

DRIVING IMPACT:

FOUNDATIONS OF
DEVELOPMENT
EFFECTIVENESS
REFORMS AT THE IDB

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Driving Impact: Foundations of Development Effectiveness Reforms at the IDB

Office of Strategic Planning and Development Effectiveness*

Abstract

The institutional strategy of the IDB, IDB Invest, and IDB Lab, known as IDBStrategy+, centers on achieving scale and impact. This paper presents the theoretical and empirical foundations of the Impact Orientation Reform for the IDB, one of the 17 reforms outlined in IDBStrategy+. First, we provide a broad overview of recent performance management innovations that set the stage for the Impact Orientation Reform, as well as key contextual changes that have shaped the IDB's impact orientation. Then, we identify challenges the IDB faced under previous development effectiveness initiatives. The core of this paper focuses on the three main elements of the Impact Orientation Reform: (i) a culture of effectiveness, (ii) targeting final results through evidence-based decisions and learning, and (iii) a commitment to improving client effectiveness. This study dives into each element, discusses its theoretical and empirical underpinnings in the literature, and ties each one to the IDB's challenges, as identified in this study's assessment. The study provides examples of how specific processes and tools of the IDB's Impact Orientation Reform reflect these elements. Finally, we present potential challenges that could arise when implementing this reform.

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1. Introduction

The IDB is devoted to improving the lives of millions of people in its 26 borrowing member countries across Latin America and the Caribbean. To achieve this impact, it must ensure development effectiveness in its operations. This goal has led to multiple changes at the organization.

In March 2024, IDB, IDB Invest, and IDB Lab approved important changes that represent a fundamental rethinking of how these institutions deliver on their development mandate. These three institutions developed a specific overarching institutional strategy, known as IDBStrategy+ (Inter-American Development Bank & Inter-American Investment Corporation, 2024b), which establishes a transformation for scale and impact¹ as its main objective. The strategy provides a detailed roadmap for 17 distinct reforms spanning every facet of the IDB's operations.²

This paper³ presents the theoretical and empirical foundations of the Impact Orientation Reform, one of the 17 reforms outlined in IDBStrategy+. This reform underscores IDB's commitment to advancing development at scale and focuses on embedding development effectiveness in its operations.⁴ Although impact orientation and development effectiveness are closely related terms, they are not interchangeable. Development effectiveness is a multidimensional concept that includes the extent to which development interventions achieve their intended goals, generate measurable results, and contribute to long-term, sustainable improvements.⁵ Impact orientation refers to a specific institutional mindset and approach that prioritizes the long-term transformational effects of development interventions and fosters a transition from procedural compliance to a results-driven mindset.

The Development Effectiveness Policy Framework (DEPF) is the guiding document for the Impact Orientation Reform. It sets out the principles for all key elements of the reform, including revisions, regulations, guidance documents, new tools, and capacity-building programs for sovereign-guaranteed operations.

In Section 2, we first provide background on the context that gave rise to the Impact Orientation Reform. We describe how performance management concepts evolved and influenced the global development

¹ Impact refers to effects on social or economic development problems.

² Reforms that the IDB, IDB Invest, and IDB Lab have completed include a new Impact Framework for measuring progress on the strategy, the Development Effectiveness Policy Framework (DEPF) to guide operations, and new guidelines for country strategies to ensure they align with the IDB's strategic priorities. It is also in the final stages of other notable reforms to enhance the architecture of strategic documents, increase lending capacity by optimizing the balance sheet, and introduce innovative financial instruments such as disaster risk management loans.

³ For a quick overview of this paper, check out the following infoguide available at: https://iadb-comms.org/Driving_Impact_Infoguide.

⁴ The Impact Orientation Reform is aligned with a general commitment of the IDB to using rigorous evidence in project design, implementation, and evaluation. For instance, the IDB has signed the Global Evidence Commitment in 2023, an initiative designed to foster an evidence culture in multilateral and bilateral development organizations. One of the signatories' commitments was to use the TRIPS (Training, Resources, Incentives, Processes, and Signals) framework to promote the use of evidence in the programming and project cycle of development interventions. This framework determines multiple levers available to institutions seeking to improve their culture of evidence in these dimensions (Gaarder et al., 2024).

⁵ We follow the definition of development effectiveness presented in the Development Effectiveness Policy Framework (Inter-American Development Bank, 2025a). Development effectiveness is a multidimensional concept defined as the extent to which an intervention: (i) delivers results that respond to the country's larger development context, priorities and needs; (ii) measurably achieves the specific objectives committed to and owned by the borrowing country and the IDB; (iii) generates, via the delivered results, impact and net benefits for specified stakeholders; (iv) delivers efficient, equitably and sustainably solutions; and (v) uses appropriate evidence and generates valuable knowledge in the pursuit of the agreed development objectives and results.

landscape and the Impact Orientation Reform. We then discuss relevant global shifts that have affected development initiatives, including technological advancements, policy shifts, and evolving demands for evidence-based decision-making. Finally, in Section 2 we describe the IDB's journey towards development effectiveness, including a discussion of the contributions and limitations of the 2008 IDB Development Effectiveness Framework (DEF).

Section 3 transitions to a discussion of the factors that led to the Impact Orientation Reform. We take stock of the IDB's development effectiveness challenges and present why the IDB needs to solidify an impact-oriented approach within the institution.

In Section 4, which is the core of this paper, we discuss the vision for the Impact Orientation Reform and then present its three main elements. For each element, we provide supporting theoretical and empirical foundations, as well as concrete examples of how these elements will materialize. To conclude the paper, we highlight important challenges the IDB may face in implementing the Impact Orientation Reform and provide a forward-looking perspective on how to address them to achieve sustainable development impact.

2. Context of the Reform

2.1. How performance management has evolved⁶

Performance management began by bringing a focus on outcomes or results to industrial administration and has since strongly influenced approaches to both government and development sectors. A full understanding of development effectiveness and the IDB's Impact Orientation Reform requires familiarity with performance management concepts. Performance management evolved from early efficiency-driven models to adaptive, outcomes-focused approaches. Initially, scientific management emphasized efficiency and measurable targets (Taylor, 1911). In the U.S., reforms such as the Taft and Hoover Commissions institutionalized data-driven strategies, while frameworks like Management by Objectives (MBO) and Planning Programming Budgeting Systems (PPBS) linked performance metrics to planning (Campbell et al., 1970, Lee et al., 2020). However, both systems have faced criticism—PPBS for inefficiencies in data usage and lack of practical decision-making utility (Wildavsky, 2018), and MBO for its overly simplistic approach to addressing complex performance issues (Heinrich, 2003).

The 1980s saw the advent of New Public Management (NPM) reforms worldwide. This shift adopted private-sector approaches and emphasized efficiency and accountability (Hood, 1995). While these reforms incentivized reporting, they also encouraged short-termism and gaming behaviors (Heckman et al., 2011; Radin, 2006). Studies of the U.S. Government and Performance Results Act (Behn, 2001) and performance-

⁶ Appendix 1. [Origins, Evolution, and Key Features of Performance Management](#) provides a comprehensive overview of the origins, evolution, and key features of performance management.

based contracts in the Netherlands (Koning & Heinrich, 2013), both of which followed NPM principles, showed evidence of misalignment between stated goals and the empirical measures used to meet reporting requirements (Heinrich, 2003; Moynihan, 2008; Radin, 2000, 2006). They also found evidence of gaming activities designed to meet performance measures, but in ways that could be detrimental to achieving program objectives. These limitations prompted a general reevaluation of NPM.

In response to these shortcomings, adaptive approaches to performance management gained traction.⁷ These approaches actively link benchmarking to benchlearning. Benchlearning combines benchmarking with structured reflection and collaboration to foster continuous improvement and improve performance. For instance, the European Network of Public Employment Services (PES) adopted benchlearning practices to identify program strengths, address areas for improvement, and facilitate peer learning. Each year, the PES collects performance data on key indicators as part of feedback loops that inform program modifications, creating a system of measurable and sustainable performance enhancements (Fuchs et al., 2021).

Another series of improvements occurred as evidence-based policymaking and digitalization further shaped performance management. The U.S. Evidence Act (2018) reinforced data-driven decision-making, although balancing rigorous evaluation with timely policymaking remains a challenge (Fox & Morris, 2021; Heinrich, 2007a). Digital tools improved real-time monitoring but introduced concerns related to data privacy and management objectives (Dawes, 2009). In this context, pay-for-success (PFS) models also emerged, tying funding to results and shifting financial risk to private investors. While these models promote accountability, they often overemphasize short-term results and struggle in complex environments, particularly in developing contexts (Fraser et al., 2018; Walker et al., 2023).

Performance management principles have permeated the development sphere. One example is the Problem-Driven Iterative Adaptation approach, which seeks solutions that take local contexts into account, creates an environment of flexible adaptation to unexpected changes, encourages learning from adaptation, and promotes shared responsibility across broad sets of agents (Andrews et al., 2017).

In summary, performance management now integrates benchmarking, learning, and digital tools to enhance effectiveness. However, it remains difficult to balance short-term accountability with long-term impact. The IDB's Impact Orientation Reform builds on these lessons by emphasizing institutional capacity and continuous learning through adaptive, evidence-driven strategies.

2.1.1 Changes in context

Three main changes in context have affected how performance management has evolved and been applied to development projects.

⁷ Adaptive management approaches in developing countries have demonstrated success in enhancing impact. For instance, the IDB-supported El Salvador's Salud Mesoamérica Initiative (SMI) implemented a performance-based financing system in which service provider teams received compensation tied to health outcome targets, leading to measurable improvements in health indicators (Bevan & Hood, 2020). This initiative also included frequent knowledge sharing, where high performers trained other service providers, but also program administrators, to feed a process of continuous adaptation. Similar impact benefits have been observed in multiple international development projects reviewed by Algosó et al. (2016) and Brinkerhoff et al. (2018).

First, technological advancements have significantly reduced the costs of data collection, analysis, and storage, which has transformed policy-making (McCallum, 2017; Roser et al., 2023). Digitalized administrative data allowed faster access and enhanced forecasting, making data-driven policymaking more feasible. Many organizations lacked the capacities required by this new environment and ended up misusing data in decision-making (Dawes, 2009; Neylon, 2017; Nørreklit & Cinquini, 2023)).

Second, these advancements supported more comprehensive performance monitoring for evidence-based policymaking. Governments increasingly prioritized interventions backed by empirical evidence while considering local contexts (Sanderson, 2002). Despite this progress, implementation was often ineffective, and institutional capacity to produce reliable evidence often lagged behind the demand for rigorous evaluation (Gueron & Rolston, 2013; Rycroft-Malone et al., 2004).

Third, the rise of pay-for-success (PFS) initiatives marked a significant milestone in performance management. It became common for private investors to fund interventions up front, with repayment contingent on achieving pre-defined outcomes or results (Broccardo et al., 2020; Warner, 2013). In infrastructure, PFS schemes shifted financial risk to private-sector operators through public-private partnerships (De Lemos et al., 2000). Today, PFS initiatives can be found around the globe (Fraser et al., 2018; Hevenstone et al., 2023), but they face persistent challenges because they often prioritize short-term, easily quantifiable outcomes or results over systemic, long-term impact (Gallucci et al., 2022; Sarmento & Herman, 2021).

