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## ABSTRACT

The Inter-American Development Bank (IDB, or Bank), as part of its Ninth General Capital Increase (IDB-9), committed to prepare strategic documents for one of its priority areas, social policy for equity and productivity. This paper assesses whether that requirement was implemented fully and effectively. The analysis concludes that the requirements were implemented fully, as a Strategy and sectoral guidelines for education were presented to the Board of Directors within the required timeframe.

The assessment of the extent to which the documents represent an effective response to the IDB-9 mandate is more complex. The emphasis on “investing in people” is highly relevant to the Region, though the diagnoses and analyses in specific sectors as well as of country needs and priorities are uneven. The depth of the Bank’s experience and expertise in the social sectors and the lessons to be gained from its previous experience are not fully reflected in the Strategy. The Results Framework, prepared for the IDB-9 Report prior to the Strategy, does not adequately reflect the priorities proposed, and targets could be met even if the priorities within each sector are not implemented. In addition, the Strategy does not identify specific actions to meet its objectives. The 2012-2015 Action Plan, prepared in response to a request from the Board, details some of these actions, but it falls short of identifying staffing and budgeting requirements and intermediate milestones for monitoring.

Further dissemination of the Strategy and broader discussion of its contents, both internally and externally, would help make the strategy more relevant, and updating the Action Plan would help to guide future implementation. In addition, an effort by the Board and IDB Management to lay out clear guidelines for future strategy exercises would help to clarify expectations and ensure a more meaningful and effective strategy-setting process for IDB and its borrowing countries.

## PREFACE

The Inter-American Development Bank (IDB) is in a period of rapid change, responding to both the economic dynamism of the Region it serves and the increasing competition in the international financial marketplace. Over the past decade, countries in Latin America and the Caribbean have gained greater access to alternative sources of finance and an increasingly ability to generate and share knowledge among themselves. Like other multilateral development banks, IDB is seeking to adapt to this changing international landscape by ensuring that it is responsive to borrowing countries' needs and putting strong emphasis on effectiveness in its use of scarce resources.

In 2010 the IDB's Board of Governors approved the 9<sup>th</sup> General Capital Increase of the IDB (IDB-9). The IDB-9 Agreement laid out a series of reforms intended to strengthen the strategic focus, development effectiveness, and efficiency of the IDB to help it remain competitive and relevant in the years ahead. As part of that Report, IDB's Office of Evaluation and Oversight (OVE) was charged with conducting a midterm evaluation—to be presented to the Board of Governors in March 2013—to assess IDB's progress in implementing those reforms. The full evaluation is available at [www.iadb.org/evaluation](http://www.iadb.org/evaluation).

This paper is one of 22 background papers prepared by OVE as input to the IDB-9 evaluation. It seeks to determine whether one portion of the IDB-9 requirements has been implemented fully and effectively and to offer suggestions to strengthen implementation going forward. The overarching goal of this paper and the entire evaluation is to provide insights to the Governors, the Board, and IDB Management to help make IDB as strong and effective as possible in promoting economic growth and poverty reduction in Latin America and the Caribbean.

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ANNEX A: [SUMMARY OF STRATEGY ON SOCIAL POLICY FOR EQUITY AND PRODUCTIVITY](#)

This background paper was prepared by Silvia Raw. All background papers were thoroughly reviewed and discussed within OVE and shared with IDB Management for comments. The other background papers and full IDB-9 evaluation can be found at [www.iadb.org/evaluation](http://www.iadb.org/evaluation).

## **ACRONYMS AND ABBREVIATIONS**

CCT	Conditional Cash Transfer
IDB	Inter-American Development Bank
IDB-9	Ninth General Capital Increase in Resources
LAC	Latin America and the Caribbean
OVE	Office of Evaluation and Oversight
SCL	Social Sector Department

## EXECUTIVE SUMMARY

The Report on the Ninth General Capital Increase in Resources (IDB-9) for the Inter-American Development Bank (IDB, or Bank) identified social policy for equity and productivity as one of five sectoral priorities contributing to the Bank's overarching objectives of reducing poverty and inequality and promoting sustainable growth in Latin America and the Caribbean (LAC). It called for the development of a strategy with a special focus on the issue of improving education, and for the presentation of sectoral guidelines for education.

The objective of this paper is to assess whether the IDB-9 requirements were implemented fully and effectively. The answer to the first is straightforward: The Bank met all the requirements associated with this sectoral priority as specified in the IDB-9 Report. The Strategy on Social Policy for Equity and Productivity (GN-2588-4) was approved by the Board of Directors in the first quarter of 2011. Improving education was treated as one of seven priority areas under the Strategy, which placed a consistent but broader emphasis on human capital formation. Sector Guidelines for Education (GN-2614) were sent to the Board for information within the same required timeframe. In approving the Strategy, the Board of Directors requested an implementation plan. In response, Management submitted the 2012-2015 Action Plan for Implementation of the Strategy on Social Policy for Equity and Productivity (GN-2588-7) in February 2012.

The answer to the second question—to what extent the Social Strategy represents an effective response to the IDB-9 mandate—is more complex, since the Agreement did not provide clear guidance on the scope and content of strategies. OVE thus developed a standard for sector strategy content, considering two questions. First, we ask whether the Strategy makes sense, which entails a face-value analysis of the Strategy's diagnostic, analysis, identification of the Bank's comparative advantages, indicators and monitoring, and risks. Second, we ask if the Strategy makes a difference. While little time has elapsed since approval, the paper analyzes actions planned and undertaken to implement the strategy, with a specific emphasis on the Action Plan requested by the Board.

The assessment found strengths and weaknesses. The emphasis on “investing in people” through seven priority areas covering investments in early childhood development, education, health, and labor markets is highly relevant for the Latin American and Caribbean region. Yet, the diagnoses and analyses in specific sectors, and of country needs and priorities, are uneven. Further discussion of choices and trade-offs related to the priority interventions in each sector would have been useful.

The Strategy recognizes the need to capitalize on the Bank's comparative advantages to meet its objective, but does not explicitly identify those advantages. The depth of the Bank's experience and expertise in the social sectors and the lessons to be gained from such experience are not fully reflected in the Strategy.

The Results Framework is drawn directly from the IDB-9 Report, which was written before the Strategy. As a result, several of the output indicators presented do not

adequately reflect the priorities proposed, and targets could be met even if the priorities within each sector are not implemented.

