ove Office of Evaluation and Oversight

Project Evaluation

IDB Group Project Performance: The 2025 Validation Cycle

IDB Group

Inter-American Development Bank, 2025
Office of Evaluation and Oversight
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Washington, D.C. 20577
www.iadb.org/evaluation

RE-614-2
November 2025
IDB-TN-03372

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2017 Report, 2018 Report, 2019 Report, 2020 Report
2021 Report, 2022 Report, 2023 Report, 2024 Report

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ACRONYMS AND ABBREVIATIONS

CAN	Country Department Andean Group
CBA	Cost-benefit analysis
CCB	Country Department Caribbean
CEA	Cost-effectiveness analysis
CID	Country Department Central America, Haiti, Mexico, Panama, and Dominican Republic
CCLIP	Conditional Credit Line for Investment Projects
CS	Country Strategy
CSC	Country Department Southern Cone
CSD	Climate Change and Sustainable Development Sector
CTOA	Cost and time overrun analysis
DELTA	Development Effectiveness Learning, Tracking, and Assessment
DEO	Development Effectiveness Overview
DVF	Development Effectiveness Division
E&S	Environmental and social
EOM	Early operating maturity
ERR	Economic rate of return
ESAP	Environmental and Social Action Plans
FI	Financial institution
IDB	Inter-American Development Bank
IIC	Inter-American Investment Corporation
INE	Infrastructure and Energy Sector (IDB)
M&E	Monitoring and evaluation
MICI	Independent Consultation and Investigation Mechanism
NPL	Non-performing loan
OVE	Office of Evaluation and Oversight
PBL	Policy-based loan
PBP	Programmatic policy-based loan
PCR	Project Completion Report
PMR	Progress Monitoring Report
ROIC	Return on Invested Capital
SAT	Special Assets Division
SCL	Social Sector
SPD	Office of Strategic Planning and Development Effectiveness
SME	Small and medium-sized enterprises
XSR	Expanded Supervision Report
WACC	Weighted Average Cost of Capital

ACKNOWLEDGEMENTS

The following OVE members participated in the validation process of Project Completion Reports (PCRs) and Expanded Supervision Reports (XSRs), which was led by Bertha Briceño (Lead Evaluation Specialist):

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Judyth L. Twigg
Orlando Vaca
Melisa Wong
Clarisa Yerovi

The OVE team is grateful to all IDB Group colleagues who prepared the project self-evaluations. The OVE team would also like to extend a special thanks to the IDB's Office of Strategic Planning and Development Effectiveness (SPD) and IDB Invest's Development Effectiveness Division (DVF) for overseeing the production of Project Completion Reports (PCRs) and Expanded Supervision Reports (XSRs), respectively and for the close collaboration with OVE throughout the 2025 validation process.

EXECUTIVE SUMMARY

This report summarizes the 2025 results of the Office of Evaluation and Oversight's (OVE's) annual review of project performance at the Inter-American Development Bank (IDB) Group. Every year, IDB Group Management prepares self-evaluations on the results of its operations: Project Completion Reports (PCRs) at the IDB and Expanded Supervision Reports (XSRs) at IDB Invest. PCRs and XSRs are then validated by OVE to ensure that they are substantiated by evidence and are prepared in accordance with their respective guidelines - *Project Completion Report (PCR): Principles and Guidelines* revised in 2020 (Document OP-1696-6, Annex 1) for IDB and the *XSR Guidelines for IDB Group Private Sector Operations*, revised in 2018, for IDB Invest. Self-evaluations and validations are intended to serve as accountability and learning tools. The accountability goal ensures that the IDB Group uses project resources effectively, efficiently, and sustainably to achieve approved objectives. The learning goal provides lessons to inform the design and implementation of both ongoing and new projects.

The IDB Group's project evaluation methodology (for both management self-assessment and OVE's validation) is objectives-based, which means that project performance is assessed against the objectives that the projects intended to achieve as defined in their design documents. Management and OVE assess overall project (outcome) performance based on four core criteria: (i) relevance of the project's goals and design, (ii) effectiveness or the degree to which the project achieved the specific objectives for which it was approved, (iii) efficiency with which the objectives were achieved, and (iv) sustainability of the results achieved. Projects' overall outcome ratings are calculated as a weighted average of the four core criteria ratings, where effectiveness has the highest weight (40%, versus 20% for the other three criteria). The weights for policy-based lending (PBLs) are: 60% for effectiveness and 20% for relevance and sustainability (efficiency is not assessed for PBLs). In addition, both Management and OVE rate two non-core criteria for IDB operations (Bank performance and borrower performance) and three non-core criteria for IDB Invest operations (additionality, investment profitability, and work quality). Non-core criteria do not count toward the overall projects' outcome ratings. Finally, OVE also rates the quality of the self-evaluation reports by Management. The overall outcome is rated on a six-point scale, while core criteria, non-core criteria, and PCR and XSR quality are rated on a four-point scale. For simplicity, this report groups ratings into "positive" and "negative," where positive corresponds to the top half ratings in the scale, and negative to the bottom half.

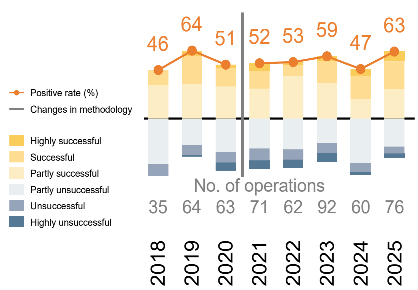
In 2025, OVE validated 135 operations, including 76 IDB operations and 59 IDB Invest operations; representing the second-highest number of validations after 2023 (143 operations), resuming the upward trend seen in the previous five cycles.

A. IDB RESULTS IN 2025

In 2025, OVE validated the PCRs of 76 IDB operations, including 60 investment loans and 16 policy-based operations. Of these 76 operations, 63% achieved a positive overall outcome rating. The 63% rate in 2025 resumes the upward trend observed between 2021 and 2023 and is a significant improvement compared to the 47% rate of 2024. This overall outcome was driven by high relevance, efficiency, and sustainability. Relevance was the highest-rated core criterion, with 82% of operations rated positive, followed by sustainability (80%), efficiency (75%), and effectiveness (41%).