These changes in context, which often reinforced each other, created an environment where evidence-based decision-making became expected and technologically feasible for development institutions and governments. Similarly, pay-for-success initiatives introduced a compelling framework for aligning public and private sector interests. These dynamics paved the way for development institutions to pursue greater development effectiveness.

2.2. The IDB's development effectiveness journey

Starting in the late 1990s, the concept of development effectiveness gained strategic relevance within development institutions. The concept encompassed three broad concerns: aligning resources with country priorities, improving the impact of interventions through results-based management, and legitimizing the use of resources by measuring achieved results. This movement, exemplified by the 2005 Paris Declaration on Aid Effectiveness, which built on the 2002 Monterrey Consensus (Naties, 2003), provided actionable targets to enhance ownership, alignment, harmonization, results management, and accountability. Multilateral development banks, including the IDB, adopted harmonized standards and practices—through initiatives such as the now-outdated Common Performance Assessment System—to enhance evaluation and results reporting. These initiatives were consistent with the work of the Evaluation Cooperation Group, which was established to promote a more harmonized evaluation methodology across major multilateral development banks. Many of these initiatives attempted to address challenges in development initiatives,

including time consistency, country performance, and governance quality and capacity (Bourguignon & Sundberg, 2007). They also gave rise to results-based financing in the aid delivery space, borrowing the pay-for-success model from performance management (Birdsall et al., 2010).

These international efforts laid the groundwork for the IDB's Development Effectiveness Framework (DEF), a pivotal IDB reform. This framework aimed to sharpen the focus on results using rigorous evidence and to increase the effectiveness of all IDB operations through four primary objectives: (i) establish clear standards and metrics for evaluating all development interventions; (ii) provide guidance to staff on the analytical requirements needed to meet these standards; (iii) align governance structures with established best practice standards; and (iv) incorporate a results framework to monitor progress on key development indicators.

The 2008 DEF rested on three interconnected pillars. The first pillar—governance—defined roles and responsibilities to ensure accountability and consistency in implementing performance standards. The second pillar introduced instruments to operationalize these goals. These instruments included the Development Effectiveness Matrix,⁸ the Progress Monitoring Report,⁹ and the Project Completion Report.¹⁰ The third pillar focused on reporting mechanisms, such as the Corporate Results Framework¹¹ and the Development Effectiveness Overview,¹² for transparently communicating progress to stakeholders.¹³ The DEF provided a framework for evaluating and validating project design, and it helped standardize processes to some extent. Evidence suggests these changes improved effectiveness, since ratings from the DEF instruments are strongly predictive of whether a development project will achieve its stated objectives (Álvarez, Corral, Cuesta, et al., 2021).¹⁴

In conclusion, the DEF launched a shift toward a culture of results-based management, giving the IDB a systematic framework to promote development impact at every stage of the project cycle. However, in implementing the DEF, unexpected shortcomings have come to light, and years of applying the framework

⁸ The Development Effectiveness Matrix (DEM) is a checklist for reviewing the development effectiveness of loan proposals. The DEM assigns projects an evaluability score and records corporate and country priorities, risk and mitigation, and the IDB's additionality. The matrix is applied to a project's design proposal during the loan approval process.

⁹ The Progress Monitoring Report measures progress based on a standard Earned Value Management methodology. It uses data on physical progress toward outputs and costs to rate implementation annually. It also includes a qualitative section that provides context.

¹⁰ The Project Completion Report (PCR) evaluates concluded operations. The evaluation is based on four core criteria—relevance of project design to the country strategy and problem to be addressed, effectiveness in achieving stated objectives, efficient use of resources, and expected sustainability of achieved results—and two non-core criteria: quality of the IDB's performance and the executing agency's performance during project implementation. PCRs are prepared by project teams, and their ratings are validated by the independent Office of Evaluation and Oversight (OVE). The IDB began independently evaluating PCRs in 2015. Each core criterion used to assess project performance is rated on a four-point scale, ranging from "unsatisfactory" to "excellent." Based on these scores, each project receives an overall outcome rating on a six-point scale that ranges from "highly unsuccessful" to "highly successful." A positive rating is defined as any of the top three ratings on this six-point scale (Yamamoto et al., 2023). The list of PCRs and their scores can be found on the Impact Framework website (<https://www.iadb.org/en/who-we-are/institutional-strategy/measuring-results>).

¹¹ The Corporate Results Framework defined the indicators used to monitor the IDB Group's performance and contributions to the region under previous strategies.

¹² The Development Effectiveness Overview is an annual report produced by the IDB Group to share the results and impact of its work in Latin America and the Caribbean. It showcases the IDB Group's contributions to development goals, as well as its progress on key institutional metrics in its Corporate Results Framework.

¹³ In this paper, we use stakeholders to refer to both IDB and the client as the two main parties involved in implementing a project.

¹⁴ Objectives define what a project aims to achieve in relation to a development problem. *Specific objectives* describe the expected results to be achieved by the program's closure, while *general objectives* refer to broader outcomes linked to the underlying development problem. The latter are typically expected to occur after the program or program series concludes. A program is evaluated at closure against the specific objectives established at approval.

have revealed potential improvements. The next section discusses the development effectiveness challenges the IDB faced under the DEF.

3. What Led to Reform? The IDB's Development Effectiveness Challenges

The Development Effectiveness Framework (DEF) was an ambitious effort by the IDB to enhance the impact of its operations. It made the IDB a pioneer in determining projects' evaluability from their inception. Despite some notable advances, key challenges emerged during its implementation that have limited its effectiveness, as can be seen, for instance, in project completion reports¹⁵ for sovereign-guaranteed operations¹⁶ (see footnote 10) (Inter-American Development Bank et al., 2024). The IDB's performance could continue to fall short of its potential if these challenges are not addressed.¹⁷ These performance results have motivated the Impact Orientation Reform we discuss in this paper.¹⁸

Multiple challenges explain the underperformance of projects developed under the DEF framework. These challenges cover broad dimensions like coordination among design, monitoring, and evaluation instruments; selectivity and scaling; and the role of learning at all stages of a project's lifecycle and for its different stakeholders. We describe these challenges in more detail below.

3.1 Design, monitoring, and evaluation instruments

The DEF incorporated a set of development effectiveness-oriented instruments into the project lifecycle to sharpen the focus on development effectiveness. But there is room for improvement. For instance, the Development Effectiveness Matrix was operationalized as a checklist for reviewing the evaluability of a loan proposal's design during the loan approval process. This tool played a very important role in improving project design, by, for example, enhancing monitoring and evaluation arrangements. However, it did not satisfy the original plan of having a consistent, end-to-end way to track projects' performance. Because it was disconnected from the Progress Monitoring Report (see footnote 9), it was less able to provide ratings

¹⁵ Only 53% of IDB operations validated from 2020 onwards achieved a positive overall outcome rating. This percentage falls short of the corporate goal of 70%. There are also wide disparities in performance across the different areas assessed. For instance, 83% of the projects validated in 2023 had a positive rating in relevance, while only 33% had a positive rating in effectiveness, the area that has greater weight when calculating the overall rating and which is critical to development effectiveness.

¹⁶ Sovereign-guaranteed operations focus on public sector lending, such as loans to borrowing member countries for development projects. We focus on the challenges for these types of operations, since the Impact Orientation Reform applies to the IDB arm that works with the public sector. The IDB Group is a multilateral with three entities: the IDB works with the public sector in Latin America and the Caribbean, IDB Invest supports the region's private-sector initiatives, and IDB Lab fosters innovative ways to spur more inclusive growth.

¹⁷ Álvarez, Corral, Martínez-Carrasco, et al. (2021) show that many projects under implementation are predicted to have low performance when they close. They reach this conclusion by estimating a logit model using projects that have already been closed and have been rated in PCRs. They use the estimated association between project characteristics during implementation and a positive PCR rating in a pool of projects under implementation under the DEF framework. Of the 249 projects under implementation assessed, they identify that 39 have a predicted probability of success at closing of less than 50%, and thirteen have less than a 10% probability. Although the prediction is not based on an underlying causal relationship, this analysis highlights the challenges of the operations designed and implemented under the DEF framework.

¹⁸ Furthermore, the reform's objective goes beyond improving performance as measured by the Project Completion Report, which only measures short-term success (usually six to 24 months after project completion, depending on the type of project). The impact orientation reform is also concerned with maximizing longer-term impact.

that would accurately predict project performance, and its assessment was less suited to adaptation to project changes during execution. Additionally, Development Effectiveness Matrix ratings systematically rose over time, reducing the instrument's usefulness for identifying meaningful differences across projects. It did retain some utility, since low scores, although rare, indicated operation designs with overall poor quality. Also, obtaining a better Development Effectiveness Matrix rating often became an important objective in itself, reducing its reliability as a signaling tool. This phenomenon has been widely studied in the performance management literature to address system gaming concerns (Heinrich & Marschke, 2010). Finally, the Development Effectiveness Matrix did not solve the issue of limited availability of timely and high-quality information, which constrains analytical work and may undermine evaluation instruments' value for program management.

Although these instruments elevated the importance of impact in project management, operational metrics continued to dominate performance assessments for IDB teams and executing agencies (Acosta et al., 2024). The Progress Monitoring Report, for instance, prioritized indicators like disbursement rates and timelines. While these metrics are critical for monitoring implementation, they could have been more effective if they had been better integrated with efforts to monitor outcomes to generate meaningful insights about progress toward development goals.

These instruments were also limited by the varying capacity of executing agencies to manage and report on project performance. While the DEF strengthened analytical standards and introduced tools to support results-based management, the technical and institutional capacities required to successfully apply them were uneven across countries and sectors.

Finally, the nature of DEF instruments made it difficult to account for shifts in the theory of change throughout the project lifecycle (Figuerola et al., 2024). A project's theory of change, which ensures that a project's objectives, outputs, and outcomes¹⁹ are aligned, can be disrupted by internal and external issues like partial financial cancellations. It became clear that these cancellations were strong predictors of unsuccessful Project Completion Reports (Corral et al., 2022), partly because they could distort a project's theory of change. In general, coordination across project stages remained challenging, and modifications were often burdensome and did not focus on maintaining a valid theory of change²⁰ and an evidence-based foundation. Project Completion Reports played an important role in evaluating effectiveness, but the conceptual disconnect between the instruments caused effectiveness problems. Although effectiveness depends heavily on external factors that cannot be controlled by integrated instruments (Bourguignon &

¹⁹ Outputs are tangible goods and services that the project activities produce, generally under the direct control of the implementing agency. Outcomes are the project's effects on measurable dimensions of determinants of the problem the project intends to solve. See footnote 14 for a definition of project objectives in this context.

