 42%	Business Services & ICT 9%			51%
	Brazil	Agriculture 41%	Oils & Iron 14%	Manufacturing (chemicals, vehicles, machinery) 13%		68%

	Country	Sectors				Total
	Chile	Copper 41%	Agriculture 26%	Manufacturing (chemicals, machinery) 12%		79%
	Paraguay	Agriculture 60%				60%
	Uruguay	Agriculture 26%	Business services & ICT 20%			46%
<i>Areas highlighted in blue reflect the sectors chosen for the evaluation. Source: ^aOVE based on WB (2025); ^bGrowth Lab at Harvard University (2025) and Trademap ITC (2025) for business services and ICT with data from IMF, ITC, UNSD, Eurostat, UNCTAD, WTO and UN COMTRADE.</i>						

V. EVALUATION METHODOLOGY

- 5.1. **To address the evaluation questions, the evaluation will apply a variety of methods.** They include portfolio analysis, literature review, document analysis, semi-structured interviews with staff and stakeholders, focus groups, surveys, field visits, comparison against global indicators, and geospatial analysis. The evaluation will explicitly categorize interventions by their subcategories for both relevance and effectiveness analyses. Economy-wide operations will encompass areas such as business climate, access to finance, labor, innovation and technology, digital connectivity, energy, logistics, and trade. Sector-specific interventions will include agriculture, manufacturing, tourism, business services, and ICT. Although the distinction between economy-wide and sector-specific interventions may not always be clear-cut, the key criterion is whether the intervention aims to influence the whole economic structure or to target opportunities and challenges within a specific sector. If the intervention has both an economy-wide and sector-specific component, it will be considered as mixed.
- 5.2. **Relevance – the alignment between the IDB Group strategy and support for addressing the specific needs and constraints in the productive sector - will be assessed through a combination of complementary methods.** This includes the revision of national development plans, and an AI-assisted structured literature review of academic and internal reports and interviews of IDB Group staff and clients to identify both economy-wide and sector-specific productive development constraints in the region. These identified constraints will then be systematically mapped against the IDB Group’s strategic approaches (Country Strategies). Taking all the operational portfolio (lending and non-lending), the evaluation will test whether IDB Group funding is addressing economy-wide and sector-specific constraints to productive-development by using country-level indicators—e.g., the share of financing directed to key productive areas/sectors relative to total financing. Furthermore, an in-depth country-level analysis in the four selected countries will review their full IDB and IDB Invest portfolio to evaluate how individual interventions address specific constraints, testing each intervention’s vertical logic from activities to outcomes. The assessment will include how IDB Lab interventions complemented IDB and IDB Invest interventions in these specific countries. Finally, the evaluation will review productive-development lending by other development institutions (e.g., the World Bank) to assess whether and how the IDB Group’s support complements external interventions.

- 5.3. **The evaluation will determine the effectiveness of IDB Group’s support in the four countries of in-depth focus, by assessing whether closed interventions have delivered their intended results through multiple complementary methods.** The effectiveness analysis will focus on all closed lending interventions from IDB and IDB Invest in the four selected countries. This methodological choice to focus on a limited number of closed operations prioritizes in-depth learning about causal mechanisms and contextual factors over broad generalizability to the entire portfolio. OVE will conduct a review of the literature to identify the expected effects of IDB Group–supported interventions. This analysis will be combined with internal documents, implementation data, context analysis, and interviews to assess progress towards intended outcomes. All findings will be triangulated with project documentation—such as implementation reports, Project Completion Reports (PCRs) and Expanded Supervision Reports (XSRs)—and interviews with IDB Group staff and external stakeholders to validate results and strengthen the overall effectiveness assessment. The analysis will be complemented with findings from past and ongoing OVE country, sector and corporate evaluations.
- 5.4. **The effectiveness assessment will be complemented by a before–after analyses of quantitative indicators, focusing on clusters of projects in targeted sectors, subject to data availability.** For agriculture, for example, effectiveness will be assessed using changes in land use, for example through the Normalized Difference Vegetation Index (NDVI) changes.¹⁰ Positive changes in NDVI over time within an agricultural area where IDB and IDB Invest interventions have been implemented can indicate several successful outcomes: a higher NDVI suggests more vigorous and healthier crops; changes might reflect the effectiveness of interventions such as improved irrigation systems, better fertilizer application, adoption of more resilient crop varieties, or enhanced soil conservation practices; significant increases in NDVI in previously less vegetated areas could indicate the successful expansion of cultivated land or more intensive farming practices where appropriate. For example, in manufacturing, measures such as increasing night-time light intensity in industrial zones where interventions have taken place, suggest heightened operational activity, extended working hours, and potentially increased production; building density changes provide insights into physical expansion and investment. The effectiveness of tourism interventions will be assessed using proxies like visitor arrivals and national tourism indicators. An increase in visitor numbers directly reflects the success of interventions in attracting tourists and boosting the sector’s activity. For business services and ICT, broadband adoption rates in business districts, business registration rates, density of cell towers, internet traffic volume, and social media usage will serve as key metrics. However, it is important to note that in the absence of a control group, such analyses will only identify correlations rather than attribute causality. In cases where a suitable comparison group can be constructed, the evaluation will carry out more rigorous impact assessments, though these will be feasible only for a limited number of projects given the time and resource requirements.