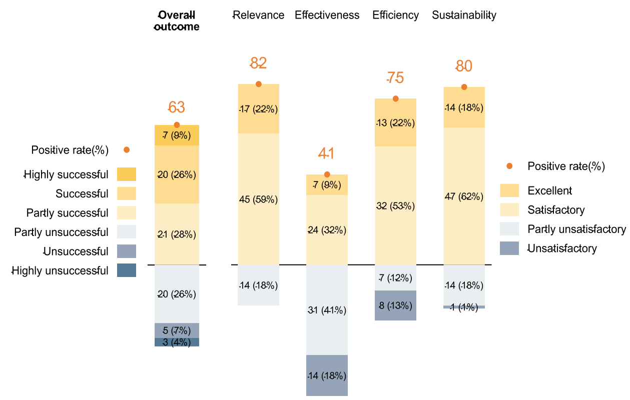
IDB operations ratings

A. Overall Outcome ratings over time (2018-2025)



Source: OVE.
Notes: Results for 2018–2020 are not directly comparable with those from 2021 onward, following methodological changes introduced in the 2020 update of the PCR Guidelines (document OP-1696-6).

B. Overall Outcome and Core Criteria ratings in 2025



Source: OVE.
Notes: Number of operations in parentheses. N = 76 operations for all criteria except for efficiency (N = 60) because 16 policy-based operations are not rated for this criterion. Percentages may not add up to 100 due to rounding.

OVE rated relevance positive for 62 of the validated operations (82%), as they had objectives that were aligned with country development needs, government priorities, and IDB Group Country Strategies (CSs); and had a sound vertical logic. The 14 operations rated negative (18%) were mostly affected by weak vertical logic and designs that did not adequately account for country realities. The relevance ratings of some projects were negatively affected in cases in which teams adapted activities to evolving circumstances while maintaining the original objectives, given the complexity of formal reformulation processes. OVE rated effectiveness positive for 31 operations (41%). These operations had more than 50% of their objectives largely or fully achieved with no objective rated Unsatisfactory, and outcomes plausibly attributable to the operation. The 45 operations rated negative (59%) had a combination of unmet outcome targets (37) and shortcomings in reporting (33). The most common reasons for unmet outcome targets were external shocks such as the COVID-19 pandemic, institutional challenges, and operations with insufficient progress made toward the expected outcomes by the time of reporting. The most common reporting shortcomings were inadequate indicators and missing data to show progress on project objectives.

OVE rated efficiency positive for 45 out of the 60 investment operations (75%). These operations provided a robust analysis demonstrating that the costs incurred to achieve project results were reasonable. The 15 negatively rated investment operations (25%) were mostly the result of PCRs' cost-benefit analysis (CBA) or a cost-effectiveness analysis (CEA) that used unreliable assumptions in the assessments, or assessments that covered less than the minimum amount of project resources (60) required to assess efficiency.

OVE rated sustainability positively for 61 operations (80%). These operations achieved results that were likely to continue over time and adhered to the environmental and social (E&S) standards set by the IDB Group. The 15 operations rated negative (20%) were affected by an uncertain continuity of results and/or an unsatisfactory performance in E&S safeguards.

The two non-core criteria for IDB operations, Bank performance and Borrower performance, were rated positive for 62 (82%) and 55 (72%) of validated operations, respectively. For the 62 operations that had a positive Bank performance, the IDB facilitated readiness for implementation through proper project preparation and approval and provided timely support to executing agencies during project implementation. The 14 operations with shortcomings in Bank performance were affected by poor identification of risks and mitigation mechanisms, weaknesses in the design of their Monitoring and Evaluation (M&E) framework, and deficiencies in project monitoring. For the 55 operations with positive Borrower performance ratings, the borrower showed commitment, supported the quality of preparation and implementation of the operation, and complied with the covenants and agreements established with the Bank. Most of the 21 operations rated negative were affected by the non-resolution of implementation issues on time and by the inadequacy of monitoring and evaluation arrangements.

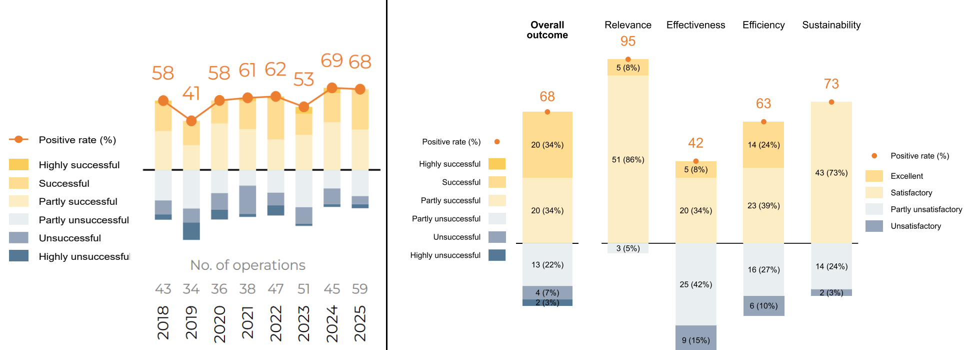
B. IDB INVEST RESULTS IN 2025

In 2025, OVE validated XSRs from 59 IDB Invest operations including 32 loans (52%), six bonds (10%), four senior loans (7%), three credit lines (5%), three reverse factoring projects (5%), three combined operations (5%), and eight operations of other types of instruments (16%). Of these 59 operations, 68% (40) achieved a positive overall outcome rating. The 2025 rate confirms a positive, sustained improvement compared to earlier validation cycles (2018–2024). Relevance was the highest-rated core criterion, with 95% of operations rated positive, followed by sustainability (73%), efficiency (63%), and effectiveness (42%).

IDB Invest operations ratings

A. Overall Outcome ratings over time (2018-2025)

B. Overall Outcome and Core Criteria ratings in 2025



Source: OVE.

Source: OVE.
Notes: Number of operations in parentheses. N = 59. Percentages may not add up to 100 due to rounding.

OVE rated relevance positive for 56 (95%) of the validated operations. Positively rated operations had objectives that were aligned with country needs and IDB Group priorities, and an adequate vertical logic. The three operations rated negative suffered from design shortcomings and weak vertical logic from design and during implementation.

OVE rated effectiveness positive for 25 (42%) of the validated operations. The operations rated positive had more than 50% of their objectives largely or fully achieved, with no objective rated Unsatisfactory, and outcomes plausibly attributable to the operation. The 34 operations (58%) that OVE rated negative are explained by a combination of unmet outcome targets and shortcomings in reporting, though the former was more common due mainly to external shocks, the COVID-19 pandemic, and changes in market conditions. The most common reporting shortcomings were overly ambitious targets and missing data.

OVE rated efficiency positive for 37 (63%) of operations, which had financial and economic benefits exceeding their costs, considering the time-value of money. The 22 negatively rated operations were mostly affected by low financial or economic returns and a high share of non-performing loans.