²⁰ A theory of change is a structured explanation of how and why a set of interventions is expected to lead to desired outcomes. It makes explicit the causal logic that connects what the IDB does—the solutions and their associated outputs—with the results it aims to achieve. In doing so, it clarifies the assumptions that must hold for these causal links to work and identifies the supporting evidence that makes them plausible. See Vogel (2012) for a review of how the concept has been used in international development.

Sundberg, 2007), these disconnects did hinder a cohesive approach to detecting deviations from the expected outcomes and taking corrective measures.²¹

3.2 Strategic selectivity and scaling

One key challenge has been embedding strategic selectivity into the IDB's programming. The DEF aimed to guide project selection based on evidence and potential impact. At the same time, the IDB must respond to countries' demands. Naturally, countries often prioritize projects that address immediate political or economic needs over those aligned with long-term strategic objectives. These inconsistencies can lead to ruptures in the causal chain connecting loans to impact (Bourguignon & Sundberg, 2007). Finding harmony between impact orientation and a demand-driven model poses constraints, and the IDB did not always have the proper tools and procedures to facilitate a strategic approach (Alvarez & Echebarria, 2023). Since portfolio priorities are ultimately shaped through discussions between IDB representatives and ministries of finance, embedding these principles upstream can better align strategic objectives and country demand.

A related issue was scaling, which is achieving sustainable development on a large scale (Kohl & Linn, 2021). Scaling helps avoid fragmented approaches where the success of individual projects is prioritized over addressing broader systemic challenges. While sector and country strategies often identified projects with scaling potential, the DEF did not include scale or sustainability as core measures of effectiveness (Echebarria, 2024).

As with selectivity, the IDB's existing tools did not facilitate embedding scaling into the design of project portfolios. Moreover, pre-set funding envelopes could have imposed resource allocation constraints that clash with an institutional strategy, although historically this has not been the case because demand for resources has outpaced supply. It is important to coordinate the strategic objectives of individual projects with overarching institutional ones to enhance strategic selectivity and scaling, but this has proven challenging.

3.3 Fostering a culture of learning

Finally, under the DEF there were significant hurdles in fostering a culture of learning from results. Although the framework successfully incorporated knowledge creation into its instruments and increased the utility of this learning for future design and implementation, it could have placed more emphasis on the practical application of these lessons in current and future operations. Furthermore, the framework generated valuable performance data, but this data was not consistently used for learning and adaptation (Acosta et al., 2024). For example, tools like the Development Effectiveness Overview collected valuable lessons about finished projects, which were widely used for external communication. Project teams, however, did not have

²¹ It is inherently difficult to measure project effectiveness, and different analyses have shown that the IDB's evaluative approach has been considerably more rigid than that of other multilateral development banks (Figueroa et al., 2025). Bando (2024) illustrates how variations in evaluation methodologies can markedly influence reported effectiveness: while only 53 percent of IDB operations received positive overall ratings under the IDB's methodology, this figure would range from 63 to 76 percent using the ADB's approach, and from 74 to 81 percent under the World Bank's. These comparisons highlight both the importance of the evaluation approach in assessing effectiveness and the need for flexibility in structuring operations to improve it.

very strong incentives to use these lessons when designing future projects (Figueroa et al., 2024).²² There are similar obstacles to using the lessons derived from the Progress Monitoring Report.²³ Strengthening the connection between measurement and action remains central to fostering a culture of learning. A related issue that could affect learning is the preference for reporting positive results over those that may be more critical of performance but more useful for future corrections (Yamamoto et al., 2023). This problem may have been exacerbated by the lack of a clear mandate on accountability and incentives for recording and using lessons derived from past operations.

In summary, the DEF laid a solid foundation for advancing development effectiveness, but the challenges described above reveal some limitations in its design and implementation. To ensure that the IDB realizes its potential to drive impactful and sustainable development outcomes, it is crucial to address these issues of consistency across project stages, selectivity, scaling, governance, and learning.

4. Elements of the Impact Orientation Reform

4.1. Vision for the Impact Orientation Reform

While the IDB has long had a concept of development effectiveness, the Impact Orientation Reform²⁴ in the new IDBStrategy+ transforms its role. The IDB Governors, during the IDB's 2023 Annual Meeting of the Boards of Governors, approved a new vision for development effectiveness (Inter-American Development Bank, 2024). At the center of this vision is the impact achieved by every dollar disbursed. This new approach envisions development effectiveness as a holistic process that is integrated into every facet of the IDB's work. The vision would become a reality through the Impact Orientation Reform, which seeks to ensure that the principles of effectiveness permeate all aspects of the institution's activities, creating a unified and consistent emphasis on delivering meaningful and measurable development outcomes. Changes to processes under the reform are intended to translate directly into stronger development outcomes by embedding analytical and context-sensitive evidence into project prioritization, design, and delivery. This vision calls for a cultural transformation that embeds development effectiveness as a fundamental part of the IDB's identity and operations.

²² Figueroa et al. (2024) conducted three confidential online surveys in 2023 that targeted IDB project team leaders, chiefs of operations, and the Board of Executive Directors. Participants had to have been involved in operations since 2009. Among the team leaders and operations analysts surveyed, 79% indicated that they had not used the Development Effectiveness Overview to guide the preparation or oversight of new projects. Likewise, 65% of the chiefs of operations surveyed viewed the Development Effectiveness Overview as either "slightly useful" or "not useful at all" for enhancing project design or overseeing operations. In contrast, Board members expressed a more favorable perspective, with 81% describing the Development Effectiveness Overview as "very useful" or "moderately useful" for fostering institutional learning.

²³ More than half (54%) of the team leaders and operations analysts who were surveyed reported not using a previous Progress Monitoring Report to inform the preparation or supervision of new projects (Figueroa et al., 2024). Institutional learning occurs in many ways. Existing diagnostic analyses focus on formal mechanisms and overlook informal exchanges such as mentoring or peer collaboration. An in-depth assessment of the learning culture should incorporate these channels, which, while important, are less stable and often cause valuable knowledge to fade over time.

²⁴ As discussed in the introduction, this paper focuses on the impact orientation reform outlined in IDBStrategy+ and centers on the Development Effectiveness Policy Framework (DEPF). However, other reforms are connected to development effectiveness as well: the Country Strategy Framework, efforts to strengthen synergies across the IDB Group, and initiatives to improve knowledge governance and organizational culture.

The Impact Orientation Reform is a cross-cutting and transformative set of changes designed to operate across three interconnected levels: project, portfolio, and organization (Inter-American Development Bank, 2024). At the project level, the Impact Orientation Reform prioritizes adaptive project management to ensure successful implementation. Project-level reforms thus focus on adhering to a strong, evidence-based theory of change, while allowing for adaptation in response to monitoring. At the portfolio level, the Impact Orientation Reform aims to improve coordination and coherence across the IDB's diverse activities. The portfolio is currently managed by multiple actors, which could create inefficiencies for both the IDB and its clients. The reform envisions a more unified approach and provides clear roles and responsibilities—for both the IDB and its clients—under the overarching objective of enhancing development effectiveness to enable the IDB to act with greater strategic focus. By establishing portfolio-level indicators tied directly to development goals, the reform provides a framework for better risk management and strategic selectivity. At the organization level, the Impact Orientation Reform seeks to support clients in strengthening their monitoring, evaluation, and learning capacity while fostering an internal culture that prioritizes development impact over procedural goals such as approvals and disbursements. It also aims to align incentives to foster a culture centered on development effectiveness. By addressing these interconnected levels—project, portfolio, and organization—the Impact Orientation Reform should establish a comprehensive and integrated approach to development effectiveness.

4.1.1 The DEPF: the principles guiding the Impact Orientation Reform

The Development Effectiveness Policy Framework defines the guiding principles for the Impact Orientation Reform, replacing the DEF from 2008 discussed in Section 2.2. The DEPF's principles govern how regulations, guidance documents, tools, and training are developed and applied.²⁵ This framework presents an institutional agreement and has already been approved by the IDB Board of Executive Directors, which will oversee its implementation. The DEPF also clarifies important concepts like development effectiveness and theory of change and is the blueprint for all development effectiveness changes to be implemented. To implement the DEPF, IDB management will develop and adapt corresponding regulations, guidance documents, tools, trainings and other initiatives governed by the principles established in the DEPF. These include concrete initiatives discussed below, such as sgDELTA, the Catalog of Results Indicators, the Client Portal, the re-design of Development Effectiveness Intelligence²⁶ processes, and the digitalization of processes and tools. Together, these actions constitute the Impact Orientation Reform.

²⁵ The DEPF aims to improve the IDB's development effectiveness at all levels of the organization and throughout the operational cycle and knowledge generation processes, providing the principles for all management work related to development effectiveness. The DEPF document, therefore, describes responsibilities associated with management roles, but other key players play fundamental roles in ensuring development effectiveness at the IDB. One of them is the Office of Evaluation and Oversight (OVE), which ensures the integrity of the IDB Group's evaluation framework and independently evaluates IDB's policies, strategies, and projects. The DEPF Roles and Responsibilities document (IDB 2025b) further expands on the roles and responsibilities of these key players. However, the DEPF does not govern them, and how they function falls outside of the scope of the Impact Orientation Reform discussed in this document.

²⁶ The impact orientation reform proposes actions to enhance development effectiveness intelligence, which is understood as data; generating, using, reusing, and exchanging knowledge; and learning from experience to achieve development effectiveness. Two principles guide the proposed approach to generating development effectiveness intelligence (Inter-American Development Bank, 2025a). First, this intelligence is inseparable from development effectiveness. Second, development effectiveness demands learning and accountability in equal measure, and the organization's ability to learn from experience hinges on individuals' incentives to share their learning and the perceived costs and benefits of doing so.

4.1.2 The Impact Orientation Reform’s three main elements

The Impact Orientation Reform vision, presented to the IDB governors during the IDB’s 2023 Annual Meeting of Governors (Inter-American Development Bank, 2024), established six main areas of work. We have organized these areas into three main elements shown in Table 1.

Table 1. Elements of the Impact Orientation Reform

Areas in the Impact Orientation Reform vision, as articulated at the 2023 Annual Meeting (Inter-American Development Bank, 2024)	Impact Orientation Reform elements presented in Sections 4.2-4.4 of this paper
<p>Governance for effectiveness: Change must be signaled from the top and have the right checks and balances.</p> <p>Effectiveness-based meritocracy: Staff members need the right incentives and skills.</p> <p>Culture of effectiveness: Bring about evidence-based transformations, reframing how we understand leadership.</p>	<p>Section 4.2 Effectiveness-based culture and governance: Effectiveness-based culture and governance.</p>
<p>Targeting final results: Measuring the results behind the resources we lend.</p> <p>Continuous monitoring: Learning, adjusting, gaining knowledge.</p>	<p>Section 4.3 Targeting final results through evidence-based decisions and learning: Targeting final results through evidence-based decisions and learning.</p>
<p>Client effectiveness: Clients’ ownership over projects is essential for success. And we need to build the right capacity at our executing agencies.</p>	<p>Section 4.4 Client effectiveness: Client effectiveness.</p>

As discussed in Section 2.1, performance management concepts are key to achieving development effectiveness and form the foundations of the Impact Orientation Reform. We grouped the reform areas into three main elements based on how they connect to these foundations in the performance management literature.²⁷ We describe these connections in more detail in subsections 4.2 Effectiveness-based culture and governance–4.4 Client effectiveness.