The Strategy does not identify specific actions to meet its objectives. Some of these actions are detailed in the 2012-2015 Action Plan, which represents a step forward in the implementation of the Strategy. A key strength is the emphasis on dissemination inside and outside the Bank, which was identified as a problem in previous strategies. Among the weaknesses are a failure to identify resource requirements and to set out intermediate milestones for monitoring.

The risk to the implementation of the Strategy identified in the Action Plan is “insufficient interest by the countries in the priority issues identified,” and the Action Plan expects to mitigate this risk through coordination, communication, and visualization actions. One could argue, however, that the extent of demand for the Bank’s products is more than a risk—rather, it is a core issue that should be addressed as part of the preparation of the Strategy.

The findings point to several suggestions going forward:

- First, **further dissemination of the Strategy** and broader discussion of its contents, both internally and externally, would help make the Strategy more relevant.
- Second, **updating the Action Plan** for the period 2013-15 to include a more specific set of likely activities, resource requirements, and a results framework with measurable indicators would help to guide future implementation. While such a framework may not be able to specify outcomes, given the demand-driven nature of operations, it should at least identify those outputs that would permit an evaluation of the Strategy’s success. These outputs should reflect the specific priorities of the Strategy in each of the seven areas.
- Third, an effort by the Board and IDB Management to lay out **clear guidelines for future strategy exercises** would help to clarify expectations and ensure a more meaningful and effective strategy-setting process for IDB and its borrowing countries.

## I. INTRODUCTION

### A. IDB-9 requirements

- 1.1 The Report on the Ninth General Capital Increase in Resources (IDB-9) for the Inter-American Development Bank (IDB, or Bank) identified social policy for equity and productivity as one of five sectoral priorities contributing to the Bank's overarching objectives of reducing poverty and inequality and promoting sustainable growth in Latin America and the Caribbean (LAC). The Report, which was distributed to the Board of Governors in May 2010, noted:

To achieve sustainable reduction in poverty and inequality, LAC countries need a new generation of social programs that foster equality of opportunities regardless of labor status, race, ethnicity or gender. The focus needs to be placed on increasing the quality and relevance of education, improving health outcomes, protecting households against risks, and redistributing income effectively while fostering increases in labor productivity. The LAC region needs social programs to enhance labor market performance, as indicated by the capacity to create jobs with higher wages and social security coverage. Areas of Bank's strategic engagement with the region include: (i) building well-articulated safety nets, (ii) improving the functioning of labor markets for higher productivity and increased social security coverage, (iii) raising the quality and equity of education, (iv) promoting equity in health outcomes, and (v) tackling cross-cutting gender and diversity issues (AB-2764, p. 8).

- 1.2 IDB-9 called for the development of strategies for four of the five sectoral priorities, including "a strategy on social policy for equity and productivity with a special focus on the issue of improving education," to be submitted for consideration by the Board of Directors before the first quarter of 2011. It also called for the presentation of guidelines for specific sectors, including education.

### B. Purpose and methodology

- 1.3 IDB-9 called on the Office of Evaluation and Oversight (OVE) to assess whether the IDB-9 requirements are being implemented fully and effectively. The answer to the first is straightforward: the Bank met all the requirements associated with this sectoral priority as specified in the IDB-9 Report. The Strategy on Social Policy for Equity and Productivity (GN-2588-4) was approved by the Board of Directors in the first quarter of 2011. Improving education was treated as one of seven priority areas under the strategy, which placed a consistent but broader emphasis on human capital formation. Sector Guidelines for Education (GN-2614) were sent to the Board for information within the same required timeframe. In approving the Strategy, the Board of Directors requested an implementation plan. In response, Management submitted the 2012-2015 Action Plan for Implementation of the Strategy on Social Policy for Equity and Productivity (GN-2588-7) in February 2012.

- 1.4 The answer to the second question—to what extent the Social Strategy represents an effective response to the IDB-9 mandate—is more complex. The IDB-9 Agreement did not provide clear guidance on the scope and content of strategies. OVE thus developed a standard for sector strategy content, considering two questions. First, we ask whether the Strategy makes sense, which entails a face-value analysis of the Strategy’s diagnostic, analysis, identification of the Bank’s comparative advantages, indicators and monitoring, and risks. Second, we ask if the Strategy makes a difference. While little time has elapsed since approval, the paper analyzes actions planned and undertaken to implement the strategy, with a specific emphasis on the Action Plan requested by the Board. To answer these questions, the team reviewed relevant Bank documents and interviewed IDB staff who had been directly involved in the preparation of the Strategy. It should be noted up front that the staff interviewed for the evaluation did not necessarily share the same conception of what a sector strategy should contain, an issue that we will return to in the conclusion to this paper.

## II. BACKGROUND

- 2.1 Under the Eighth Replenishment (IDB-8), poverty reduction and social equity emerged as cornerstones of Bank activity, together with modernization, integration, the environment. This constituted in part a response to the “lost decade of the ’80s,” which saw erosion in the significant improvements in social indicators that had taken place since 1950. The Bank’s commitment to poverty reduction and social equity was signaled by the establishment of lending targets consistent with the two objectives; these lending targets have been incorporated and expanded under IDB-9.
- 2.2 During IDB-8 (1994-2010), the Bank lent over US\$34.7 billion in the social sectors,<sup>1</sup> which represented 27.6% of total Bank lending. The total for investment loans alone was US\$23.3 billion, accounting for 27.1% of the Bank’s total. The distribution across sectors was 28.5% in education, 10.6% in health, and 60.9% in social investment, which covered a number of subsectors and specific interventions. In addition to lending, the Bank provided US\$487 million in non-reimbursable technical cooperation. Since 2008, however, lending to the social sectors has not kept up with the growth in Bank lending, averaging 17.2% of the total between 2008 and 2011.
- 2.3 A number of strategies were approved during IDB-8, of which two are particularly relevant as background to the current Strategy: (i) “Supporting Reform in the Delivery of Social Service: Sector Strategy” (GN-1932-1), approved in 1996, and (ii) “Poverty Reduction and Promotion of Social Equity Strategy” (GN-1894-7), approved in 2003.

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<sup>1</sup> Under the Eighth Replenishment, housing and slum upgrading were classified in the social sectors. The figures do not include these areas.

2.4 “Supporting Reform” built on the Eighth Replenishment’s emphasis on the need for social reforms to improve the efficiency and equity of government action. Sixteen years later, though the word “reform” is no longer in vogue, many of the themes raised in the paper remain current.