OVE rated sustainability positive for 43 (73%) of operations. Operations with positive ratings achieved results that were likely to continue over time and adhered to the Environmental and Social standards (E&S) set by the IDB Group. The 16 operations rated negative were affected by an uncertain continuity of results and/or unsatisfactory E&S performance.

The three non-core criteria for IDB Invest operations, additionality, work quality and investment profitability, were rated positive for 57 (97%), 28 (48%) and 54 (92%) of operations respectively. For the 57 operations with positive additionality, IDB Invest provided the client financial and non-financial support that enabled the project to accelerate its implementation and improved its development impact and sustainability. For the 28 operations rated positive for work quality, IDB Invest effectively carried out its pre-commitment work (screening, appraisal, and structuring) and monitored and supervised project risks, E&S performance, and development results following commitment. Most shortcomings for the 31 operations with negative work quality were related to Monitoring and Evaluation (M&E), including issues with the results matrices and indicators, and problems with project designs (selection of instruments and clients). Finally, the 54 operations with positive investment profitability had gross profits that met or exceeded the benchmarks set at approval. The five operations rated negatively on investment profitability did not meet gross profit expectations due to prepayments or cancellations.

C. Performance by sectors and sub-regions (2018-2025)

OVE also compared the average overall outcome ratings of the last seven validation cycles (2018-2025) to identify patterns of performance of relevant groups of IDB and IDB Invest operations. The analysis covered 876 validated operations for the period 2018-2025, including 523 for IDB and 353 for IDB Invest. Results should be interpreted with caution given the small number of operations in some groups and the 2020 PCR guideline adjustments, which introduced additional guidance for specific project types, instruments, and efficiency analysis.

The proportion of IDB operations with positive overall outcomes ratings during 2018-2025 differs across sectors and regions. Half or more of the operations validated in the 2018–2025 period in the Social (SCL), Infrastructure and Energy (INE), Institutions for Development (IFD), and Integration and Trade (INT) sectors achieved positive overall outcomes on average, while the Climate Change and Sustainable Development (CSD) sector had a 30% positive overall outcome rating. By region, the Southern Cone (CSC) and Central America, Haiti, Mexico, Panama, and the Dominican Republic (CID) had average positive outcome rates above 55%, while the Andean Group (CAN) and the Caribbean (CCB) were below 48%.

The proportion of IDB Invest operations with positive overall outcomes ratings differs across business segments, regions, and pre– and post–merge–out operations. Seventy-four percent of the operations validated in the 2018–2025 period in the Infrastructure and Energy segment (IE) achieved a positive overall outcome on average, versus 60% of the Corporate (CO) and 54% of the Financial Institutions (FI) operations. The proportion of operations with positive overall outcomes ratings in CAN and the Southern Cone CSC is above 60%, in CID is 57%, while in CCB is 30%. Finally, the proportion in post-merge-out–operations was 16 percentage points higher than in pre-merge–out operations.

D. QUALITY OF SELF-EVALUATIONS AND DIFFERENCES BETWEEN MANAGEMENT'S AND OVE'S RATINGS

Forty-two (42) out of the seventy-six (76) validated PCRs (55%) were of satisfactory quality. PCRs of good quality comply with the guidelines, provide quality evidence and analysis, document changes, and are candid, among other aspects. Most shortcomings of the 34 PCRs with negative quality (45%) were related to the quality and completeness of the analyses in the effectiveness and efficiency sections.

The discrepancy between IDB management and OVE has remained high in the last validation cycle, with OVE rating the overall outcome positively for 63% of IDB's operations versus 82% rated positive by IDB management. The difference (19 percentage points) has decreased significantly from last year, when OVE rated 47% of the IDB operations positive versus 82% rated positive by management (a 33 percentage points difference). The reduction in the disconnect between OVE's and management's ratings was the result of the introduction of changes to OVE's validation process, including (i) simplifying the process by reducing the number of reviews of individual projects, (ii) holding OVE's management reviews of all projects with disconnects, aggregated by instrument or topic; and (iii) increasing dialogue with management, including requesting missing data and information for completed PCRs. Among the four core criteria, the discrepancies between OVE and IDB Management have been largest in the efficiency and effectiveness ratings.

For the third year in a row, all validated XSRs were of satisfactory quality. XSRs in this cycle closely followed the guidelines, cited sufficient data, and were balanced and complete, among other aspects. The quality of XSRs has remained over 80 percent positive since 2019.

Ratings by IDB Invest Management and OVE have been close in the past few years. While OVE rated the overall outcome positively in 68% of operations in 2024, Management did so in 69% of them. The discrepancy in ratings for the overall outcome decreased over time. A similar pattern is observed for the four core criteria.

E. METHODOLOGICAL CONSIDERATIONS AND NEXT STEPS

OVE's 2025 validation exercise confirmed methodological issues flagged in OVE's reports last year – including the IDB Group Project Performance: The 2024 Validation Cycle (Document RE-606), the Evaluation of IDB Support in the Area of Citizen Security in the Region (Document RE-560-5), and the Comparative Analysis of Project Development Effectiveness Management Tools for Sovereign Guaranteed Operations of the African Development Bank, Asian Development Bank, Inter-American Development Bank, International Fund for Agricultural Development, and World Bank (Document RE-583-5) – as well as by IDB and IDB management in the past. These shortcomings include: inaccurate relevance ratings for projects that have been modified to adjust to changing conditions without being reformulated, or effectiveness ratings that do not properly reflect achievement of important outcomes due to equal weighting of (process and outcome focused) objectives according to the current PCR and XSR guidelines. Shortcomings in Management's reporting (e.g., missing data, attribution issues, or poor indicators) can also negatively affect effectiveness ratings, with lack of evidence being rated as not achieving results. Shortcomings affecting efficiency mostly stem from the mandatory requirement to assess this criterion even when it is not feasible.

Additional methodological shortcomings that OVE has identified in this validation cycle refer to policy-based (PBLs) lending and credit lines. The main issue affecting PBLs is that current PCR guidelines lack specificity to assess their performance. The main issue affecting IDB Invest Financial Institutions' operations and IDB global credit lines is the complexity of the guidelines that cover this instrument, which lead to different interpretations of which indicators are required, the frequent reliance on non-performing loans to assess the efficiency and profitability of credit lines and inconsistencies in the criteria to rate this instrument between the IDB and IDB Invest guidelines.