²⁷ The DEPF also establishes eleven guiding principles that govern the improvements to the IDB’s operational and corporate areas to increase development effectiveness. We map these concepts to the three main reform elements in Appendix 2. Mapping the Three Main Reform Elements to Other Relevant Concepts.

The Impact Orientation Reform's first element—culture and governance based on effectiveness—focuses on creating foundational changes to transform the IDB's institutional culture and operations. It emphasizes two interconnected components: governance for effectiveness and cultivating a culture of effectiveness. Governance for effectiveness requires leadership to signal change from the top while establishing robust checks and balances to ensure accountability. This involves setting clear expectations, fostering transparency, and creating mechanisms to monitor progress and outcomes across the institution. Meanwhile, a culture of effectiveness focuses on aligning staff incentives and skills with development goals. By rewarding contributions to effectiveness and giving staff the necessary skills, the Impact Orientation Reform aims to create a motivated workforce capable of delivering impactful results. This element also highlights the importance of establishing clear roles and shared responsibilities, alongside strong internal and external accountability mechanisms. The IDB's operational structure, under which projects are implemented by country agencies that are not under the IDB's control and seek to achieve development outcomes rather than merely produce outputs, makes these governance elements fundamental to ensuring that resources translate into development outcomes.

The Impact Orientation Reform's second element—targeting final results through evidence-based decisions and learning—is results-oriented and prioritizes meaningful development outcomes over financial disbursements. It advocates focusing on ultimate goals—like creating jobs, reducing emissions, and closing inequality gaps—while recognizing that financial metrics are imperfect proxies for impact. This shift requires the IDB to redefine how it measures success.

An evidence-based theory of change (ToC) is central to this element. The ToC compels projects to clearly identify and connect outputs, results, and impacts, creating a shared foundation for project implementation. It is critical to develop ToCs collaboratively to secure stakeholder buy-in (Heckman et al., 2002; Moynihan, 2008). The Impact Orientation Reform seeks to keep a project's objectives and outcomes aligned by consistently validating and adapting theories of change, instruments, and processes. Here, development effectiveness intelligence is key to transforming data and experience into strategic knowledge.

Finally, this second element emphasizes continuous monitoring and learning throughout the project cycle. The Impact Orientation Reform's adaptive tools and processes enable the IDB to adjust its strategies in response to emerging evidence and contextual changes. Monitoring extends to the portfolio level, where strategic selectivity is important. This selectivity means prioritizing interventions with the greatest potential for impact, taking advantage of complementarities, and making these decisions based on evidence and knowledge gained from previous operations.

The Impact Orientation Reform's third element—client effectiveness—centers on building strong partnerships between the IDB and its clients.²⁸ It recognizes that development effectiveness depends not

²⁸ Element (iii), *client effectiveness*, could be viewed as a subset of element (i), *a culture of effectiveness*, since improving effectiveness requires fostering a results-oriented culture both within the IDB and among its counterparts. They are presented as separate elements here because the literature often distinguishes between internal and client-facing dimensions of effectiveness, and because this distinction aligns with the six main areas of work defined in the President's Impact Orientation Reform vision.

only on the IDB's performance, but also on the capacity of implementing institutions and agencies and on their ownership of projects. For projects to succeed, clients must fully embrace and take responsibility for their implementation. Ownership ensures that initiatives are tailored to local contexts and priorities, fostering a deeper commitment to achieving sustainable outcomes. To support this, the Impact Orientation Reform prioritizes building capacity within executing agencies, enhancing not only their fiduciary capacities but also enabling them to independently monitor, evaluate, and learn from their experiences.

The following sections document the theoretical and empirical foundations of each of the three reform elements described above. The discussion includes examples of the specific changes proposed by the Impact Orientation Reform and how they align with theoretical and empirical lessons.

4.2 Effectiveness-based culture and governance

This section presents theoretical foundations and empirical evidence for the reform's first element. First, we discuss the importance of establishing a shared responsibility between IDB and its clients, which enhances effectiveness and sustainability by ensuring local needs and contexts are incorporated into project design. This shared responsibility also incentivizes stakeholders to keep impact as the central focus. We then discuss the role of leadership and the importance of using systems that provide information and allow decision-makers to react to changing environments without breaking an operation's theory of change.

4.2.1 Clear roles and shared responsibility

Local ownership fosters effectiveness

Evidence consistently demonstrates that local ownership across all project stages is essential for achieving development outcomes. Performance management research underscores that when project leadership and stakeholders actively shape and take ownership of the systems governing their work, effectiveness increases, and the use of distorted data is minimized (Mueller-Hanson & Pulakos, 2018; Spekle & Verbeeten, 2014).

To realize the potential of this type of shared dialogue, the IDB must undertake significant capacity-building both internally and with clients. This capacity-building seeks to motivate stakeholders to go beyond just meeting contractual requirements. Capacity-building needs to take into account country/partner capacities to prevent common issues in traditional approaches that assume that development challenges can be solved by transferring evidence-based solutions without analyzing local constraints (Bridges & Woolcock, 2019). However, capacity-building alone is not enough to drive the culture changes needed to achieve development effectiveness. It is important for projects to be set up as partnerships, where both the IDB and clients take ownership.

A culture of effectiveness creates the right incentives

A critical challenge in performance management is the risk that gaming behaviors will arise from poorly designed incentives. Studies reveal that attaching high stakes to performance measures often encourages people to manipulate information or avoid unfavorable evaluations, especially when project managers lack

control over performance outcomes (Heinrich & Marschke, 2010). To counter this, the reform makes impact the primary objective while creating incentives for learning and transparency. Rewarding adaptations and innovations that flow from project learning (Rosen et al., 2011) by explicitly giving “credit” for them would address the challenges underlying the longstanding performance management mantra that “what is measured is what matters.” When single-mindedly focused on metrics, project managers devote little to no effort to activities that do not factor into performance accounting or project scoring (Bevan & Hood, 2006; Heinrich & Marschke, 2010).

Internal and external accountability

Fostering accountability requires tools that encourage collaboration and clearly define roles (Hood, 1995). Achieving development effectiveness requires governance systems that incentivize the different stakeholders to align with development goals (Ammons, 2020; Bank, 2000; Farr, 2016; Lynn, 2010; Waheduzzaman, 2019). A cornerstone of the reform is the introduction of new, integrated tools to enhance internal and external accountability.

Internally, the reform seeks to establish governance systems that align institutional incentives with development impact. This includes restructuring staff incentives to reward contributions to effectiveness. For example, the new People Strategy will require that staff work plans be aligned with measurable contributions to development outcomes. Drawing on lessons from PerformanceStat²⁹ initiatives, the reform must both give project team leaders the information, capacity, and authority to make key decisions and implement changes that enhance development effectiveness, and hold them accountable for effectiveness-related results (Moskos, 2025).

Externally, the reform includes the client as a key factor in achieving development effectiveness. In this respect, the new DEPF differs from the 2008 DEF, which was more of an internal framework. External accountability is enhanced by tools like the updated Client Portal,³⁰ which will foster a shared understanding and better collaboration by ensuring clients have access to the same high-quality data as IDB staff. More active client roles and consideration of their local realities are embedded in other tools like the Catalog of

²⁹ PerformanceStat is a performance management approach that evolved from CompStat principles. CompStat, short for “Compare Statistics,” was originally a performance management system developed by the New York City Police Department in 1994 to enhance police department efficiency. Its practices were soon adopted by government agencies in different sectors and at different levels (Behn, 2014). Core components of this practice include timely data collection, reassignment of resources to where they have the highest impact, implementation of strategies tailored to local needs, and relentless follow-up. More specifically, PerformanceStat represents a shift from reactive policies to a proactive approach focused on strategic resource deployment. This experience showed that data alone rarely improves outcomes unless leadership structures are aligned with its use. The key to that reform was not just having data available but also managing it well, reinforcing the operational authority of precinct commanders and changing supervisory relations. CompStat shifted tactical and resource decisions down to precinct commanders while holding them directly accountable to senior leadership for outcomes, placing them in a dual role of acting on data and being judged by their results.

³⁰ The Client Portal is a digital platform that offers a single point of entry for IDB clients to both provide and utilize project information. It has made fiduciary data significantly more accessible and reliable, facilitating quicker and more efficient communication between clients and the IDB (Inter-American Development Bank, 2024). It is currently available to borrowers and executing agencies across 24 countries and offers the potential to systematically collect nearly real-time data on projects, fiduciary operations, and progress. This data, which is already managed by executing agencies in their daily activities, can be seamlessly integrated to support decision-making and knowledge exchange. Recently, the Portal launched the online Semiannual Progress Report, standardizing reporting, reducing data collection time, and allowing greater client ownership. Through future enhancements, these tools are expected to link procurement and financial process data directly to the theory of change of investment projects, thereby strengthening their connection to development outcomes. The plan is to expand the portal to support operation design, alongside new functionalities for contract management, financial planning, and the execution plan.

Results Indicators.³¹ Catalog users can customize indicators to adapt them to local needs, and the tool provides information on indicators that have proven useful in other projects. It also provides options for teams that need to add indicators as they adapt to changing project conditions. Finally, processes like the results-based portfolio review encourage both internal and external accountability.

Collecting and sharing information across stakeholders and explicitly recording any changes that affect the theory of change are key to fostering joint accountability. SgDELTA (see Box 1) is an example of a tool that will be implemented under the Impact Orientation Reform that puts this principle into action by tracking changes at all project stages and by all project stakeholders. This tool will help promote accountability and dialogue regarding any changes that may affect a project's development effectiveness.

Overall, these shifts require both leadership training and systemic realignment to embed impact as the central goal of the IDB's operations. The next section discusses this role and the importance of having systems that provide information and allow decision-makers to react to the changing context of operations while maintaining their theory of change.

4.2.2 Adaptability for effective leadership

Effective leaders must be flexible enough to adapt to new information and unforeseen challenges during project implementation. Adaptive change management, grounded in principles of continuous learning, acknowledges that solutions to complex development problems often emerge during implementation rather than being fully defined at the outset (Bridges & Woolcock, 2019; Han & Williams, 2008; Wiese & Burke, 2019). This perspective refutes a "one-size-fits-all" approach, emphasizing instead the need for locally driven, context-specific strategies (Pulakos et al., 2002). Adaptation within performance management is often characterized as a "dynamic phenomenon that unfolds through time and across different levels" (Marques-Quinteiro et al., 2015).

An equally important leadership characteristic in a culture of effectiveness is the capacity to learn new tasks, technologies, and procedures in anticipation of future project needs (Bridges & Woolcock, 2019). This forward-looking adaptability prepares teams to address evolving demands and integrate innovative methodologies into their workflows. Also crucial is adaptability in emergencies and crises, where leaders must act decisively and appropriately to mitigate disruptions and keep projects running.