- First, the Strategy classified the historical evolution of Bank lending in the social sectors (health and education) into “three generations” of projects, though they coexisted then and continue to do so, reflecting country needs and demand. The first generation focused on support for social infrastructure and coverage; the second moved from coverage to quality of services and from infrastructure to complementary inputs (e.g., textbooks, teacher training); and the third, associated with the Eighth Replenishment, began to address reforms in the organizational and institutional structure of each sector, focusing on generating incentives for better performance.
- Second, the document identified specific actions to implement the Strategy, many of which were implemented over time and remain current: (i) emphasizing technical supervision of ongoing projects, not only for monitoring and course correction, but as the main source of institutional learning; (ii) streamlining and increasing the use of the Project Preparation Facility (later amended to include implementation) to make resources available for advance work such as piloting of new approaches and design of key technical elements; (iii) adopting programmatic approaches to address long-term issues of sectoral reform through multiyear agreements covering studies, technical cooperation; and investment loans; and (iv) eliminating restrictions on recurrent cost financing for the social sectors.

2.5 In the context of the New Institutional Strategy approved in 1999 (GN-2077-1), the Bank began to prepare new sector strategies in priority areas while making recommendations for the elimination, expansion, revision, and consolidation of existing ones. As a result, in 2003 the Board approved two cross-sectoral strategies covering the Bank’s two overarching objectives: “Sustainable Economic Growth Strategy” (GN-2227-1) and “Poverty Reduction and Promotion of Social Equity Strategy” (GN-1894-7). Both identified areas for Bank action across sectors—including competitiveness, social development, modernization of the state, and regional integration—to meet the overarching objectives. The Poverty Reduction Strategy also placed emphasis on multisector social protection systems to reduce short- and long-term vulnerabilities to economic crises, natural disasters, and idiosyncratic risks.

2.6 These cross-sectoral strategies were followed by individual sector strategies, including the “Social Development Strategy,” approved in 2003. That strategy proposed four sets of actions to help countries accelerate social progress, with special emphasis on reducing poverty and inequities in opportunities. The four priorities identified were (i) customizing the implementation of reforms in health, education, and housing; (ii) implementing a human development agenda using a life-cycle framework, and giving particular attention to successful transitions

between key life stages, especially in the labor market; (iii) promoting social inclusion for groups and individuals who lack access to opportunities because of age, gender, race, ethnicity, disability, or migration status, and preventing social ills such as child labor, HIV/AIDS, and domestic and social violence; and (iv) providing integrated services with a territorial focus, taking advantages of synergies of combined interventions in low-income slums or rural areas. The strategy identified specific lessons learned and priority interventions in each of the areas, and linked them in turn to the Bank's overarching objectives. It was replaced by the current strategy in 2011.

- 2.7 This Strategy did not produce significant changes since it largely focused on things the Bank was already doing in the social sectors: health projects addressing the organization, financing, and delivery of health services; education projects addressing issues of coverage, effectiveness, and quality; conditional cash transfers with investments in both the demand and supply sides; youth programs, including training; and integrated urban projects targeted to low-income areas.

### III. FINDINGS

#### A. Does the Strategy make sense?

##### 1. Diagnosis and analysis

- 3.1 The 2011 Strategy on Social Policy for Equity and Productivity provides a brief diagnostic of LAC as a region that continues to be characterized by profound inequalities and low levels of productivity. These issues are linked: “Productivity is a social issue because it is the key to long-term increases in real wages, as well as to increases in incomes for households outside the wage-earning sector. Increases in wages and other sources of income, in turn, are the essential ingredient for sustained reductions in poverty in the region.” The Strategy acknowledges that over the last 10-15 years the Region has made substantial progress toward reducing poverty and inequality and improving social outcomes (schooling, health, and nutritional status). Despite this progress, it concludes that achievements are fragile and important challenges for social policy remain. While multiple causes contribute to the problems identified, the Strategy identifies the main underlying cause as low levels of human capital; thus, the priority action it proposes is “investing in people.”
- 3.2 In this context, the Strategy uses a life-cycle approach and identifies seven “high return” priority areas (or objectives) for the Bank's action: (i) investing in early childhood; (ii) improving school quality; (iii) addressing youth-at-risk; (iv) improving the functioning of labor markets and extending coverage of social security; (v) addressing the double burden of the health transition;<sup>2</sup> (vi) addressing

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<sup>2</sup> The “double burden of the health transition” refers to the backlog of reproductive and communicable diseases and child malnutrition, combined with lifestyle-related chronic noncommunicable diseases and injuries.

- structural poverty; and (vii) fostering social inclusion consistent with cultural identity. In each of these areas, the Strategy identifies priority interventions for IDB lending and analytical work (see Annex A).
- 3.3 The seven areas identified in the Strategy are highly relevant for the LAC Region, and they correspond to the four divisions under the Social Sector Department (SCL): education, social protection and health, labor markets, and gender and diversity. Yet further discussion of choices and trade-offs would have been useful, as it is unclear why some topics were included and others excluded. For example, the Strategy notes that there has been a decline in relative wages for youth with a secondary education, because of increased supply in the numbers of workers with a secondary education and increased demand for workers with a tertiary education. At the same time it acknowledges that there has been no corresponding increase in the supply of better educated workers in the Region: the share of the cohort completing four years of tertiary education has increased by only one percentage point over the last 15 years. Facilitating the successful entry to and completion of tertiary education is described as a topic that is likely to become increasingly important in the future, but not an IDB priority. In this context it is interesting to note that the Bank's private sector window is making loans to private financial intermediaries that will in turn lend to low-income university students.<sup>3</sup>
- 3.4 In addition, while the seven areas largely mirror the statement of priorities made under the IDB-9 (see para. 1.1), there are some minor changes that suggest a decreased emphasis on equity and are thus potentially relevant to the attainment of the Bank's overarching objective of reducing inequality. Specifically, the objective in health has been changed from "promoting equity in health outcomes" to "addressing the double burden of the health transition," while "raising the quality and equity of education" has become "improving school quality."
- 3.5 The Strategy seeks to capitalize on the Bank's deep sector expertise, yet the diagnoses and analyses of challenges in specific sectors and of country needs and priorities appear uneven. Given the breadth of the Strategy and the heterogeneity of the Region, this is most likely due to the absence of background papers in sectors other than labor markets and education.<sup>4</sup> In several areas, problems are described but there is no diagnosis of root causes. In others, the diagnosis, analysis, and proposed interventions are based on specific country examples, but without clarity if these experiences are generalizable.

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<sup>3</sup> These include Loans for Access to University Education for Students at the Base of the Pyramid (ME-L1094) and Higher Education Financing for Low Income Students (RG-L1035).