Since their introduction in 2018, the PCR and XSR guidelines have been essential for ensuring that IDB Group management and OVE assess project performance consistently for accountability and learning purposes. IDB Group Management and OVE, in consultation with the Board, aim to further improve the guidelines by addressing the methodological issues that have been identified and by ensuring increased alignment with the guidelines of other MBDs, especially in the context of mutually reliance agreements. To this aim, IDB Group Management and OVE are discussing revisions to the PCR and XSR guidelines, starting with the development of instrument-specific guidelines for policy-based lending.

I. INTRODUCTION

1.1 **This report summarizes the results of the Office of Evaluation and Oversight's (OVE's) annual review of project performance at the Inter-American Development Bank (IDB) Group.** It is based on management's self-evaluations and OVE's validations. Every year, IDB Group Management prepares self-evaluations of Project Completion Reports (PCRs) for IDB projects and Expanded Supervision Reports (XSRs) for IDB Invest projects.[1] At the IDB, PCRs are prepared after operations have finished disbursing and have closed (operational closure). At IDB Invest, XSRs are prepared after operations have reached "early operating maturity" (EOM), indicating that the operation is sufficiently mature, has had enough time to achieve results, and is ready for evaluation.[2] Every year, OVE reviews and validates the self-evaluations prepared by management. Self-evaluations and validations are intended to serve as accountability and learning tools. The accountability goal ensures that the IDB Group uses resources effectively, efficiently, and sustainably to achieve approved projects' objectives. The learning goal aims at providing lessons to inform the design and implementation of both ongoing and new projects.[3]

A. Evaluation methodology and the role of OVE

1.2 **The IDB Group's project evaluation and validation methodology is objectives-based.** The evaluation and validation methodology follows the Project Completion Report (PCR): Principles and Guidelines revised in 2020 (Document OP-1696-6) for IDB (public sector operations), and the XSR Guidelines for IDB Group Private Sector Operations, revised in 2018 for IDB Invest private operations [(2018 XSR Guidelines.)]. Management and OVE conduct their assessments comparing results against the objectives stated at project approval or at the time of project reformulation approved by the Board.[4] This implies that project performance is assessed against the objectives that they intended to achieve as defined in their design documents.

1.3 **Management's self-evaluations rely on core and non-core criteria.** In both PCRs and XSRs, project performance is measured against four core criteria: (i) relevance of the project's goals and design; (ii) effectiveness or the degree to which the project achieved the specific objectives for which it was approved; (iii) efficiency with which the specific objectives were achieved; and (iv) sustainability of the results achieved through the mitigation of risks and compliance with environmental and social safeguards. Besides the core criteria, the PCR and XSR guidelines require the inclusion of non-core criteria. For PCRs, these are the performance of the IDB and of its counterparts (i.e., Borrowers), while for XSRs non-core criteria are the additionality of IDB Invest, the outcome of the investment, and IDB Invest work quality (Table 1.1).

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1 OVE does not review self-evaluations of IDB Lab operations.

2 Factors determining EOM vary by project type (see details in XSR Guidelines, Annex II).

3 See 2020 PCR Guidelines (Document OP-1696-6, Annex 1) and 2018 XSR Guidelines.

4 Substantial changes to project development objectives are subject to a formal reformulation. If the Board approves a reformulation, the evaluation framework of the PCR will be the Results Matrix established at the time of Board approval of the reformulated proposal. See 2020 PCR Guidelines (Document OP-1696-6, Annex 1)

Table 1.1. Core criteria for management self-evaluations of project performance

IDB operations	Core Criteria	IDB Invest operations
• Alignment of project development objectives with country development needs. • Alignment of project development objectives with IDB Group country strategy (during approval, implementation, and closure). • Alignment of project design with country realities (during approval, implementation, and closure). • Alignment of project design with project development objectives. • The extent to which the project's objectives and design remain aligned with strategic priorities and development needs at approval, during execution, and at closure.	**Relevance**	• Alignment of project objectives with country development needs. • Alignment of project development objectives with IDB Group country strategy and corporate goals. • Alignment of project design with country realities. • Alignment of project design with project development objectives. • The extent to which the project's objectives and design remain relevant at the time of implementation and evaluation.
• Extent to which project achieved each stated development objective, given project outputs produced.	**Effectiveness**	• Extent to which project achieved each stated development objective, given project outputs produced.
• Extent to which project benefits exceed project costs or extent to which project benefits were achieved at less than expected or at reasonable costs and no other factors affected efficiency.	**Efficiency**	• Financial performance: project contribution to company financial results and extent to which project process and business objectives were achieved. • Economic performance: extent to which project's economic benefits exceed costs of capital; project effects on key economic stakeholders.
• Safeguards performance. • Assessment of risks to continuation of project development results.	**Sustainability**	• Safeguards performance. • Assessment of risks to continuation of project results.
	Project Development Outcome	

Source: OVE, based on 2020 PCR Guidelines (document OP-1696-6), and 2018 XSR Guidelines for IDB Group Private Sector Operations.

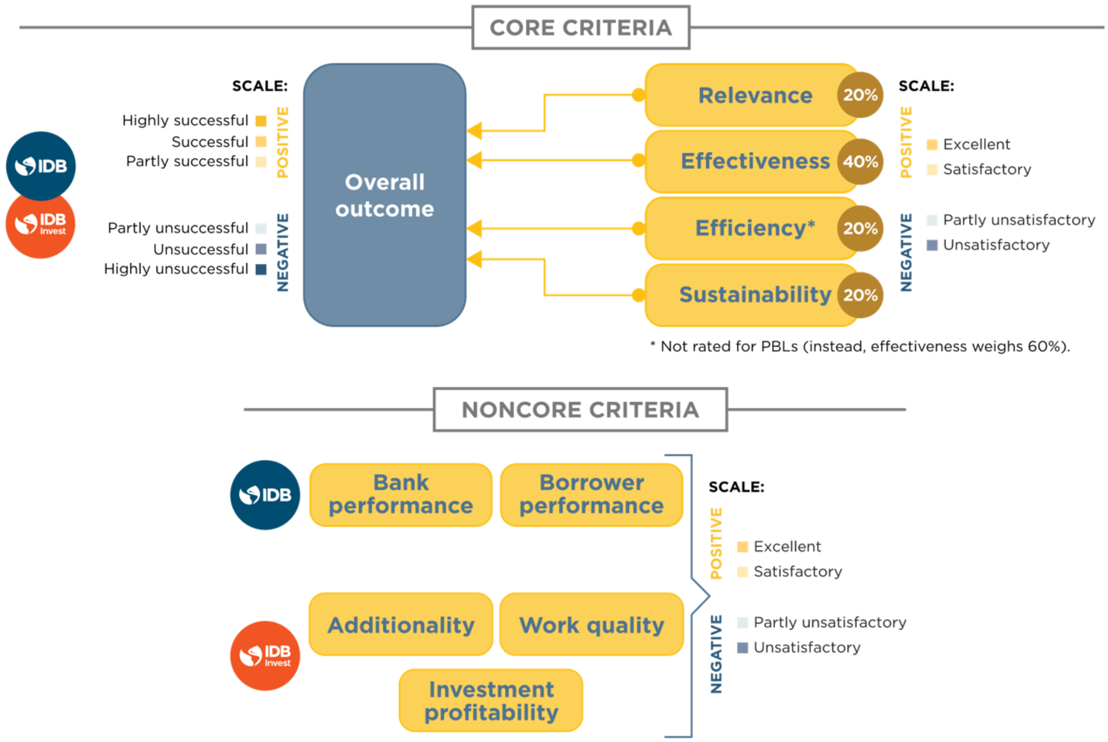
Table 1.2. Non-core criteria for management's self-evaluation of project performance