³¹ The Catalog of Results Indicators is an initiative and digital platform designed to standardize and improve the quality of project-level result indicators. Using this tool, managers will be able to draw meaningful comparisons and aggregate results across different projects, enhancing learning and fostering evidence-based decision-making. The platform leverages advanced technologies like machine learning and artificial intelligence, along with sector-specific expertise from IDB staff, to draw insights from existing project results matrices and sector trends within the bank. Each indicator in the catalog will include comprehensive metadata, like a detailed definition, a measurement methodology, links to relevant Sustainable Development Goals (SDGs) and IDB corporate indicators, and historical performance data from prior projects. Additionally, every indicator used in a project will be connected to a "root indicator" with a unique ID in the catalog. This ensures traceability, simplifying the process of aggregating and comparing results within the bank's portfolio. By creating a seamless connection between operational knowledge and the development outcomes of interest, the catalog addresses a longstanding challenge in project management—ensuring accessible and reliable performance data for more informed decision-making. Divisions in the Infrastructure and Energy Sector are already using an early version of the catalog, and all sectors in the bank are expected to be included in the catalog by the end of 2026.

The Impact Orientation Reform includes tools and processes that equip managers and leaders to implement a culture of effectiveness. SgDELTA³² (see Box 1) is one example. Using performance data, this tool will help managers identify and address emerging issues early in project implementation. This approach rewards candor and adaptability, emphasizing the importance of understanding why performance targets may have been missed and fostering creativity in addressing challenges (Behn, 2014). By training managers to interpret data patterns and implement adaptive strategies, the reform can reduce the pressure to manipulate outcomes and build capacity for long-term project success (Bevan & Hood, 2006). This tool will help formalize adaptability within the DEPF, providing development effectiveness signals for project teams and leadership.

³² The IDB will have an intranet page specifically for sgDELTA. It will include FAQs and explanations of how sgDELTA connects with other platforms such as the Knowledge Platform and the client portal.

Box 1 – sgDELTA

A key to implementing the DEPF is sgDELTA, which stands for Sovereign Guarantee Development Effectiveness Learning, Tracking, and Assessment. This comprehensive, end-to-end decision-support tool is being designed to help IDB project teams and their clients achieve better development outcomes. As a critical component of the DEPF, sgDELTA will offer a coherent and integrated approach to development effectiveness for sovereign-guaranteed operations.

SgDELTA will center on a project's theory of change, combining the assessment underpinning the project's design (problems, determinants, solutions, and objectives) with a detailed representation of the causal links between outputs, outcomes, and impacts. It will also make explicit previously implicit assumptions about conditions required for a project to succeed. More importantly, it will allow users to trace changes in the theory of change during the project cycle, enhancing governance and accountability for those changes.

SgDELTA will generate a multidimensional Development Effectiveness Rating to represent a project's progress towards results during implementation. This rating will be defined during preparation and updated periodically until project closure. The tool will track all changes throughout the project cycle (including adjustments to the theory of change) so the IDB can capture, systematize, share, and reuse operational knowledge to promote continuous learning and facilitate evidence-based design for future interventions.

SgDELTA will be finalized in 2025 and widely rolled out for projects approved from 2026 onward. It will also be applied to projects currently being implemented through a migration expected to take two years, starting in 2026.

4.3 Targeting final results through evidence-based decisions and learning

The second element of the reform prioritizes outcomes by embedding evidence-based decision-making and fostering continuous learning across all operational phases. Drawing on theoretical and empirical insights, this subsection first highlights the role of preparation and monitoring tools and processes in keeping development effectiveness at the forefront of the project lifecycle. Secondly, it discusses the importance of generating evidence from lessons learned in interventions and using it systematically to design and execute future operations. Lastly, it describes how targeting final results at the portfolio level can leverage synergies and enhance effectiveness.

4.3.1 Adapt preparation and monitoring processes and tools for successful implementation

The reform emphasizes adaptive preparation and continuous monitoring as keys to successfully implementing projects. This involves recognizing the complexity and dynamism inherent in development projects (Eilers et al., 2025). By incorporating principles of adaptive development and continuous risk management, the reform seeks to provide project managers with the tools and flexibility needed to navigate these challenges effectively.

Adaptive development: a guiding principle that integrates continuous monitoring and risk management

An IDB development project typically takes 5–7 years to implement and requires long-term monitoring and evaluation processes. The extended timeline lends itself to iterative learning and adaptation.

Adaptive development is a core tenet of the reform, reflecting an understanding that solutions to complex development challenges often emerge during implementation rather than at the design stage (Bridges & Woolcock, 2019). Adaptive development rejects a one-size-fits-all blueprint in favor of locally informed, context-sensitive strategies (Wagenaar et al., 2017).

Several of the Impact Orientation Reform's transformations enhance adaptive development. For example, sgDELTA will allow project managers to integrate learning and adaptation into their workflows, helping them correct course when needed. This includes relying on the ToC and tracking its changes to identify risks and opportunities, and fostering collaboration among stakeholders to refine project strategies in response to evolving conditions. In addition to supporting adaptive management, sgDELTA may also help systematize lessons and create opportunities to capture and share experiences when challenges to the ToC arise. Overall, all aspects of the project must remain consistent with the ToC. This includes cost-benefit analyses, which should be aligned with the ToC when informing decisions on how to use resources efficiently, as well as monitoring processes, which must track progress against the causal pathways defined in the ToC.

Development projects operate in dynamic local environments where political, social, and economic conditions can shift rapidly (Bridges & Woolcock, 2019). The new workflow will also integrate periodic monitoring and proactive risk management, helping identify specific risk factors that could affect project outcomes. This approach aligns with the DEPF's emphasis on proactive risk management as a driver of development effectiveness (Long & Franklin, 2004; Wagenaar et al., 2017).

These changes introduce myriad factors that must be monitored to ensure project success. The reform seeks to address this complexity by equipping managers to identify general risks and to discern which are manageable—for example, factors related to implementation—and which are beyond their ability to influence—like systemic economic changes. These risks are integrated into the ToC, enabling managers to take advantage of opportunities for innovation and improvement.

New implementation workflows will collect new information throughout project implementation. The next subsection discusses how the reform will manage this knowledge to enhance effectiveness.

4.3.2 Development effectiveness intelligence

Facilitating peer learning and knowledge sharing

The reform recognizes the need to move beyond top-down knowledge dissemination by fostering peer learning networks where stakeholders can share experiences and solutions. Given the diversity and scale of the IDB's portfolio, these networks provide a platform for project leaders to engage with peers facing similar challenges and exchange practical guidance and innovative strategies. When multiple stakeholders can contribute to building knowledge and are recognized for their contributions, this is one key to successful learning initiatives (Heinrich, 2007b). This emphasis on collaborative learning reflects a broader commitment to building a culture of knowledge exchange and continuous improvement. When knowledge generation operates as a two-way street connecting policy and operational audiences (Chioda et al., 2013), evidence plays a central role in informing project design and in learning from past and ongoing operations. Increasing the use of evidence in programming and project design, generating high-quality evidence during execution, and capturing and applying lessons creates a continuous feedback loop between analytical and operational knowledge. By enabling stakeholders to learn from one another and adapt their practices based on shared experiences, the reform positions the IDB to achieve greater development effectiveness across its operations.

The Knowledge Platform is an example of how the Impact Orientation Reform will facilitate knowledge sharing among stakeholders.³³ Embedded in the platform will be the innovative Lessons Writing Assistant, an AI-powered tool designed to help generate structured, actionable lessons from user inputs and contextual data retrieved from the IDB's systems. It produces lessons in the form of findings and recommendations to support mid-term evaluations, semi-annual reports, project completion reports, and other processes. The Knowledge Platform will allow users to explore related projects, lessons, and literature by dimensions such as instrument type, sector, and country. These advances will significantly strengthen the IDB's ability to capture and share knowledge—both internally and with clients and external partners.”

Adaptive learning through benchlearning

Benchlearning involves using performance data as a tool for continuous improvement instead of just for accountability. This methodology combines regular performance data benchmarking with structured opportunities to reflect and adapt. Through peer learning networks, stakeholders can share insights and best practices, creating a collaborative environment that facilitates problem-solving and innovation. This approach extends beyond individual projects and encourages comparisons across similar interventions to identify common drivers of success and barriers to progress. Benchlearning involves sharing and comparing performance information to assess the need to adapt or modify programs, projects, or performance

³³The Knowledge Platform will be an internal digital solution powered by artificial intelligence and designed to capture, systematize, and share evidence-based knowledge. Its key functions include making the IDB's operational and analytical knowledge available for reuse and encouraging its citation and application in future projects. By increasing the visibility of existing knowledge, the platform will also help identify gaps that can inform future research and operational improvements. Future developments will integrate the Knowledge Platform with the IDB's project monitoring systems, such as sgDelta, Evidence Gap Maps, Open Data, and the IDB Knowledge Assistant.

expectations or targets. It does not entail focusing less on outcomes or forgoing performance benchmarking; rather, benchlearning accompanies these activities to create “a systematic and integrated link” between benchmarking and joint learning activities (Fuchs et al., 2021). Drawing on lessons from PerformanceStat³⁴ initiatives, this approach uses performance data as a springboard for open dialogue, fostering collaboration, and addressing challenges proactively (Behn, 2014). This method’s principles—which include acknowledging imperfections in data, promoting honest discussions, and focusing on collective problem-solving—reveal its potential to effectively advance development outcomes (Hatry & Davies, 2011).

For the IDB to promote successful benchlearning in its operations, it would need to further cultivate a culture of continuous learning that supports both project-specific and portfolio-wide improvements (Acosta et al., 2024). The Impact Orientation Reform incorporates this benchlearning specifically for results through periodic monitoring and evaluation. Benchlearning initiatives will build on existing institutional experiences such as Operations Day, an IDB-led effort where executing agencies systematically capture and share operational insights with their peers to foster adaptive learning. By leveraging this type of initiative, the reform grounds benchlearning in field-tested practices that already foster a culture of continuous improvement across the portfolio. The Knowledge Platform and sgDELTA are additional examples of how the reform will promote the use of performance information to assess the need to adapt or modify programs or projects.

Learning to manage risks

Effective risk management is integral to achieving development goals, and the reform emphasizes the importance of using learning processes to address uncertainties and challenges. This aligns with the DEPF principle of “Learning from Experience.” For instance, projects that effectively document and share their risk management strategies can contribute valuable insights to the broader IDB community, creating a repository of best practices that inform future interventions.

An updated Risk Management Framework will provide a structured approach for documenting, analyzing, and responding to risks affecting results throughout the project lifecycle. The reform also proposes incentivizing adaptive risk management by incorporating these activities into project performance evaluations, ensuring that learning and adaptation are recognized as critical components of success (Rosen et al., 2011). It will be essential to build both staff and client capacities to identify, assess, and manage risks effectively throughout the project life cycle.