<sup>4</sup> In the case of labor markets, the Strategy draws extensively from the 2010 Development in the Americas: Carmen Pagés (ed.), *The Age of Productivity: Transforming Economies from the Bottom Up*, especially Chapter 8. In education, the first chapter of a forthcoming book (*Educación para la Transformación*) and Sector Guidelines for Education (GN-2614) present a more detailed diagnosis and empirical evidence for different interventions.

- 3.6 One example is the Strategy's diagnosis of poverty, which is primarily descriptive: poverty is higher in rural and urban areas, it is higher among children than working-age adults or the elderly, and indigenous people and Afro-descendants are overrepresented among the poor. The Strategy does not address the causes of structural poverty or the determinants of intergenerational transmission of poverty in a comprehensive way, though poverty reduction is one of IDB-9's overarching objectives. The actions proposed to address structural poverty are limited to introducing improvements in conditional cash transfer programs (CCTs).<sup>5</sup> This approach to poverty is significantly different from the one adopted under the previous institutional strategy, which—as noted earlier—included a cross-cutting Poverty Reduction Strategy covering all Bank sectors followed by a Social Development Strategy focusing on the specific contribution of the social sectors. In this context, it is important to note that the recently proposed changes to IDB's regulatory instruments indicate that the relevant content of both the previous Poverty Reduction Strategy and the Sustainable Economic Growth Strategy has already been incorporated in the current Social Policy Strategy (GN-2670-1, Revised Version, Annex II).
- 3.7 Another example is the under emphasis on LAC countries' heterogeneity in certain areas. For example, the discussion of challenges in health financing and its link to social security systems is based on a specific type of system (segmented into parallel social security and free health insurance) that characterizes only some of the countries in the Region. Without a typology of different systems and their specific challenges, proposed interventions are limited to reducing fragmentation.<sup>6</sup>
- 3.8 Finally, the Strategy's comparisons of problems across countries and regions have limited value without a deeper diagnosis of root causes. In the case of youth-at risk, one of the priority areas, the Strategy notes that “youth in Latin America have unusually high rates of risky behavior, including violence, drug abuse and unprotected sex.” It also notes that “for example, Brazil and Bulgaria have similar levels of income yet the youth homicide rate in Brazil for males ages 15-24 is 20 times higher than in Bulgaria.” These are striking facts but are of limited value for designing policies and programs without an understanding of root causes. More generally, the Strategy correctly notes that implementation of the recommendations must be country-specific but rarely notes under what conditions specific interventions that have proven effective in one context are likely to be successful in a different one.

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<sup>5</sup> As one reviewer noted, CCTs are an instrument, not a thematic area. Minutes of Quality and Risk Review, December 7, 2010.

<sup>6</sup> For a typology of health systems in the Region and options to restructure them, see J.L. Londoño and J. Frenk, “*Pluralismo estructurado: Hacia un modelo inovador para la reforma de los sistemas de salud en America Latina*” (IDB Research Department, Working Paper 353, 1996). A similar treatment appears in the IDB's 1996 annual flagship publication, *Economic and Social Progress in Latin America* (currently *Development in the Americas*), which focuses on “Making Social Services Work.”

## 2. Comparative advantage

- 3.9 The Strategy recognizes the need to capitalize on the Bank’s comparative advantages to meet its objective but does not explicitly identify them<sup>7</sup> The IDB-9 Report identifies the Bank’s main structural advantage as “its nature as a cooperative where regional borrowing members hold a majority of the voting power.” On top of this intrinsic characteristic, it notes that the Bank has acquired other comparative advantages, including the coordination of public and private sector operations. The Bank’s 1999 report “Renewing the Commitment to Development,” prepared by a working group that included Management and members of the Board of Directors, discussed the comparative advantages derived from the Bank’s ownership structure in greater detail.<sup>8</sup> It emphasized the Bank’s knowledge of and presence in the Region (“Not only does the Bank know the Region well, it lives there”), its persistence, providing considerable continuity over time in the pursuit of its objectives, and its responsiveness (“a built-in institutional bias to respond favorably to requests from borrowers”).
- 3.10 With regard to country relationships, the process of preparing the Social Strategy included consultations with government authorities, civil society organizations, and experts, though the extent of actual input to the Strategy from borrowing country counterparts is unclear.<sup>9</sup> The initial phase of the consultations, based on the profile of the Strategy, took place over November 9-28, 2010, and included a meeting with civil society in Quito, Ecuador. The second phase took place between January 20 and February 28, 2011, less than a month before the Strategy was submitted to the Board of Directors. It included meetings in Jamaica and Colombia as well as a consultation with 13 regional experts, of whom only half were based in the Region. Finally, there were formal consultations though the Bank’s web page, using social media and e-alerts, but only 17 comments were received. The informal report on consultations—a summary of questions, with answers by the Strategy team—indicated that most comments were general.
- 3.11 With regard to public-private coordination, the Bank has difficulty capitalizing on potential synergies between the public and private windows of the Bank.<sup>10</sup> While the Strategy mentions the potential importance of private and not-for-profit

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<sup>7</sup> During the Quality and Risk Review of the draft Strategy, the Vice Presidency of Countries asked for clarification of the Bank’s comparative advantage in the seven priority areas and for an explanation of how the activities would vary across the areas with respect to knowledge generation vs. loans. Minutes of Quality and Risk Review, December 7, 2010.

<sup>8</sup> GN-2077-1 (1999).

<sup>9</sup> OVE could not locate detailed reports on the meetings and gathered information about the social sector consultations from a news release (<http://www.iadb.org/en/news/news-releases/2010-11-09/idb-public-consultation-social-policy-for-equity-and-productivity,8527.html>) and from interviews with SCL staff. In contrast, the Strategy for Institutions for Growth and Social Welfare includes a detailed annex on the consultation discussions about priorities for development demand dynamics and comparative advantages.

<sup>10</sup> See OVE’s background paper on the Private Sector for further discussion of this issue.

providers as well as public-private partnerships, it is not clear if the Strategy is meant to apply to the entire Bank portfolio, or only to public sector projects. At this time, there is little coordination between the two windows. The private sector window, including the Opportunities for the Majority Initiative, has been involved in some areas covered by the Strategy, such as early childhood development, and others not identified as a priority within the Strategy, such as financing of tertiary education and construction of tertiary health care facilities.