IDB operations	Non–core criteria	IDB Invest operations
• Bank performance in ensuring quality at entry: the extent to which the Bank identified, facilitated preparation of, and approved the operation such that it was most likely to achieve planned specific development objectives. • Quality of Bank supervision: extent to which the Bank proactively identified and resolved threats to the achievement of relevant specific development objectives.	**Bank performance (IDB)/ Work quality (IDB Invest)**	• IDB Group's work quality, taking into consideration precommitment work at entry, i.e., screening, appraisal, and structuring/underwriting. • IDB Group's work quality, taking into consideration its monitoring and supervision of the operation following commitment or guarantee issuance.
• Extent to which the Borrower ensured the quality of preparation and implementation of the operation, and complied with covenants and agreements, toward the achievement of development results.	**Borrower performance (only IDB)**	
	Additionality (only IDB Invest)	• The assessment and rating are based on the counterfactual assessment of how the project would have (or would not have) proceeded without IDB Group's support. Ratings should be based on financial and nonfinancial additionalities achievements.
	Investment profitability (only IDB Invest)	• Investment's gross profit contribution (net of financing costs and loss provisions but before deducting administrative costs) with rating benchmarks set in relation to corresponding at-approval standards for minimally expected performance.

Source: OVE, based on 2020 PCR Guidelines (document OP-1696-5) and 2018 XSR Guidelines for IDB Group Private Sector Operations.

1.4 **Management assigns an overall rating to each project, which is the weighted average of the ratings of the four core criteria.** Following the PCR and XSR Guidelines, Management rates each core and non-core criterion on a four-point scale, ranging from ''Unsatisfactory'' to "Excellent", and then assigns the overall outcome rating of each project, which is the weighted average of the ratings of the four core criteria. The weight of the effectiveness criterion for investment lending is 40%, while the weights of relevance, efficiency and sustainability are 20% each. For IDB's policy-based lending (PBL), effectiveness weighs 60% and efficiency is not rated. The overall outcome rating uses a six-point scale ranging from "Highly unsuccessful" to "Highly successful." For all scales, the bottom half ratings are considered negative ratings, while the top half are considered positive. Non-core criteria are rated on the same four-point scale as the core criteria, but do not count toward the project's overall outcome rating. Figure 1.1 provides an overview of the evaluation criteria and rating scales.

Figure 1.1. Evaluation criteria and rating scales



Source: OVE, based on 2020 PCR Guidelines (document OP-1696-5) and 2018 XSR Guidelines for IDB Group Private Sector Operations.

1.5 **Project effectiveness at IDB and IDB Invest is rated positive when more than 50 percent of the project objectives are achieved.** To be rated positive, more than 50 percent of a project's specific objectives must be rated Excellent or Satisfactory with no specific objectives rated Unsatisfactory, and results must be attributable to the project. Project effectiveness is rated negative when these conditions do not apply—for example, when a specific objective is rated Unsatisfactory, when 50 percent or more of the project's specific objectives were partly or not achieved, and when a project's specific objectives have only a combination of Partly Satisfactory and Unsatisfactory ratings.[5] Effectiveness ratings result from a combination of two factors: achievement of outcome targets and reporting on achievements of the targets. Unlike other multilateral development banks (MDBs), IDB PCR and XSR guidelines calculate effectiveness as the arithmetic average of all results, without weighing them or applying judgment on their relative importance.

1.6 **OVE validates all PCRs and XSRs prepared by IDB and IDB Invest.** Once Management has submitted the PCRs and XSRs, OVE reviews them to ensure that they are substantiated by evidence and prepared in accordance with the PCR and XSR guidelines. OVE's validation process involves a review of project documentation, including approval documents, results matrices, and monitoring

5 Proposed Adjustments to the Development Effectiveness Framework Tools for Sovereign Guaranteed Operations. Approved version. Annex 1: Project Completion Report Principles and Guidelines (Document OP-1696-5).

reports. Based on the PCR and XSR guidelines,[6] using the same methodology applied by Management, OVE assigns its own ratings (to core and non-core criteria and overall outcomes) and prepares validation notes with its assessment for each validated operation. The IDB Group considers OVE's ratings final and uses them for corporate reporting in the IDB Group's Impact Report (previously the Development Effectiveness Overview, or DEO).[7] OVE also rates the quality of the self-evaluation reports (PCRs and XSRs) by Management on a four-point scale (Excellent, Good, Fair, Poor). The assessment covers adherence to relevant guidelines, completeness of the analyses, quality of evidence provided and quality of the analyses, documenting changes in the design and results matrix, candor, and lessons based on evidence. Table 1.3. presents the dimensions analyzed in the quality assessment conducted by OVE.

Table 1.3. Dimensions analyzed in the quality of self-evaluations

Quality of self-evaluations	Dimensions analyzed
PCR Quality (IDB) / **XSR Quality (IDB Invest)** Scale: Positive (Excellent, Good); Negative (Fair, Poor)	• **Completeness and candor:** The extent to which the self-evaluations cover all criteria of project performance assessment and adhere closely to the Guidelines (completeness), while presenting findings with sincerity and balance (candor). • **Quality of evidence/data:** The extent to which the self-evaluation cites sufficient quantitative and qualitative data to support its findings, with proper references and sources, and without redundancy or repetition. • **Quality of analysis:** The extent to which the self-evaluation captures the project's results, discusses the achievement of individual objectives, and applies appropriate methodologies, calculations, or formulas as needed. • **Consistency:** The extent to which the ratings are consistent with the provided evidence and aligned across sections of the document, annexes, and any related evaluation reports. • **Lessons:** The extent to which self-evaluation identifies lessons that are based on the analysis and evidence provided and are not generic.