Integrating knowledge and learning for development effectiveness

The reform’s focus on development effectiveness intelligence establishes a comprehensive framework for integrating knowledge generation, adaptive learning, and risk management into the IDB’s operations. To further support learning and knowledge use, the IDB will develop and implement a systematic framework, comprised of the multiple tools and processes discussed in this section, to improve access to and

³⁴ See footnote 29.

application of knowledge, data, experience, and evidence. Under this framework, the IDB will create spaces for candid discussions and foster a culture of learning from operations. It will also utilize big data, administrative data, and advanced geospatial analysis to develop measures of impact that countries can access. Finally, the reform will explore synergies with IDB Invest, IDB Lab, and external partners to strengthen collaborative knowledge efforts and enhance overall development effectiveness.

As part of its efforts to embed learning into operational processes, the IDB launched the Training Program to Achieve Results (TPAR), a comprehensive initiative designed to strengthen teams' development effectiveness capacities. The program is being developed progressively, as the reforms are designed and approved. Part of it, for example, is linked to the new frameworks (such as the DEPF) and tools (such as sgDELTA) associated with the reform. TPAR is modular, progressive, and aligned with each stage of the project cycle. It is intended for both operational teams and external audiences, including executing agencies and public officials. By integrating learning into everyday operations, TPAR enhances the IDB's ability to deliver meaningful results and fosters a culture of continuous improvement across the institution.

The Impact Orientation Reform will integrate knowledge into the IDB's operations through, for example, the Knowledge Platform described above (see footnote 33) and dedicated funding for knowledge-creation activities. By increasing dedicated funding for technical assistance and sector work to address knowledge gaps, including through impact evaluations, the reform will help turn knowledge into actionable learning. One specific initiative already in place is the Development Effectiveness Intelligence Fund, a competitive fund for rigorous impact evaluations and other efforts to generate knowledge related to development effectiveness. The IDB is also allocating funds to create Evidence Gap Maps specifically tailored to the context of its operations.³⁵ The reform also calls for curating, processing, and analyzing essential data products from within the IDB and from external sources to enhance development effectiveness intelligence. Finally, the IDB will generate more knowledge from impact evaluations by tracking evaluation processes during and beyond the project lifecycle, allocating additional resources to prioritize strategic evaluations, and improving how findings are organized and disseminated.

Leveraging knowledge throughout the project lifecycle

The reform stresses the importance of embedding knowledge generation and learning into every stage of the project lifecycle. At the heart of this initiative is bringing together monitoring, evaluation, and decision-making processes to promote learning and adaptation. The Impact Orientation Reform's knowledge initiatives will address a critical performance management challenge: reconciling the need for rigorous knowledge generation with the practical demands of ongoing performance reporting. By incorporating mechanisms for continuous data collection and feedback, knowledge initiatives will encourage project teams to use performance information dynamically, ensuring that decision-making is both informed by

³⁵ Evidence Gap Maps are visual tools that identify areas where evidence is concentrated or lacking for a specific field or topic, thereby directing research and knowledge-generation efforts. They support operations by informing project design, highlighting effective interventions, identifying opportunities for innovation, and helping prioritize areas for future evaluations or studies. The IDB is currently collaborating with the International Initiative for Impact Evaluation (3ie) to develop two EGMs: one on policing and one on transport. This work is accompanied by sessions to share the tool with sectoral specialists across the IDB to build capacity for using and producing EGMs.

evidence and responsive to evolving project contexts. For example, sgDELTA will be connected to the Knowledge Platform to help generate knowledge but also systematically share and reuse it to inform future interventions, reinforcing the IDB's commitment to evidence-based development practices. Together, these knowledge initiatives will strengthen clients' capacity to systematically integrate development effectiveness considerations into all stages of the project lifecycle.

Knowledge generation needs to be considered at both the project and portfolio levels, as does performance evaluation. The next subsection describes how the IDB can better leverage synergies and enhance effectiveness by considering portfolio-level results.

4.3.3 Impactful portfolio and strategic selectivity

The reform's emphasis on development effectiveness shifts the paradigm from viewing projects as isolated units of operation to considering their collective impact within a coherent and strategically managed portfolio.

From individual operations to coherent portfolios

Historically, development institutions, including the IDB, have measured their success by how individual projects perform. While this approach is effective at the project level, it could fall short of addressing broader development goals. The reform shifts toward assessing the collective impact of portfolios, in the understanding that synergies between individual operations can increase impact from scalability and learning (Vieira et al., 2024). Without this broader perspective, the IDB risks losing sight of how its collective efforts contribute to development outcomes.

The Impact Framework moves in this direction (Inter-American Development Bank & Inter-American Investment Corporation, 2024a). It translates the new institutional strategy into measurable outcomes for the region. The Impact Framework consists of three types of indicators that capture how the region is performing on key development indicators, how the institution contributes to the region's development, and how the institution is performing against operational and organizational targets. For the indicators on contribution to the region's development, the IDB collects information on all projects in a thematic portfolio. Over time, the new Results Indicators Catalog will provide harmonized project-level results indicators that will open the door to a common way of measuring impact across projects and countries (see footnote 31).

The IDB will also advance strategic selectivity through the new Country Strategy Framework, a reform that complements the Impact Orientation Reform. The framework establishes a structured process to define country priorities and ensure portfolio coherence by combining four analytical inputs: the Country Diagnostic for Impact (CDI), which identifies the most critical medium- and long-term development gaps; a strategic positioning analysis that assesses the IDB Group's comparative advantages; evidence-based delivery, which draws lessons from the IDB's implementation experience; and a multi-risk assessment integrating public- and private- sector risks. Together, these inputs shape the final set of key priorities and development objectives in each Country Strategy. Within the strategies, the programmatic approach shifts the focus from individual operations to cohesive programs that combine diverse instruments and

knowledge products under shared objectives, enabling greater scale and impact. This approach is reinforced through portfolio alignment around an indicative two-year sovereign guaranteed program and through systematic assessments of national monitoring and evaluation capacity, ensuring that selectivity is accompanied by client ownership and institutional strengthening.

Preventing gaming and encouraging learning

Setting portfolio-level impact as a critical performance measure can also discourage behaviors that solely focus on achieving high ratings, with a narrow focus on individual project metrics (Heinrich & Marschke, 2010). When managers' sole incentives are project-specific targets, weaknesses in measurement systems can incentivize projects to achieve favorable results without advancing broader goals (Kroll & Moynihan, 2015; Newton-Lewis et al., 2021). By shifting attention to portfolio performance and increasing the incentives to learn candidly from projects' weaknesses and to use those lessons to improve other projects in the portfolio, the reform encourages a culture of learning and improvement (Vieira et al., 2024).

Enhancing strategic selectivity through capacity-building

For strategic selectivity to be effective, there must be a clear understanding of how project achievements contribute to portfolio results. Strengthening country-level monitoring and evaluation capacities is vital to achieving this clarity. Diagnostic assessments, when integrated into country strategies, provide a foundation for strategic selectivity by highlighting interventions with the greatest potential for impact. The new Country Strategy Development Effectiveness Matrix reinforces this by assessing whether planned pipelines adopt a programmatic approach, ensuring that selectivity and scale are systematically addressed when developing strategies. Countries may also require technical support to engage effectively with project management and monitoring tools. Initially, the IDB could promote active engagement with pilots, coupled with robust capacity-building efforts and peer learning opportunities (Han & Williams, 2008). This dual approach ensures that clients can gradually adopt and benefit from these tools while remaining flexible enough to address local contexts.

4.4 Client effectiveness

The Impact Orientation Reform acknowledges that the effectiveness of development interventions depends on both the IDB's internal processes and its clients' capacity and active engagement. Institutional challenges can hinder projects' effectiveness and impact. To ensure sustainable and impactful outcomes, the reform calls for support in strengthening client capacity in monitoring, evaluation, learning, risk management, and navigating change. These initiatives are grounded in the principle of fostering partnerships where success and learning are shared responsibilities.

Strengthening client capacity in monitoring and navigating change

A mainstay of the Impact Orientation Reform is strengthening clients' performance monitoring capacities. The reform recognizes the varying baseline capacities of clients and incorporates an initial assessment to determine the level of support they need to effectively engage with these activities (Bridges & Woolcock, 2019). By actively involving clients in the monitoring process, the reform fosters a culture of shared

ownership and accountability. The reform also addresses the need for clients to effectively navigate changes, whether structural, legal, or operational. As Bridges & Woolcock (2019) point out, adaptive project implementation requires a supportive infrastructure that integrates stakeholders.

It is important to enhance client capacity in all aspects of development effectiveness. To this end, the IDB has developed initiatives such as Impact Evaluation Design Week, a workshop where clients and IDB staff learn strategies to assess the impact of operations and develop a concrete plan for applying them. Including clients in these activities is key to helping them navigate development effectiveness and to transmitting the Impact Orientation Reform's vision to empower clients for project ownership, risk management, and adaptation to change. The Client Portal is another transformation that emphasizes "bidirectional interaction," allowing clients to access and learn from information about key processes, tools, and knowledge.

Strengthening client capacity to use development effectiveness intelligence to make evidence-based decisions

Recent studies show that providing training (Mehmood et al., 2024) and introducing new evidence on the effectiveness of specific interventions (Hjort et al., 2021) can both be valued by policymakers and influence their beliefs and decisions. However, achieving this influence requires more than supplying relevant information. It is key to establish a common language around evidence and results, since information complexity (Toma & Bell, 2024) and client biases (Vivalt & Coville, 2023, 2025) can keep evidence from being incorporated and affect incentives for joint decision-making. The IDB already has experience building client capacity in development effectiveness. One example is PRODEV—a program that supported countries in strengthening results-based management. This experience did not achieve the level of client effectiveness it set out to, highlighting that capacity-building in this area is more effective when it helps establish a shared language around results and is supported by aligned incentives, both within the IDB and with clients. Carefully building a shared understanding of critical evidence—particularly during pre-programming policy dialogue—can improve selectivity. To strengthen client capacities, the Project Management for Results (PM4R) program will continue to develop client skills in results-based project execution, with a strong emphasis on adaptive management to effectively respond to changes during implementation. The Training Program to Achieve Results (TPAR), described in subsection 4.3.2 Development effectiveness intelligence, is another key initiative that supports clients in learning and adapting to reforms.

Strengthening client capacity in risk management

Risk management is another critical area where the reform aims to enhance client effectiveness. IDB projects often operate in diverse and complex environments, where risks can range from environmental and technological challenges to procedural and crisis-related factors. The reform will leverage the Client Portal to document how clients identify, manage, and adapt to these risks. Clients will be able to use the system to record types of risks, associated policies or administrative responses, responsible stakeholders, and indicators for monitoring the outcomes of these adaptations. This approach enables clients to manage risks effectively and contributes to a repository of knowledge that informs future interventions and improves outcomes across the IDB's portfolio.

5. Challenges and Next Steps

As with any major reform, the Impact Orientation Reform will build on existing infrastructure and knowledge from past reform experiences (Light, 1998). It is being launched in a context of imperfect information and assumptions about the parties' capabilities and likely responses to the reform. It will also take time to fully embed the changes in principles and structures into IDB operations and culture at multiple levels. This section discusses potential challenges the IDB could face in implementing the Impact Orientation Reform and making its vision a reality.