- 3.12 Finally, an important comparative advantage of IDB is its long-term and broad experience in the social sectors. The priority areas identified in the Strategy are not new, and most were included in the 2003 Strategy on Social Development, using the same focus on investments in human capital and a life-cycle perspective. Yet the new strategy makes little reference to the previous strategy or any previous IDB experience in the priority areas, except in CCTs. There also seems to be limited effort to learn from past experience. The lessons of past experience presented in the Strategy are similar to those presented in the previous one. These include the importance of quality and incentives, the need to protect the poor against risks, the effectiveness of intersectoral programs, and the need to take account of the political economy of reform. The Strategy does not mention whether the Bank has been able to incorporate these lessons successfully in the past or how it will do so in the future.
- 3.13 In sum, the Strategy contains interesting analysis and generally identifies appropriate areas for Bank engagement, but the depth of Bank experience, expertise, and understanding in the social sectors and the lessons to be gained from such experience are not fully reflected in the Strategy.

### **3. Objectives and how to meet them**

- 3.14 The general objective of the Strategy is “to improve the effectiveness of the Bank in promoting social policies that enhance equity and productivity in the Region.” Its specific or instrumental objective is “to guide staff in a) the design and implementation of effective operations; b) the promotion of monitoring and evaluation of social programs and the enhancement of evaluation capacity within the Bank and the Region; c) the development of a mix of high knowledge and capacity building products which effectively match the demand from clients with the Bank’s comparative advantages; and d) the use of these knowledge and capacity building products to underpin the preparation of Country Strategies and lending programs.”
- 3.15 The Strategy does not identify specific actions to meet the general or instrumental objectives. It says only that the objectives are to be achieved by “capitalizing on the Bank’s comparative advantages and deep sector expertise, and by focusing resources in areas of high value-added in a manner consistent with institutional goals,” topics discussed in the previous section. The Strategy does not discuss the staff profile required to implement these priorities or identify specific actions or resources to enhance the Bank’s evaluation capacity. The document does make

several references to knowledge gaps, but does not identify specific products. Nor is there a discussion of the lending pipeline. Some of these specific actions are detailed in the Action Plan, however, which is discussed in Section B.

#### **4. Indicators and monitoring and evaluation**

- 3.16 The Strategy adopts as its own the sections of IDB-9's Results Framework<sup>11</sup> in the area of social policy for equity and productivity. This includes a set of Regional Development Goals to which the Bank will contribute (primarily Millennium Development Goals) and, more specifically, the Bank output contribution to these regional goals through its lending program. Table 1 links the proposed indicators to the Strategy's priority areas. As the table shows, the indicators are not complete; only four of the six contain baselines. All six have estimated targets, though neither the IDB-9 Report nor the Strategy explains how these output targets were determined, including what lending amount would be required to meet them. Moreover, there is an inconsistency regarding the targets: the same figures are presented in the IDB-9 Report as applying to the period 2012-2015 and in the Strategy as applying to 2010-2015. Four of the output indicators are to be disaggregated by gender, ethnicity, or age group depending on the indicator, but there are no disaggregated baselines or expected results. The results will be monitored by the Strategic Planning and Development Effectiveness Department.

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<sup>11</sup> For more details, see OVE Background Paper on the Corporate Results Framework.

<b>Table 1. Social Strategy Results Framework</b>			
<b>IDB priority area</b>	<b>Indicator</b>	<b>Baseline 2006-2009</b>	<b>Estimated outputs 2010-2015</b>
2. Improving school quality, and 7. Fostering social inclusion consistent with cultural identity	Students benefited by education projects (girls, boys)	3,200,000	8,500,000
	Teachers trained	175,000	530,000
5. Addressing the double burden of the health transition, and 7. Fostering social inclusion consistent with cultural identity	Individuals (all, indigenous, Afro-descendant) receiving a basic package of health services	2,000,000	23,000,000
6. Addressing structural poverty, and 7. Fostering social inclusion consistent with cultural identity	Individuals (all, indigenous, Afro-descendant) receiving targeted anti-poverty program	n/a	16,000,000
3. Addressing youth at risk 4. Improving the functioning of labor markets and extending the coverage of social security, and 7. Fostering social inclusion consistent with cultural identity	Individuals (all, men, women, youth) benefited by programs to promote higher labor market productivity	n/a	600,000
	Number of jobs added to formal sector	129,000	160,000

3.17 Several of the indicators do not adequately reflect the priorities proposed in the Strategy. The lack of specificity of these indicators suggests that they could be met even if the priorities identified within each sector are not implemented. In the education sector, there are two indicators: number of students benefitted by education projects and number of teachers trained. The first is not sufficiently specific to measure the priority area identified: improving school quality. As the Strategy states:

Latin America and the Caribbean has seen dramatic expansions in school enrollment, and in the mean years of schooling attained. Higher average years of schooling confer important benefits. Under most circumstances, more schooling results in workers who are more productive, are better able to access and use new technologies, and earn higher wages; children of mothers with higher levels of schooling are less likely to be malnourished or to die in infancy, and will have more stimulating home environments. *However, the effects of schooling on all of these outcomes will be blunted and may be negligible if the amount of learning that takes place in schools is low* (para. 48, emphasis added).

- 3.18 In the health sector, the proposed output—the number of individuals receiving a basic package of health services, with an ambitious target of 23 million—is at odds with the strategy’s priority: addressing the double burden of the health transition, with a special emphasis on chronic diseases. Basic packages, defined in the World Bank’s 1993 World Development Report, have lost relevance to many of the countries in the Region and, as the Strategy notes, the focus has shifted to comprehensive primary care.
- 3.19 For structural poverty, the output identified is the number of individuals receiving a targeted antipoverty program, with a target of 16 million. In the Strategy the only programs identified in this area are CCTs. It would thus be more accurate to count the number of families receiving CCTs rather than individuals, especially since the Strategy stresses the importance of interventions at the family level, or number of children covered, given that the goal is to interrupt the intergenerational transmission of poverty. More important, as in the areas of education and health, this indicator does not reflect the specific priorities discussed in the Strategy to improve CCTs.
- 3.20 In the area of improving the functioning of labor markets and extending the coverage of social security, there are two indicators: the number of individuals benefitted by programs to promote higher labor productivity, and the number of jobs added to the formal sector. While this second target is modest, 160,000 jobs, it is unlikely that the Bank can identify a specific number of jobs attributable to specific labor market and social security reforms it finances.
- 3.21 One of the priority areas of the strategy—early childhood development—lacks specific outputs. For gender and ethnicity, which are cross-cutting themes, several of the indicators in other priority areas are to be disaggregated by gender and ethnicity. However, no targets are established for specific groups. In the area of youth-at-risk, only one of the indicators, programs to promote higher labor productivity, is to be disaggregated for this group, although the problems affecting youth, as described in the Strategy, are multisectoral.