¹⁰ NDVI is a widely recognized and objective measure derived from satellite imagery that quantifies vegetation greenness, health, and density. It works by analyzing the spectral reflectance of light from the Earth’s surface, where healthy, dense vegetation absorbs most visible light and reflects a large portion of near-infrared light.

- 5.5. **In sum, the evaluation will apply a combined analytical approach by systematically differentiating and assessing both economy-wide and sector-specific interventions, leveraging the described methodologies.** For relevance, an AI-assisted literature review will first identify overarching economy-wide productive development constraints (e.g., broad gaps in national financial infrastructure) alongside specific sector-level constraints (e.g., low productivity in agriculture due to technological gaps). The IDB Group's portfolio will then be mapped against these identified needs. For example, when assessing an IDB Group intervention in agriculture, the evaluation might analyze an economy-wide program aiming to improve access to finance. The relevance of the intervention will be assessed by determining if the literature review identified "limited access to credit" as a key constraint for agricultural firms. Concurrently, a sector-specific IDB Lab project supporting agritech startups for climate-resilient farming would have its relevance assessed by verifying if it directly addresses a documented market failure or skill shortage specific to the agricultural sector's 'Cluster & Value-Chain Development'. For Effectiveness, an economy-wide intervention, such as a national customs modernization program, will be assessed by measuring reductions in average processing times for agricultural exports, thereby enhancing Trade & Commercialization across the sector. In contrast, a sector-specific intervention, like an IDB Group project supporting technology adoption (e.g., irrigation) in a specific agricultural region, will be assessed using changes in the Normalized Difference Vegetation Index (NDVI) within that area, directly reflecting healthier crops and more productive Cluster & Value-Chain Development efforts. Table 5.1 provides a summary of how these methods will be applied to each evaluation question across the three levels of analysis.

Table 5.1	
RELEVANCE	
Q.1: How relevant is the IDB Group in its strategy and support for addressing the specific needs and constraints in the productive sector?	
Sub-questions	Methodology
1.1 How do the IDB and the IDB Invest's strategies reflect the countries' needs and constraints (both economy-wide and sector-specific) to boost productive development?	Objective(s): Assess to what extent and how IDB Group's strategies, targeted productive development.
	AI-assisted structured literature review of academic literature and internal and external reports to identify constraints and challenges to productive development at the country and regional levels.
	Compare key productive development needs and constraints (economy-wide and sector-specific) identified in the literature and national development plans against IDB Group's strategic approaches to identify alignment and possible gaps.
1.2 How do the IDB and IDB Invest's interventions reflect the countries' needs and constraints (both economy-wide and sector-specific) to boost productive development?	Source(s): IDB Group Institutional Strategy, Country Strategy (CS), Country Development Challenges (CDC), Country Diagnostics for Impact (CDI), national development plans, interviews of IDB and IDB Invest staff and clients, and literature on productive development.
	Objective(s): Assess how IDB Group's interventions responded to productive development constraints during the evaluation period.