Source: OVE.

1.7 **Management and OVE are revising the PCR and XSR guidelines.** Since their introduction in 2018, the PCR and XSR guidelines have been essential for ensuring that IDB Group management and OVE assess project performance consistently for accountability and learning purposes. However, OVE reports[8] completed in the past year have identified limitations in the current guidelines, some of which had been raised by IDB and IDB management in the past. Recent discussions of the Board, OVE and management have also highlighted the importance to tailor the guidelines to address the specificities of different instruments (e.g., policy lending). In addition, the IDB Group and other MDBs, including the World Bank Group and the Asian Development Bank, are

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[6] See 2020 PCR Guidelines (Document OP-1696-6, Annex 1) and 2018 XSR Guidelines.

[7] The Impact Report is an annual report by the IDB Group that shares the results of its work in the region. The first Impact Report (Document GN-3293-2) was published in July 2025, replacing the earlier *Development Effectiveness Overview* (DEO) which was published annually from 2008 to 2024.

[8] IDB Group Project Performance: The 2024 Validation Cycle (Document RE-606); Evaluation of IDB Support in the Area of Citizen Security in the Region (Document RE-560-5) and Comparative Analysis of Project Development Effectiveness Management Tools for Sovereign Guaranteed Operations of the African Development Bank, Asian Development Bank, Inter-American Development Bank, International Fund for Agricultural Development, and World Bank (Document RE-583-5).

increasingly seeking to align and standardize guidelines to facilitate collaboration, especially in the context of mutual reliance agreements. Reflecting this broader drive for alignment and given the limitations of current guidelines, IDB Group Management and OVE have initiated discussions to revise them.

B. Scope of this report

1.8 **This report presents the results of 135 IDB and IDB Invest operations validated by OVE in 2025.** Most validated PCRs and XSRs assessed a single project, although some covered a group of related projects with shared objectives.[9] Throughout this report, the more general term operation is used to refer to both IDB and IDB Invest projects and to both validated projects and programs. Annex I lists all operations that OVE validated in 2025 and their ratings. Annex II provides OVE's validation notes for IDB operations only, as IDB Invest validation notes are confidential. Annex III provides information on the review process of operations with PCRs that had disconnects in the assessment between OVE and Management in the first round of validation.

1.9 **This report includes five sections.** Following this Introduction, section II presents the 2025 results for the IDB Group and the factors that influenced the results. Section III briefly discusses IDB Group performance by sectors and sub-regions during 2018-2025.Section IV addresses the quality of PCRs and XSRs, and Section V presents overall conclusions

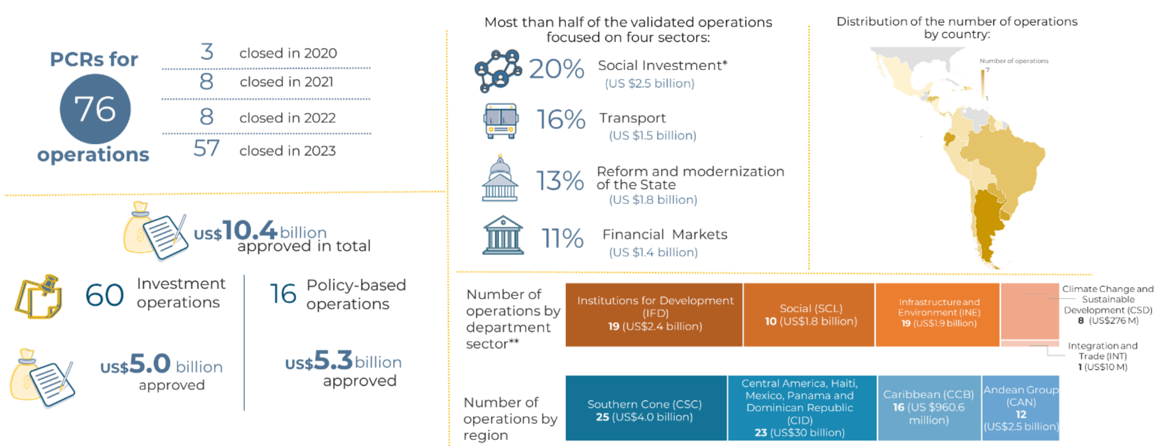
9 See paragraph 1.12 of the PCR Guidelines for a definition of when a series of operations are to be evaluated in a single PCR.

II. RESULTS FOR IDB AND IDB INVEST OPERATIONS VALIDATED IN 2025

A. IDB results in 2025

2.1 **In 2025, OVE validated the PCRs of 76 IDB operations.** The cohort of IDB operations validated in 2025 includes 60 Investment Loans (INV), 2 Policy-Based Loans (PBLs), and 14 Policy-Based Programmatic Loans (PBP). All validated operations were approved between 2011 and 2022, with an important concentration between 2015 and 2020 (59%, 45 operations). Three-quarters of these operations (57) closed in 2023, while the remaining 25% (19) closed between 2020 and 2022. Most of the validated operations (60%) were focused on four sectors: Social Investment (20%, 15 operations), Transport (16%, 12 operations), Reform and Modernization of the State (13%, 10 operations), and Financial Markets (11%, 8 operations). The validated operations benefited 24 of the 26 IDB's borrowing countries, with almost 40% of these operations focused on five countries: Argentina (9%, 7 operations), Ecuador, Uruguay (8%, 6 operations each), Haiti and Paraguay (7%, 5 operations each). (Figure 2.1).