## **5. Risks**

- 3.22 The Strategy identifies a number of “stumbling blocks” to implementation, including knowledge gaps, institutional capacity of social sector ministries, political economy, and fiscal constraints. It does not identify mitigating measures in most cases, but rather notes that, to strengthen implementation, the Bank will work with counterparts to identify potential stumbling blocks. The exception is the case of knowledge gaps; the Strategy indicates that the Bank expects to play a particularly important role in addressing them, as a regional public good.

### **B. Does the Strategy make a difference?**

- 3.23 The Social Strategy remains a broad aspirational document, identifying areas the Bank would like to support. It is too early to evaluate whether the Strategy will in

fact make a difference. This section examines the 2012-1015 Action Plan, whose objective is to establish the actions under the Bank’s responsibility for the implementation of the Strategy, “with a view to addressing the seven priority areas.”

- 3.24 The Action Plan represents a step forward in the implementation of the Strategy. It identifies activities grouped under six different instruments to be undertaken over the period 2012-2015: institutional capacity-building, applied research and the dissemination of knowledge, support for country strategies and programming, institutional coordination and support, communication and visualization, and results monitoring. It also identifies the unit responsible for each of the activities—which for most of the activities is SCL. A key strength is the emphasis on dissemination both inside and outside the institution, which was identified as a problem in the implementation of past strategies.<sup>12</sup> Among the weaknesses of the Action Plan is its failure to identify the staffing and budgeting requirements of the Strategy, which may pose constraints to implementation. All financial resources are assumed to come from SCL’s budget.
- 3.25 The Action Plan is generic, applying the same actions in each of the seven priority areas. According to the Strategy document, the Bank has, or is in the process of building, capacity in all seven priority areas, though each of them is at a different stage in terms of existing diagnostics, knowledge base, and operational experience. The Action Plan says little about what has been accomplished so far and how to move forward. For example, in terms of knowledge generation, only one of the seven areas, early childhood development, had an identified research agenda at the time the Action Plan was approved.
- 3.26 The expected results from the Action Plan are not clearly specified. Targets are specified for three of the six instruments (see Table 2), though two of the targets are not measurable as stated (“have improved the inclusion of the social sector priority issues in the Bank’s country strategies through a more effective sector policy dialogue with the countries” and “have improved the inclusion of lending and technical cooperation programs in the social sectors in country programming documents”). All targets refer to the end of 2015 without intermediate milestones.

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<sup>12</sup> RE-286 (2003).

<b>Instruments</b>	<b>2015 Targets</b>
1. Institutional capacity-building	<ul style="list-style-type: none"> <li>i. At least one national or regional workshop or seminar on each of the seven priority areas.</li> <li>ii. At least two training and dissemination workshops led by the Vice-Presidency of Countries and targeting Bank Country Representatives.</li> <li>iii. Design and implement SCL website on Bank extranet.</li> </ul>
2. Applied research for the generation and dissemination of knowledge	<ul style="list-style-type: none"> <li>i. Representative publication for each of the seven priority areas containing diagnostic indicators and comparable results, reviews of the findings of impact evaluation and social policy recommendations.</li> </ul>
3. Support for country strategies and programming	<ul style="list-style-type: none"> <li>i. Have improved the inclusion of social sector priority issues in the Bank’s country strategies through a more effective sector policy dialogue with the countries.</li> <li>ii. Have improved the inclusion of lending and technical cooperation programs in the social sectors in country programming documents.</li> </ul>

3.27 The risk to the implementation of the Strategy identified in the Action Plan is “insufficient interest by the countries in the priority issues identified,” and the Action Plan expects to mitigate this risk through coordination, communication, and visualization actions. One could argue, however, that the extent of demand for the Bank’s products is more than a risk—rather, it is a core issue that should be addressed as part of the preparation of the Strategy. As OVE has argued in its work on strategy evaluation: “In the case of most sectoral strategies... the key actors are in the region, not in the Bank. To be useful, such strategies must be deeply informed by detailed knowledge relating to the specific social, institutional and political context in which they are to be pursued, and must have ownership by actors in those contexts capable of applying resources.”<sup>13</sup>

3.28 The Action Plan and Management’s recent proposal to revise the Bank’s regulatory framework for sectoral interventions (GN-2670-1) recognize the need for additional work in each of the Strategy’s priority areas. This is consistent with the finding about the absence of background papers in most of the sectors. At least three options have been considered to fill this gap: (i) sectoral guidelines, a commitment made under IDB-9 and already completed for education; (ii) the “representative publication” mentioned in the Action Plan, which would include diagnostic indicators and comparable results, reviews of the findings of impact evaluations, and social policy recommendations; and (iii) the Sector Framework Document, which would identify development challenges in a sector and the problems the Bank seeks to address, reflecting knowledge about the effectiveness

<sup>13</sup> Ibid.

of specific interventions and areas of uncertainty regarding development effectiveness, among other topics. These documents would be updated periodically to incorporate evolving knowledge on development effectiveness as well as feedback from OVE and other areas of Management.

- 3.29 While sector-specific documents are clearly needed to give substance to the Social Sector Strategy, the Sector Framework Document is also described as an aspirational document. There is a risk that this approach will again lead to the proliferation of the kinds of strategies that have been of limited use in the past. As the 1999 Working Group Report noted:

It is important to stress, however, that the Bank's key strength is not in specialized technical expertise. Rather it lies in the ability to mobilize expertise from both internal and external sources to solve problems.... It should develop its relationship, networking and problem-solving skills so as to be able to assemble technically competent teams to respond to requests for assistance. Managed correctly, this process amounts to an effort in joint learning between the Bank and the country, and is an essential key to maximizing the Bank's comparative advantage. Without the capacity to learn, the Bank's relationship skills make it a pleasant and comfortable companion for the countries, but not an effective partner in meeting the challenges of development. Yet if the Bank focuses only on its own internal learning through attempts to become a "knowledge Bank," it runs the risk of arrogance in its dealings with the countries, potentially leading to a rejection of offered advice. Instead, the Bank should view itself as a "learning Bank," willing to tackle new problems together with borrowing and non-borrowing countries (GN-2077-1).

- 3.30 A survey of staff carried out by OVE<sup>14</sup> found that 69% of the SCL staff have read and know the Strategy, and an additional 17% of them have read parts of it. A majority of those staff indicate they use at least some of it for projects, technical cooperation, analytical work, and country dialogue, and 88% of them think it will have at least some influence on or be prominent in the selection and design of new operations. The responses from staff in the Vice Presidency of Countries is quite different: only 13% of those surveyed have read the document and an additional 28% have read parts of it; most have never used the document for Country Strategies and programming or country dialogue. Yet a majority believes it will have some influence on or be prominent in the future selection of projects, which suggests that dissemination and training efforts might be successful.