5.1 Cultural change: shifting mindsets toward an impact orientation approach

Successfully implementing the reform will require a deep cultural transformation within the IDB and its clients. Historically, development institutions, including the IDB, have emphasized approvals and disbursements as measures of success. While these are essential for projects, moving towards a culture where learning, adaptability, and long-term impact take precedence over short-term financial disbursements will require significant shifts in behaviors, incentives, and institutional norms. Achieving this transformation will depend on leadership commitment, internal capacity-building, and strong signals that impact—not just advances in implementation—is the primary measure of success. It will also require clients to embrace this new way of doing business.

To transform the institution, the IDB's policies, procedures, and operational workflows must reflect the new impact-oriented approach. Comprehensive training, cross-departmental coordination, and iterative process refinement are all key to ensuring the new tools and frameworks embed evidence-based decision-making into project implementation. Without full operational integration, there is a risk that changes will become isolated innovations at different stages of projects' long lifecycles, rather than fundamental shifts in how the IDB operates.

Difficulties in shifting toward impact-oriented mindsets jeopardize the implementation of key processes for internal accountability, such as the new People Strategy, which will require staff work plans to be aligned with measurable contributions to development outcomes. Similarly, failure to shift the joint client-IDB focus toward impact would undermine the implementation of tools for external accountability, like the updated Client Portal.

5.2 Harmonizing short-term accountability with long-term impact goals

One of the most complex challenges in development effectiveness is balancing immediate accountability pressures with the need to track and achieve long-term, sustainable results. Achieving this balance requires retraining project teams, adjusting reporting mechanisms, and securing client buy-in to shift from rigid, compliance-driven reporting toward more meaningful, impact-oriented assessments. Incentive structures must reinforce long-term development effectiveness rather than just short-term project implementation. Pay-for-success loans, for example, are good at enforcing short-term performance (Piedra, 2025) but may not increase the achievement of long-term goals. The IDB's transition toward an effectiveness-based meritocracy means that staff, project teams, and country counterparts should be rewarded for measurable impact and learning-oriented behaviors. If incentives are not explicitly aligned with the reform's objectives, institutional inertia may undermine the shift toward impact-driven decision-making. It is important for the objective of harmonizing short- and long-term goals to extend to the IDB's clients. Countries often prioritize projects that address immediate political or economic needs over those aligned with long-term strategic objectives, so creating incentives to focus on long-term impact as well will be key.

Another key challenge is that disbursement data can usually be tracked with high frequency, but in some sectors, results can only be monitored slowly over time, often when specific project milestones are achieved. As it pushes for rigorous measurement, the IDB should be careful not to shift the focus entirely toward short-term indicators, a risk for measurement tools such as sgDelta, which must balance fostering short-term results and long-term impact.

5.3 Ensuring data integration and usability across IDB platforms

The Impact Orientation Reform aims to seamlessly integrate data and knowledge resources through new platforms and processes. The architecture outlined in the 2008 DEF envisioned processes that each independently increased the focus on impact. However, they were disconnected from each other. Under the new vision of development effectiveness as a holistic process, these information systems and processes must be better integrated. The success of these innovations depends on effective data governance, interoperability across platforms, and ensuring that staff and clients can easily access and use the information to inform decisions. Systems that inform each other throughout a project's lifecycle will not achieve their goals unless they speak the same language. The IDB must address challenges such as data fragmentation, inconsistent data quality, and privacy concerns to fully leverage digital solutions for improving project implementation and learning. Having large, integrated systems like sgDELTA could also bring potential tradeoffs from increasing complexity and higher data integration costs. The IDB should consider these intricacies to ensure systems remain reasonably easy to use.

Coordination beyond the IDB, for example, by integrating knowledge platforms and data across IDB, IDB Invest, and IDB Lab, as well as other multilateral entities, could also be key to taking full advantage of knowledge. This coordination would bring its own challenges, but it is worth exploring to maximize synergies.

5.4 Strategic selectivity: prioritizing high-impact interventions

Institution-wide development effectiveness requires the IDB to funnel resources to the most impactful interventions rather than spread them out across many disconnected projects. Strategic selectivity involves difficult trade-offs, particularly when balancing regional development priorities, changing country demands and political programs, and institutional focus areas, especially in a demand-driven model. A demand-driven model should not be a constraint on optimal allocation of resources when funding needs exceed supply. This has indeed been the case for the IDB and the Latin America and the Caribbean region it serves. In this context, demand is large enough that the IDB should still be able to allocate funds optimally across projects. In this context, strategic selectivity is not expected to introduce rigidities significant enough to reduce overall demand for IDB financing, although this remains a related risk that warrants attention.

Instilling selectivity as a central tenet is worth pursuing, but it is expected to be complex. Institutional inertia, for example, could become an obstacle. Another key challenge is to avoid sacrificing adaptability for selectivity, and to maintain a balance between responding to emerging development needs and pursuing longer-term goals grounded in strong theories of change. Strategic selectivity also requires building political will among stakeholders to support a data-driven project selection. This necessity poses a risk for effectively implementing the new Country Strategy, Dialogue and Programmatic Approach, an IDBStrategy+ reform that complements the Impact Orientation Reform. For example, the new Country Strategy Development Effectiveness Matrix explicitly assesses whether planned pipelines prioritize programmatic approaches. However, political and institutional pressures that favor dispersion or short-term demands may limit the ability of these assessments to guide resources toward strategically selected projects.

5.5 Strengthening country capacity and client buy-in

Achieving development effectiveness is not solely an internal challenge for the IDB; it also depends on the capacity and commitment of borrowing member countries. The reform introduces new expectations for evidence-based decision-making, adaptive project management, and strategic selectivity, which may require clients to strengthen their monitoring, evaluation, and learning capabilities. However, IDB member countries have varying levels of institutional capacity, so governments and executing agencies need targeted support, training, and incentives to engage effectively with the new system. Although heterogeneous capacities are common in development contexts, nowhere is this trend more acute than in Latin America and the Caribbean (Eslava & Caicedo, 2023). The IDB will need to engage in proactive dialogue with clients, built on trust and transparency, to secure their buy-in and sustained engagement with the reform's objectives.

5.6 Flexibility and adaptability of reform plans

The organization will likely need to modify the reform plans over time to tackle some of the challenges described above. The Impact Orientation Reform will be launched in a dynamic environment, and the IDB can leverage information collected in the new systems to better understand how these evolving factors influence project effectiveness. More generally, the IDB may use these lessons over time to shape its own portfolio of projects. For example, it may determine that projects in particular sectors or with specific configurations of partners and/or adaptive management approaches generate consistently better results, which may inform how it allocates its portfolio, disseminates best practices, or distributes resources to strengthen development capacities and results.

Implementing the Impact Orientation Reform is challenging, and the IDB needs to monitor the potential risks identified in this section. The same adaptability that the reform advocates for to allow project teams to make decisions that address risks should be applied to the reform implementation itself, through a structured risk mitigation strategy. This approach aligns with the DEPF's emphasis on proactive risk management as a driver of development effectiveness (Long & Franklin, 2004; Wagenaar et al., 2017). Overall, the transition from procedural compliance to a results-driven mindset will require continuous learning, adaptive management, and new tools to enhance decision-making. This transition will need to be monitored and evaluated. The IDB should closely monitor the adoption of new processes and tools and assess how well they achieve clear performance goals.

6. Conclusion

The IDB's Impact Orientation Reform marks a significant step toward strengthening development effectiveness across its operations. As detailed in this paper, the reform builds on a long-standing institutional commitment to achieving meaningful and measurable impact while addressing emerging challenges in the development landscape. It also responds to lessons from the performance management literature about implementing measures to boost effectiveness. By embedding evidence-based decision-making, strategic selectivity, and an institutional culture driven by effectiveness, the reform seeks to enhance the IDB's ability to deliver results at scale.

This paper explored the historical and contextual factors that shaped the need for reform. Section 2 traced the evolution of performance management systems, highlighting global shifts toward evidence-based policymaking, advances in data capabilities, and the growing emphasis on results-driven approaches. It also assessed the 2008 DEF, providing key lessons on past progress and persistent challenges and reaffirming the need for a more adaptive and integrated approach to development effectiveness. Section 3 explored the internal and external factors that necessitated the Impact Orientation Reform, outlining the structural, operational, and strategic changes required to solidify an institutional culture centered on impact.

As examined in Section 4, three core elements anchor the reform: (i) fostering an institutional culture of effectiveness; (ii) strategically targeting results through evidence-based decisions; and (iii) strengthening client effectiveness. At the heart of this transformation is the Development Effectiveness Policy Framework (DEPF), which guides work to align IDB policies, tools, and incentives with development results. The paper provided both theoretical and empirical justifications for these elements. It illustrated how they materialize in concrete initiatives, such as sgDELTA, redesigned development effectiveness intelligence processes, and digitalized tools and workflows.

Section 5 discussed key challenges for implementing the Impact Orientation Reform: a cultural shift towards an impact-orientation, balancing short-term accountability with long-term goals, ensuring effective data integration and usability, adequately prioritizing high-impact interventions, and strengthening client capacity. The IDB should remain focused on monitoring the reform's progress and iterating and adapting based on lessons learned as it implements these changes. By embedding impact as the central driver of its operations, the IDB can reinforce its role as a leader in development effectiveness and demonstrate how rigorous, evidence-based approaches can translate into meaningful improvements in people's lives.

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Appendix 1. Origins, Evolution, and Key Features of Performance Management

Performance management has been a core function at public and private organizations for over a century. Early in its evolution, scientific management principles for increasing organizational efficiency guided efforts to set performance standards and exercise controls to achieve quantitatively measurable targets (Taylor, 1911; Thompson, 1967). In the U.S., the conception that management research technicians could use data to continuously improve performance gained traction with the Taft Commission of 1910 on Economy and Efficiency and extended through successive Hoover Commissions in the 1940s and 1950s. The field of administrative management also recognized, however, that performance management requires more than technical logic; it has to be built into an organization's structure. These ideas informed subsequent "systems analysis" reforms—approaches to planning and monitoring organizational performance that rely on objective analysis of programs based on research and evaluation—that were adopted worldwide in the public and private sectors, including in 1960s systems such as Management by Objectives (MBO) and the Planning Programming Budgeting System (PPBS).

When first introduced, PPBS was distinct in that it tied the objective evaluation of programs to multi-year plans and budgets, and similar performance budgeting approaches continue to be used throughout the world today (Lee et al., 2020). Yet it has been criticized for requiring large quantities of data that were inefficiently used and did not produce information useful for policy and program decision-making (Wildavsky, 2017). MBO, in turn, is notable for prodding performance management systems to use both organization- and individual-level performance measures and encouraging input through participatory processes (versus relying solely on technocrats). It requires individuals at all levels of the organization to understand the goals and incentives or financial rewards to be allocated based on measured organizational progress, coordinate their efforts, and receive feedback from the system (Campbell et al., 1970). Although many of today's performance management systems still feature fundamental elements of these two approaches (Rivenbark, 2001; Sicilia & Steccolini, 2020), both have also been criticized as "closed" or rational model systems where managers would need to control only a few variables and could reliably predict relationships that determine performance (Heinrich, 2003; Thompson, 1967). In other words, these approaches contrast with more open, adaptive approaches and typically do not account for external factors that impinge on performance. They do not consider aspects outside a manager's control when assessing performance and allocating monetary or non-monetary rewards.