Figure 2.1. Characteristics of IDB operations with PCRs validated in 2025

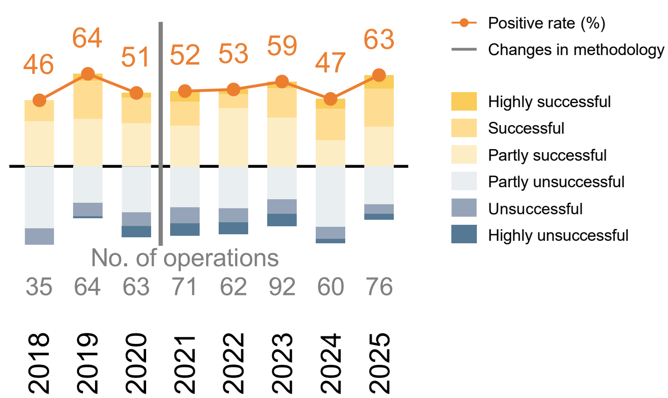


Source: OVE, with data from IDB (2025).
Notes: Investment operations include all modalities of investment loans and investment grants. The approved amount is included in parentheses. *Social Investment operations include 5 projects aimed at reducing the consequences of COVID-19. ** The sector department disaggregation is based on the classification used in the IDB dataset at the time these PCRs were prepared and does not reflect the institutional changes introduced on January 1, 2025. The Bank now has five departments: Sustainable Development Sector (CSD), Institutions for Development Sector (IFD), Infrastructure and Energy Sector (INE), Productivity, Trade, and Innovation Sector (PTI), and Social (SCL). The former Environment, Rural Development and Disaster Risk Management Division (RND) division was split across different units: while the Biodiversity and Natural Capital.(BNC) and Disaster Risk Management (DRM) units remain under CSD, the Agricultural and Rural Development Divisio ARD and the Tourism Work Group were transferred to PTI.
Department and sector disaggregation is based on the classification defined in the IDB dataset at project design and does not reflect the institutional changes introduced on January 1, 2025. Under the new organization, the Integration and Trade Sector (INT) was replaced by the Productivity, Trade, and Innovation Sector (PTI), which includes the divisions of Trade and Investment (TIN), Competitiveness, Technology, and Innovation (CTI), and Agriculture and Rural Development (ARD). In the organizational structure used in this document, CTI was part of the Institutions for Development Sector (IFD), while ARD belonged to the Climate Change and Sustainable Development Sector (CSD). Also, excludes one validation that was implemented by the Institutions for Development (IFD) and Social (SCL) departments (CH-L1149, CH-L1160).

1. Overall outcome ratings

2.2 **Of the 76 IDB operations validated in 2025, 48 (63%) achieved a positive overall outcome rating, with variations across different sectors and regions.** The 63% rate in 2025 resumes the upward trend observed between 2021 and 2023 and is a significant improvement compared to the 47% rate of 2024. (Figure 2.2). The 2025 overall rating remains below the 75% multi-annual target established in the 2024–2030 Impact Framework.[10] Sixty-six operations (87% of the total) fell in the middle four ratings ("Unsuccessful," "Partly unsuccessful," "Partly successful," and "Successful"). Relevance was the highest-rated core criterion, with 82% of operations rated positive, followed by sustainability (80%), efficiency (75%), and effectiveness (41%). (Figure 2.3). The proportion of projects with positive overall outcome ratings differs across sectors, regions, and lending instruments. However, these comparisons should be interpreted with caution given the small number of operations in certain groups. OVE assigned a positive overall outcome rating to 77% of the 27 operations in the Institutions for Development (IFD), 60% of the 20 operations in the Social Sector (SCL), half of the 8 operations validated of the Climate Change and Sustainable Development sector (CSD) and 47% of the 19 Infrastructure and Energy (INE) validated operations. Eighty percent of the 20 operations in the Southern Cone (CSC), 63% of the 16 operations of the Caribbean (CCB), 59% of the 16 operations in the Andean Group (CAN) and 48% of the 23 validated operations of Central America, Haiti, Mexico, Panama, and the Dominican Republic (CID) were rated positive. Finally, OVE rated positively 69% of the 16 PBLs and 62% of the 60 INV.

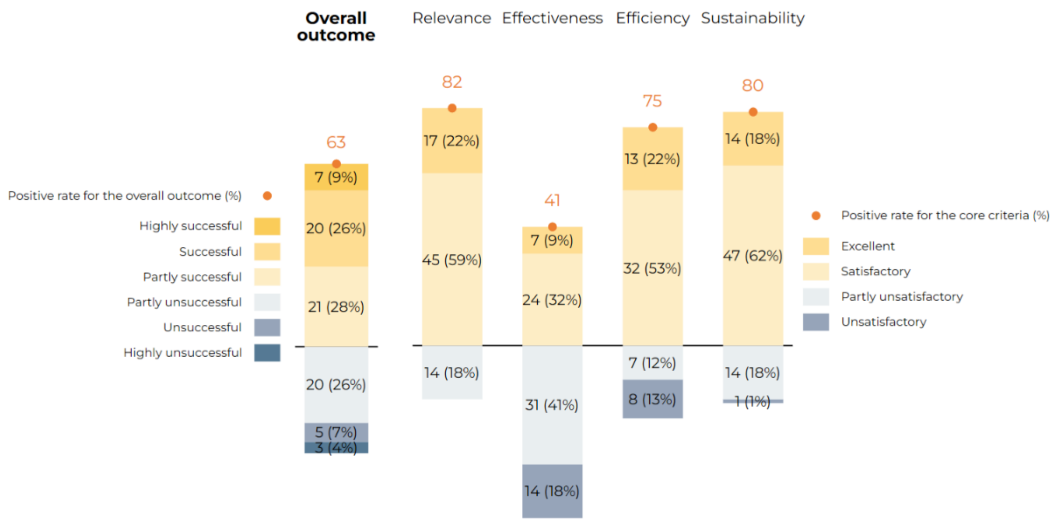
Figure 2.2. IDB Operations Overall outcome (2018-2025)



Source: OVE.
Note: Results for 2018–2020 are not directly comparable with those from 2021 onward, following methodological changes introduced in the 2020 update of the PCR Guidelines (Document OP-1696-6).

[10] According to the Impact Framework (Document GN-3195-8), this is a Type C indicator, which has a target that applies to the entire 2024–2030 period and is assessed as a weighted average at the end of that period.

Figure 2.3. IDB operations ratings, 2025



Source: OVE.
Note: *N* = 76 operations for all criteria except for efficiency (*N* = 60) because 16 policy-based operations are not rated for this criterion. Percentages may not add up to 100 due to rounding.

2.3 **PBLs account for a growing share of the validated operations and present specific challenges for evaluation**. In 2024, PBLs accounted for 20% (16 operations) of the validated PCRs compared with an average of 10% in the previous four cycles. Assessing PBLs poses methodological complexities that are different from those affecting investment lending. Although the PCR guidelines apply to all IDB lending instruments -including investment, policy-based, and results-based- they provide limited guidance specific to PBLs [11], including programmatic series PBPs. Differently from the guidelines of other MDBs, the IDB guidelines do not envision assessing the criticality of the policy actions and their relevance in achieving the objectives of the PBLs or PBPs based on the operations' theory of change. They also do not require identifying how each policy action is linked to specific result indicators and do not provide guidance to assess result matrices that vary between operations or when a PBP series is truncated. This results in a risk of inconsistent treatment and omission of key information in their evaluations. (See Box 2.1).

11 General considerations on evaluating PBLs and PBPs are included in paragraphs 2.7, 2.8, 3.17, 3.18, 3.28, and 3.37 of the guidelines and in a rating checklist (Annex 2).