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<sup>14</sup> See background paper on IDB-9 Staff Survey.

#### IV. SUGGESTIONS GOING FORWARD

4.1 The evaluation findings point to several suggestions going forward:

- First, **further dissemination of the Strategy** and broader discussion of its contents, both internally and externally, would help make the strategy more relevant.
- Second, **updating the Action Plan** for the period 2013-15 to include a more specific set of likely activities, resource requirements, and a results framework with measurable indicators would help to guide future implementation. While such a framework may not be able to specify outcomes, given the demand-driven nature of operations, it should at least identify those outputs that would permit an evaluation of the Strategy's success. These outputs should reflect the specific priorities of the Strategy in each of the seven areas.
- Third, an effort by the Board and IDB Management to lay out **clear guidelines for future strategy exercises** would help to clarify expectations and ensure a more meaningful and effective strategy-setting process for IDB and its borrowing countries.

## **LIST OF PERSONS INTERVIEWED**

Hector Salazar	Social Sector Acting Manager
Norbert Schady	Economics – Principal Tech Leader - SCL
Suzanne Duryea	Research Economics – Principal Specialist SCL
Ferdinando Regalia	Division Chief Social Protection and Health,
Carmen Pages	Chief Unit Labor Markets
Andrew Morrison	Division Chief Gender and Diversity

**ANNEX A. SUMMARY OF STRATEGY ON SOCIAL POLICY FOR EQUITY AND  
PRODUCTIVITY**

<b>Objective</b>	To improve the effectiveness of the Bank in promoting social policies that enhances equity and productivity in the Region.
1. Investing in early childhood (ECD)	<p>a. Ensuring that poor children have access to comprehensive ECD services that include essential nutrition, early stimulation, and parental education components;</p> <p>b. Identifying modalities of service that are high-quality, cost-effective, and do not suffer from high attrition, taking cost constraint into account.</p> <p>c. Revising and, in many countries reforming, the selection, certification, and training required for preschool teachers and others involved in the delivery of ECD services.</p> <p>d. Strengthening initiatives that articulate preschool with the primary cycle, starting with a sharper focus on basic competencies in language and math in preschool, and ensuring that this focus is carried forward and better articulated through the first grades of primary.</p> <p>Priorities for analytical work: Build knowledge base about the extent to which there are deficits in different dimensions of development in early childhood (language, cognitive, socio-emotional, and motor) in the Region, who is affected by these deficits, at what ages, and what interventions can effectively improve outcomes among vulnerable children.</p>
2. Improving school quality	<p>a. Improving teacher quality by: increasing the content, pedagogical knowledge, and non-cognitive skills of teachers; carrying out a better selection of candidates, and more rigorous pre- and in-service training; introducing periodical evaluation of teachers and incentives for improved performance.</p> <p>b. Assigning the best teachers in the most vulnerable schools.</p> <p>c. Aligning curriculum, standards and student assessments with the relevant cognitive and non-cognitive skills.</p> <p>d. Providing more and better distributed key educational inputs—infrastructure, learning resources and instructional time, through the public or private sector to create the conditions for better learning and better quality of education.</p> <p>e. Providing additional resources to schools serving disadvantaged students—poor, rural, and ethnic minorities—in order to compensate for the shortcomings that they come to school with.</p> <p>Priorities for analytical work: Deepen knowledge of the process by which the different schooling inputs are combined to produce learning in the classroom, in particular to understand why children from different socioeconomic environments appear to learn well under some circumstances but not others.</p>

<p>3. Addressing youth-at-risk</p>	<ul style="list-style-type: none"> <li>a. Increasing school retention and extending the school day.</li> <li>b. In countries with particularly high drop-out rates for males, measures beyond quality schools are needed, including providing adult, same-sex role models.</li> <li>c. Expanding provision of skills through quality education and training programs as well as links between private sector employers and training programs, especially on-the-job training in addition to in-class instruction.</li> <li>d. Strengthening the non-cognitive skills of youth through different types of interventions (e.g. sports, music, arts) with better articulation across youth programming activities, so that complementarities are fostered and potential distortions avoided.</li> <li>e. Strengthening country capabilities for policy design and implementation is critical, including strengthening of governance and institutional settings, identification of modalities to deliver interventions that are cost-effective, and setting adequate standards of quality for service provision, including the training of human resources to focus specifically on youth.</li> </ul> <p>Priorities for analytical work: impact evaluations of different programs.</p>
<p>4. Improving the functioning of labor markets and extending the coverage of social security</p>	<ul style="list-style-type: none"> <li>a. Improving intermediation services and other systems that allow workers to transit from job to job and from unemployment to employment in a more effective way.</li> <li>b. Improving the articulation between CCTs and intermediation and training programs to better leverage the earlier investments in human capital in the labor market.</li> <li>c. Improving systems that smooth the consumption of the unemployed, and reduce the risk of their families falling into poverty, while preserving job search incentives.</li> <li>d. Increasing human capital, as more skilled workers tend to be less exposed to unemployment than less skilled ones.</li> <li>e. Improving the quality of training systems in the Region by addressing financing problems, giving incentives for firms and workers to acquire training, and raising the quality and pertinence of the training provided.</li> <li>f. Assessing skill gaps, updating training contents to better match the needs of firms, introducing standardized measurements of attainment, and creating an evaluation culture to assess the impacts of different training policies and programs on the skills, employment prospects and productivity of workers.</li> <li>g. Improving the effectiveness of administration, monitoring and evaluation of social security policies and programs by improving data collection and tracking systems is also a priority.</li> </ul> <p>Priorities for analytical work: Deepen knowledge on how different financing schemes for social security affect coverage, the choices made by firms and workers, employment creation, informality, and productivity.</p>