The shift toward an outcomes orientation

In the next major wave of performance management reforms, value for money and a results orientation (two of the five concepts in the definition of development effectiveness, see footnote 5) were core features in performance management systems. These reforms were guided by theories of New Public Management (NPM) that promoted organizational and individual incentives that mimic the private sector and a pay-for-

results culture. An early example was the United Kingdom's Financial Management Initiative of 1983 (Osborne et al., 1995), which sought to place value for money at the center of the discussion and align incentives in organizational structures and processes to measure and manage impact. As the NPM reforms rolled out worldwide in the form of more developed, formal systems of accountability focused on outcomes, performance management grew in scope, sophistication, and external visibility and was often encapsulated in legislation, such as the U.S. Government and Performance Results Act (GPRA) (Behn, 2001; Kettl & Dilulio, 1995; Pollitt & Bouckaert, 2000).

Four conventional features of NPM-style performance management systems were: (1) performance measures focused on quality and outcomes or results; (2) formal requirements for reporting and comparing actual performance with performance goals or standards (typically annual); (3) multi-level performance accountability in decentralized programs; and (4) market-oriented elements such as financial or budgetary incentives for performance (Hood, 1995; Lægreid et al., 2013; Pollitt, 2001). Underlying these features was a shift away from conceiving accountability as a top-down, rational, or technical focus on operations and efficiency and toward participatory, multi-level systems that defer to managers with incentives to focus on program outcomes or results and to manage a broader range of factors affecting performance (Romzek, 1998).

Because the adoption of NPM-style performance management systems was so widespread, their implementation, efficacy, and outcomes could be studied extensively in various sectors and countries, yielding certain collective lessons and insights. A major critique of NPM concerned the pervasive tendency to focus on short-term outcomes in defining performance measures, in part associated with the expectation for regular monitoring and reporting and incentives for achieving annual targets. When U.S. federal agencies implemented the GPRA, for example, there was evidence of disconnects or misalignment between identified performance goals and the empirical measures used for annual reporting requirements (Heinrich, 2003; Moynihan, 2008; Radin, 2006). Research into these performance management systems found that relying on shorter-term and sometimes highly imperfect or incomplete measures of performance goals over time led to problematic, unintended consequences, including gaming behaviors driven by financial incentives and negative correlations between these measures and longer-term program impacts (Heckman et al., 2002, 2011; Koning & Heinrich, 2013; Schochet et al., 2008). Other research has found that the evidence on outcomes that is generated to satisfy performance requirements is often of poor quality (Bevan & Hood, 2006; Heinrich, 2012; Manning, 2001; OECD, 2002; Verbeeten & Speklé, 2015). The Organisation for Economic Co-operation and Development (OECD) reviewed the reforms and concluded that many changes "presented as best practices later appeared to develop undesired and unanticipated consequences" (OECD, 2002).

Linking benchmarking to benchlearning

There has since been considerable reflection on NPM-style performance management systems and further theorizing about how to address their limitations. One reckoning was that performance information may play an even more important role in supporting decision-making than setting targets and incentives for

accountability do, particularly when objectives are complex and adaptation to changing circumstances is critical (Moynihan, 2008; Moynihan & Pandey, 2005). This understanding was also backed by empirical evidence on Dutch public sector organizations suggesting that exploratory, decision-facilitating use of performance information is associated with higher performance than incentive-oriented uses (Spekle & Verbeeten, 2014). In fact, the New Public Governance (NPG) reforms that followed NPM recognized that increasingly complex and dynamic organizational challenges necessitate new structural forms of managing and governing, such as interactive steering, co-production, and guiding, with more dialogue, deliberation, and collaborative (versus command-and-control) approaches to management (Ammons, 2020; Bank, 2000; Farr, 2016; Lynn, 2010; Waheduzzaman, 2019). In an example of an NPG-like approach adopted by the European Network of Public Employment Services (PES), known as “benchlearning,” performance information is shared, compared, and used to assess the need to adapt and modify programs or projects, or even performance expectations or targets. The approach does not imply focusing less on outcomes. Rather, benchlearning enhances these activities and systematically and integrally connects benchmarking and joint learning activities (Fuchs et al., 2021). The PES uses annual performance data collected on eight indicators to generate immediate, results-focused feedback to identify program or project strengths, areas and recommendations for improvement, plans for revision or further development, and opportunities for peer support through structured and systematic reflection on performance with learning partners. As the PES Benchlearning Network Manual describes it (Fuchs et al., 2021), benchlearning aims to establish an “evidence-based, self-sustaining system of continuous and measurable performance increases.”

Changes in context

Three key contextual shifts have influenced how performance management has evolved and is applied to development activities: technological advancements that significantly reduced the costs of collecting, analyzing, and storing data; a subsequent wave of government reforms to institutionalize evidence-based policymaking; and the increasing adoption of pay-for-success mechanisms to share financial risks and involve the private sector in development initiatives.

The first major shift stems from technological innovations that have reshaped data management, drastically lowering the costs of collecting, analyzing, and storing information (McCallum, 2017; Roser et al., 2023). The digitization of administrative records has accelerated access to real-time data, allowing policymakers to base their decisions on more comprehensive evidence. The affordability of data processing fueled a demand for advanced statistical techniques capable of handling large and complex datasets. While traditional survey-based approaches remain valuable, they have increasingly been supplemented by machine-learning algorithms and other tools that can extract insights from unstructured data sources.

Despite these benefits, rapid digital transformation also brought challenges. Expanding access to data heightened privacy concerns, and many organizations lacked the infrastructure needed to manage information effectively in ways that balanced immediate decision-making needs with long-term strategic goals (Dawes, 2009). Additionally, without adequate governance structures, some data-driven decision-making processes became inefficient or vulnerable to manipulation, undermining their reliability (Neylon, 2017; Nørreklit & Cinquini, 2023).

The second shift, which was facilitated by lower data costs, involved governments institutionalizing evidence-based policymaking. This approach focuses on selecting and prioritizing policies and interventions based on empirical evidence while also considering local institutional and socioeconomic conditions (Sanderson, 2002). The recognition that rigorous evaluations could guide future policy refinement spurred legislative efforts to strengthen data use in decision-making. Examples include the U.S. Foundations for Evidence-Based Policymaking Act of 2018 and the United Nations Statistical Commission's initiative to support evidence-based policymaking.

However, institutional capacity constraints often hindered the ability to generate and utilize rigorous evidence at the pace required for effective policy design (Gueron & Rolston, 2013; Rycroft-Malone et al., 2004). While transparency and accountability are fundamental to evidence-based governance, instances of politically motivated interpretations of data have undermined the integrity of evidence in some contexts (Fox & Morris, 2021; Marston & Watts, 2003; Maynard, 2006; Rosenstock & Lee, 2002). Ensuring that performance data is insulated from political pressures remains an ongoing challenge.

The third shift saw the rise of pay-for-success (PFS) initiatives, commonly structured as social impact bonds (SIBs) or development impact bonds (DIBs). These models transform performance management by linking financial returns to measurable development outcomes. Under these arrangements, private investors provide initial funding, with repayment contingent on reaching predefined targets (Broccardo et al., 2020; Warner, 2013). In infrastructure, similar principles have been applied through public-private partnerships (PPP), shifting investment and operational risks from governments to private sector partners (De Lemos et al., 2000). These mechanisms have been widely adopted, with nearly 300 impact bonds implemented globally across various sectors (Fraser et al., 2018; Hevenstone et al., 2023).

Despite their potential benefits, PFS mechanisms have encountered persistent difficulties. Research highlights a tendency for these models to emphasize short-term, easily quantifiable metrics rather than fostering broader, long-term development impact. Additionally, the complexity of these schemes has strained institutional capacities, particularly in lower-income contexts where effective implementation and oversight pose significant challenges (Gallucci et al., 2022; Sarmiento & Herman, 2021). More structured approaches are needed to ensure these mechanisms fulfill their intended role in advancing sustainable development.

These contextual shifts collectively contributed to a policy environment in which results-oriented, evidence-driven decision-making became both an expectation and a technical possibility for development institutions and implementing agencies. At the same time, pay-for-success mechanisms introduced new models for integrating private sector incentives into development work. However, these advancements also underscored the critical need for organizations to invest in their ability to manage and utilize data well, since it often takes considerable time, expertise, and experience to strengthen data and methodological capacities and use them effectively.

Appendix 2. Mapping the Three Main Reform Elements to Other Relevant Concepts

Table 1 in Section 4.1 maps the six areas of the Impact Orientation Reform vision (IDB 2024) to the three main reform elements we develop in this paper. In addition, the DEPF establishes eleven guiding principles for increasing development effectiveness in the IDB’s operational and corporate areas. Table A1 connects the six areas in the vision, the eleven guiding principles, and the three main reform elements.

Table A1. Elements of the Impact Orientation Reform, Including DEPF Principles

Areas in the Impact Orientation Reform vision, as articulated at the 2023 Annual Meeting (IDB, 2024)	Corresponding guiding principle(s) in the DEPF	Impact Orientation Reform elements presented in Sections 4.2–4.4 of this paper
Governance for effectiveness: Change must be signaled from the top and have the right checks and balances.	i. Shared Responsibility viii. Leading for Impact ix. Internal Accountability x. External Accountability	Section 4.2 Effectiveness-based culture and governance: Culture and governance based on effectiveness
Effectiveness-based meritocracy: Staff members need the right incentives and skills.	viii. Leading for Impact ix. Internal Accountability	
Culture of effectiveness: Bring about evidence-based transformations, reframing how we understand leadership.	i. Shared Responsibility viii. Leading for Impact xi. Learning from Experience x. External Accountability v. Development Effectiveness Intelligence	
Targeting final results: measuring the results behind the resources we lend.	ii. Evidence-based Theory of Change iii. Adaptive Change Management v. Development Effectiveness Intelligence vi. Country Capacity vii. Impactful Portfolio	Section 4.3 Targeting final results through evidence-based decisions and learning: Targeting final results through evidence-based decisions and learning.
Continuous monitoring: learning, adjusting, gaining knowledge.	ii. Evidence-based Theory of Change iii. Adaptive Change Management iv. Continuous Monitoring v. Development Effectiveness Intelligence xi. Learning from Experience v. Development Effectiveness Intelligence	
Client effectiveness: Client ownership over projects is essential for success. And we need to build the right capacity in our executing agencies.	i. Shared Responsibility iii. Adaptive Change Management vi. Country Capacity	Section 4.4 Client effectiveness: Client effectiveness