development, including market diversification and the promotion of jump-start sectors?	AI-assisted structured literature review of academic literature and relevant internal and external reports to identify constraints and challenges to productive development. Map development needs and constraints (economy-wide and sector-specific): the evaluation will use country-level data to map development needs and constraints, and compare the results of these diagnostics with the geographic and sectoral distribution of the IDB Group productive development portfolio. This will help determine whether projects are being placed where they are most needed or where they can generate the greatest value added. The assessment will be supported with geospatial data, to identify where interventions are implemented and compare against indicators of needs and constraints, where feasible. Geospatial data can complement the analysis by shedding light on economic activity and productive development needs. Some examples of indicators include % of interventions located in: high nightlight growth areas, high-yield agricultural zones, poor road access, or tourism regions. Operations in four selected countries will be analyzed more in depth, to assess whether they targeted key development constraints, featured a well-articulated vertical logic from activities to outcomes, and included meaningful government engagement. Take measurements at baseline and the end of the evaluation period. Source(s): Literature on productive development, evaluation portfolio locations, country-level data, and GIS data for more granular economic development and specific sector indicators (see Annex III, Box 3.1). Project documentation, stakeholder interviews and field visits.
1.3 To what extent has IDB Lab supported the countries' needs and constraints through financing, the promotion of technology adoption and skills, the creation of knowledge-based services, and entrepreneurial ecosystems for productive development? And how have IDB Lab interventions complemented the interventions of IDB and IDB Invest?	Objective(s): Assess how operations promoted technology adoption, skills, the creation of knowledge-based services, and entrepreneurial ecosystems. Review IDB Lab portfolio documents to identify their alignment with national or regional innovation policies, digital transformation agendas, or strategies for developing knowledge-based economies. Determine whether interventions are aligned to assessments that identified specific challenges/needs in technology adoption, skill shortages, entrepreneurship, entry barriers, or weaknesses in the innovation ecosystem. In four selected countries, assess how IDB Lab interventions complemented IDB and IDB Invest interventions. Source(s): Project documents and interviews with IDB Lab staff and clients.

1.4 To what extent do the IDB interventions complement the interventions of other institutions to support productive development in LAC?	Objective: Assess how IDB operations complement the interventions of other institutions to support productive development in LAC. The evaluation will review lending by other institutions, such as the World Bank. Where comparable data are available, it will conduct sector-level comparisons between those institutions' lending portfolios and that of the IDB.. Source(s): Portfolio data, project documentation, stakeholder interviews and field visits.
EFFECTIVENESS	
Q.2: How effective is the IDB Group's support in addressing the specific needs and constraints in the productive sector?	
Sub-questions	Methodology
2.1. To what extent have interventions (economy-wide and sector-specific) delivered intended results?	Objective(s): Assess whether operations achieved intended results for closed operations in the three selected countries. Taking the effectiveness sample (closed operations in the four selected countries): Desk Reviews and Interviews: Evaluate to what extent the expected results of IDB Group closed interventions were achieved. OVE will consider developing an effectiveness assessment systems based on the evaluation's Theory of Change. Before–after quantitative analysis: Depending on data availability, track changes in key indicators over time for a set of interventions, acknowledging that without a control group, these results show correlations, not causality. If possible, assess the plausibility of IDB Group Interventions contributing to outcomes based on the Theory of Change that will be developed when conducting the evaluation and on context and existing empirical evidence from other interventions. Impact evaluations (when feasible): Conduct rigorous assessments using comparison groups, possible only for a limited set of cases due to time and data constraints. Triangulation: Validate all findings through project documentation (e.g., implementation reports, PCRs, XSRs), past and ongoing OVE evaluations, and interviews with IDB Group staff and stakeholders. Source(s): Project documents and interviews with staff and stakeholders; GPS of IDB Group portfolio with an advanced level of disbursement, GIS data for broader economic development and specific sectors (sources for this are denoted in the relevance section of the matrix)

A. Portfolio

- 5.6. **The IDB Group portfolio that supported productive development during the period 2016-2025, relevant for the analysis, consists of 1,145 operations.** The identification of IDB economy-wide and sector-level categorizations was drawn

from the IDB and the IDB Invest databases, filtered by approval year, sector tags, and project objective information: (i) Economy-wide reimbursable operations include the ones related to business climate, access to finance, labor, innovation and technology, digital connectivity, energy, logistics, and trade. (ii) Sector-level reimbursable operations include those related to agriculture, manufacturing, tourism, business services, and ICT. For the sector-level analysis, the relevant portfolio only encompasses interventions within each country's top export sectors (for instance, it includes agriculture and business services and ICT operations for Uruguay and Argentina, as described in Table 4.1). Technical cooperations linked to IDB reimbursable operations are also included in the portfolio for economy-wide and sector-specific interventions (iii) The IDB Lab portfolio was selected based on each project's objective related to innovation promotion and entrepreneurial ecosystems. The resulting portfolio comprises 634 IDB operations (346 reimbursable and 288 technical cooperations), 437 IDB Invest operations, and 74 IDB Lab operations. Annex III (Table 3.1 and Table 3.2) includes the number of interventions by window and level of analysis.