<p>5. Addressing the double burden of the health transition</p>	<ul style="list-style-type: none"><li>a. Strengthening national health systems to meet the double burden of the health transition, including a renewed emphasis on comprehensive primary health care, with community-based interventions that promote early detection for non-communicable diseases and empower service users to take responsibility for their own care through self-management programs, and simultaneously address the unfinished agenda in maternal and child health and nutrition.</li><li>b. Adopting proven cost-effective interventions.</li><li>c. Aligning incentives to induce changes in the performance of providers and induce change in individual behaviors associated with risk factors for chronic disease (exercise, diet, smoking cessation).</li><li>d. Implementing pay for performance schemes as means of modifying incentives in the sector in favor of health results.</li><li>e. Improving the availability and quality of care by addressing systemic constraints, including the structure of incentives for improving productivity and quality of care, within-sector allocation of human and financial resources, the integration among different levels of care, the quality of the health workforce whose education and training should provide the skills required to serve the emerging health needs of the population it serves, procurement systems and supply chains for medicines and other inputs, outdated protocols and health information systems that are not designed to address emerging diseases, as well as infrastructure and equipment.</li><li>f. Strengthening explicit priority-setting mechanisms given resource constraints and growing needs.</li><li>g. Pursuing efficiency gains especially in countries with fragmented health systems.</li></ul> <p>Priorities for analytical work: Collecting data on outcomes, the quality of services, and the evidence of successful policies and programs aiming, for example, at changing behaviors of both providers and individuals, from impact evaluations with credible counterfactuals.</p>
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<p>6. Addressing structural poverty</p>	<p>CCTs can be improved by focusing on:</p> <ul style="list-style-type: none"><li>a. strengthening synergies with the supply of high-quality services, including the promotion of complementarities with ECD.</li><li>b. strengthening inter-sectoral planning and accountability mechanisms to ensure that additional resources devoted to improve the supply of services reach CCT beneficiaries.</li><li>c. designing the structure of payments and the selection of beneficiaries in ways that minimize perverse incentives for households to reduce their labor market participation.</li><li>d. experimenting with conditions that aim not only at boosting service utilization, but also promote sustainable improvements in key outcomes through behavioral changes. For example, it may be useful to make payments that are conditional on performance in school (not just enrollment), perhaps as a “bonus” payment or incentivizing providers with Pay for Performance schemes.</li><li>e. strengthening coordination with programs that seek to help young people make the transition from school to the labor market, and with programs that seek to increase productive investments by poor households.</li><li>f. Phasing out the remaining in-kind transfers and price subsidies, unless a compelling case can be made why they are superior to equivalently-valued cash transfers, is an important policy priority in some countries.</li></ul> <p>Priorities for analytical work: none.</p>
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<p>7. Fostering social inclusion consistent with cultural identity</p>	<p>Indigenous and Afro-descendant populations:</p> <ul style="list-style-type: none"><li>a. In CCTs and other poverty alleviation programs, put greater focus on the quality of services provided in the regions where large indigenous and Afro descendant communities are found. However, CCTs should not be the sole approach used.</li><li>b. In education, make concerted efforts to improve outcomes, including inter-cultural, bilingual education and the creation of parent associations</li><li>c. In labor markets in urban areas, improve labor market intermediation strategies and train employers in workforce diversity, existing national employment legislation to promote diversity, and specific measures to decrease workplace discrimination and increase equality of opportunity.</li><li>d. In rural areas, generate income earning opportunities through sustainable management of renewable natural resources in ways that are consistent with cultural identity.</li><li>e. In health, address the social, economic and geographical barriers that hinder equitable access to quality health services and promote a specific cultural perspective (“inter-cultural health”).</li></ul> <p>Gender</p> <ul style="list-style-type: none"><li>a. Promote women’s access to higher productivity, higher paying jobs, encouraging flexibility at the workplace, promoting gender equality in companies through certification systems, improving the quality of labor policies, employment services and training, and enforcing antidiscrimination laws.</li><li>b. Invest in the expansion of childcare and elderly care services, which have significant implications for women’s labor market participation.</li><li>c. Addressing geographic, economic and cultural barriers that hinder equitable access of indigenous women to good quality reproductive health services.</li><li>d. Address violence against women through policies that balance services to survivors with prevention efforts, employing a multi-sectoral approach and working at the individual, community and institutional levels.</li></ul> <p>Priorities for analytical work: none.</p>
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# **Management Comments**



**DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK**

**Mid-Term Evaluation of IDB-9 Commitments  
Background Paper: Assessment of Social Sector Strategy for Equity and Productivity  
Management Response**

**Mid-Term Evaluation of IDB-9 Commitments**  
**Background Paper: Assessment of Social Sector Strategy for Equity and Productivity**  
**Management Response**

**I. INTRODUCTION**

- 1.1 Management welcomes this independent evaluation of the implementation of the social sector strategy objectives of IDB-9. Management wishes to thank the Office of Evaluation and Oversight (OVE) for the findings and suggestions presented in this background paper, which will contribute to the Bank's efforts to enhance the strategy's relevance.
- 1.2 Management values the productive dialogue it had with OVE during the preparation of this paper and is pleased to see that its comments have been incorporated.

**II. OVERALL FINDINGS AND SUGGESTIONS**

- 2.1 The background paper validates the Strategy's emphasis on human capital formation – "investing in people". Management especially appreciates the recognition that the analytical basis of the Strategy is highly relevant to the Region.
- 2.2 While we recognize the quality of OVE's insights we would like to provide the following clarification of further issues:
  - i. Management recognizes that the level of detail of some of the diagnostic and analysis regarding the challenges faced by the specific sectors covered in the Strategy has not been uniform. Although the Strategy is a forward-looking document, some issues have been in the Bank's agenda longer and as such, have benefited from years of analysis. The Strategy also identifies new areas where IDB can make a difference. The analysis for these areas may rely on fewer citations but is nonetheless sound. Management agrees that the lessons learned from completed projects could have been better reflected;
  - ii. The observation that this new Strategy has less emphasis on achieving equity through social programming appears to be overstated. The sections on the promotion of development with identity, early childhood and youth are all focused on achieving greater equity through improved productivity. This is the central theme of the Strategy;
  - iii. The observation that the planned actions to reduce structural poverty are restricted to cash transfer programs (CCTs) is also overstated. The Strategy's focus on improving the productivity of low-skilled workers also aims at reducing structural poverty;
  - iv. The Bank measures poverty at the individual level rather than the family level, as underscored by OVE. Management notes that the Bank's practice in this regard is consistent with the Millennium Development Goals;
  - v. The report observes that one of the weaknesses for implementing the Strategy is the lack of reference to personnel and resources in the Action Plan. Management believes that these topics should be considered in the context of the sector

framework documents that will be prepared and presented as agreed to the Board of Executive Directors, as agreed, starting in 2013.

### **III. LOOKING FORWARD**

- 3.1 Management will take into consideration the suggestion to ensure the further dissemination of the Strategy and looks forward to working with the Board of Executive Directors to further consider implementing the other suggestions made by OVE.