- 5.7. **The portfolio for the evaluation is defined as follows:** The total set of 1,145 operations will be used for a global, indicator based, relevance analysis. A relevance sample that comprises 362 operations, drawn from the entire IDB Group portfolio (lending and non-lending) within Brazil, Colombia, Panama, and Uruguay will be under consideration in the in-depth country level analysis. The effectiveness sample consists of 119 closed operations within Brazil, Colombia, Panama and Uruguay. Table 5.1 includes the number of operations per level of analysis and country.

Table 5.2: Evaluation portfolio – Relevance and Effectiveness samples

Countries	Number of operations			
	Economy-wide	Sector-level	IDB Lab	Total
Relevance: total operational portfolio	916	155	74	1,145
Relevance: in-depth country-level analysis	318	29	15	362
Brazil	109	16	3	128
Colombia	98	2	8	108
Panama	62	2	3	67
Uruguay	49	9	1	59
Effectiveness: in-depth country-level analysis^a	113	6		119
Brazil	35	2		37
Colombia	43			43
Panama	18	1		19
Uruguay	13	3		20

Source: Based on IDB, IDB Invest, and IDB Lab Databases. Excludes cancelled and prepaid operations. ^aClosed operations as of December 2025. TCs are included in the relevance analysis only. For IDB Invest, projects whose Early Operating Maturity Date is between 2016 and 2025 are included. Although some transactions could be considered both economy-wide and sector-level at the same time, for the purposes of this table, they have been initially classified as economy-wide and counted just once. As a result, the preliminary portfolio of operations with a sectoral component might be underestimated. However, the evaluation will reflect economy-wide operations that also have a sectoral component and consider them as mixed interventions; therefore, the number of operations with a sectoral component may increase.

B. Limitations

- 5.8. **This evaluation faces limitations.** At this stage, OVE has identified seven important limitations. (i) in depth assessments of relevance and effectiveness will be confined to four selected countries and therefore cannot be generalized to the broader portfolio. (ii) The findings of the evaluation for sector-specific constraints will be specifically limited to the four selected export sectors (agriculture, manufacturing, tourism, and business services); therefore, generalizability of conclusions to other productive sectors not included in this scope may not be appropriate. (iii) The effectiveness analysis might be limited by the small number of closed interventions and availability of data. Another challenge for the effectiveness assessment lies in attributing observed changes directly to IDB Group interventions, particularly for economy-wide initiatives where numerous external factors (e.g., government policies, global economic trends) influence productive development. (iv) The qualitative data gathered through interviews with staff and stakeholders, while crucial for understanding perceptions and internal dynamics (especially regarding organizational setup and incentives), is inherently subjective and may be influenced by recall bias or a tendency to present favorable views. (v) For some areas, particularly for IDB Lab's innovation efforts, the availability of direct data across all projects may be limited, necessitating a greater reliance on proxies and alignment measures for assessing relevance rather than direct effectiveness. (vi) The evaluation will not cover topics related to macroeconomic stability, neither those related to transparency and integrity¹¹ which may have important effects on productive development. (vii) The portfolio review will exclude regional operations and focus solely on country-level interventions implemented by the IDB Group.

VI. TEAM AND TIMELINE

- 6.1. **Evaluation team:** The team comprises Giulia Lotti and Maria Fernanda Rodrigo (team leaders), Juliana Guerrero, Marlon Brooks, Maria Cristina Montero de Espinosa Garcia, Gustavo Rivas, and Melisa Wong, under the direction of Marialisa Motta (Director of OVE).
- 6.2. **Evaluation timeline.** OVE will conduct its evaluation activities during 2026 and plans to send this evaluation report to the Office of the Secretary in the fourth quarter of 2026. Table 6.1 presents an indicative timeline:

Table 6.1 Indicative timeline of activities

Deliverables	Month
Approach Paper delivered to the Office of the Secretary	March 2026
Field visits	April – May 2026
Draft report shared with Management for consideration and comments	September 2026
Final document delivered to the Office of the Secretary	October 2026
Presentation before the Programming Committee of the Board of Directors	November 2026
Dissemination activities	January 2027

¹¹ OVE will present the evaluation to the Board at the end of the first quarter of 2026.

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