Box 2.1. Methodological challenges in the assessment of PBLs

Assessing policy-based loans (PBLs) in PCRs presents unique challenges. Whereas investment projects usually involve tangible, well-defined activities within a specific timeframe and location, PBLs support a set of policy actions designed to advance a broader government reform agenda**.** The intended outcomes of PBLs also take much longer than the outcomes of investment lending to materialize, underscoring the need to focus on intermediate outcomes. The actions supported by PBLs are often part of a larger, more extensive reform program, making it difficult to attribute outcomes directly to the PBL. In addition, the objectives of PBLs are frequently framed at a high level, including for example "improving social equity and fiscal sustainability" or "structural reforms", which complicates measurement. These difficulties are reflected in some of the PCRs and validations of this year's cycle.

The PBP series in the Dominican Republic and El Salvador illustrate the difficulties to rate truncated series. The programs to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 in the Dominican Republic (DR-L1144) and El Salvador (ES-L1143) sought to enhance the efficiency and effectiveness of public policy and fiscal management through the design and implementation of fiscally responsible policy measures in response to the pandemic. Both were designed as two-operation programmatic PBPs; and the second operation of both projects was discontinued. In line with the recommendations outlined in the Frequently Asked Questions[12] (FAQs) regarding truncated series, OVE reviewed each case to assess if the truncation affected the relevance of the project or not, and if so, how. As these FAQs are not specific on methods or criteria, the OVE team considered different possible approaches to rate these operations. After discussing various options, OVE concluded that relevance of the policy actions supported by the El Salvador loan should be rated lower, since their contributions to the program objectives were contingent on the measures envisaged for the second operation, which failed to materialize. By contrast, OVE gave a higher rating to the relevance of the policy program supported by the Dominican Republic because it successfully implemented and continued by the government even without the initially planned second follow-up PBL in the series. These examples underscore the need to refine and formally integrate truncation assessment criteria into the official guidelines.

As illustrated by a PBL for Jamaica, another challenge is the lack of guidance on how to assess the credibility of specific policy actions. This leads to uncertainty about whether a given policy action is meaningful for achieving the operation's objectives. PBL Strengthening Fiscal Policy and Management Program to Respond to the Public Health Crisis and Economic Effects of COVID-19 in Jamaica II (JA-L1087; JA-L1088) included for example the setting up of a multisectoral COVID-19 Economic Recovery Task Force "to address the crisis and guide economic and fiscal decision-making for the post-pandemic period" as a policy action. While such a process-focused action *prima facie* might have been considered of limited criticality, it did in fact enable effective measures that supported economic and fiscal recovery after the pandemic, including the passing of a reform for Bank of Jamaica and of an Independent Fiscal Commission bill. Including a Theory of Change (TOC) linking policy actions to program results at the time of project design and having guidelines on how to use the TOC to assess the credibility of the policy actions at project closure would have helped management and OVE evaluate the relevance of the Task Force for achieving the objectives of the reform.

Source: OVE, based on PCR contents and OVE's validation notes.

2. Relevance

2.4 **OVE rated the relevance of 62 out of 76 validated operations (82%) positive.** The objectives of the 62 relevant operations were aligned with country development needs, government priorities, and IDB Group Country Strategies (CSs). The objectives addressed key development challenges at approval and remained consistent with the sector-specific objectives outlined in the CS, as reflected in the CS results matrix, throughout the lifecycle of the project. These operations also had adequate project designs with clear, logical relationships between proposed activities, expected results, and objectives (sound vertical logic). The design of the 62 operations was well-suited to the local context, needs, and capacity; and changes during implementation did not affect their vertical logic. These 62 operations benefited 24 countries, including Uruguay (6 operations) and

12 The Frequently Asked Questions were developed by management in agreement with OVE to fill some of the gaps of the PCR guidelines..

Argentina, Ecuador, and Paraguay (5 operations each). These 62 operations were in 15 sectors. The sectors with the highest percentage of operations with positive relevance ratings include Financial Markets (8 operations out of 8), Energy (4 operations out of 4), Science and Technology (4 out of 4), Health (3 operations out of 3), and Private Firms and Small and Medium Enterprises (3 out of 3). This disaggregation is illustrative and should be interpreted with caution because of the small number of operations in certain sectors. Box 2.2 provides an example of a project with a positive relevance rating (2.1.a). Fourteen out of 76 validated operations (18%) had negative relevance ratings.

- **OVE negatively rated 14 operations due to a combination of four factors (not mutually exclusive) that are summarized below**. Box 2.2 provides an example of a project with a negative relevance rating (2.2.b).
- **All 14 operations negatively rated exhibited weak vertical logic**. Four operations had vertical logic shortcomings both at approval and during implementation, one only at approval and nine only during implementation. Cancellations and other changes in projects were the main reasons affecting the vertical logic during implementation (8 operations): in five cases, a considerable fraction of the resources was canceled; in one case, the Board approved a modification of the operation that reduced resources and canceled important outputs needed to achieve most of the project objectives; and in two PBPs the second phase, which included important policy actions, was discontinued preventing the achievement of the series objectives.
- **In ten operations, project design did not adequately account for country realities.** Shortcomings included insufficient analysis of critical contextual factors at design that affected project implementation (6 operations), and implementation arrangements that overlooked the executing agency's technical, managerial, and operational capacities (5 operations).
- **In three operations, project objectives were not aligned with the CSs at some point during the operation's lifecycle**. Of these, one was misaligned with the CS only at the time of project approval, one was misaligned both during implementation and at closure, and one was not aligned at any stage—approval, implementation, or closure.
- **Two operations fell out of alignment with government priorities during execution due to strategic shifts by new authorities.**

2.5 **The relevance ratings of some projects were negatively affected in cases in which teams adapted activities to evolving circumstances while maintaining the original, approved objectives.** Projects that adapt their activities to changing circumstances but are not formally restructured are rated based on their original objectives, even when these no longer reflect the project's intent or design. While the decision to restructure a project to ensure that it remains aligned with changing circumstances ultimately rests with borrowing countries, restructuring projects is a cumbersome process at the IDB (Documents RE-583-1, RE-606, and RE-583-5), which may discourage IDB staff from proposing changes to the projects' original objectives.

2.6 **OVE recommended streamlining the process for managing changes in process execution to adapt to changing circumstances in its Development Effectiveness evaluation.** OVE's Evaluation of the Development Effectiveness

Framework Evaluation (Document RE-583-1) recommended clarifying and streamlining the process for managing changes in projects in execution by integrating principles of rigorous adaptive management, including incentives and appropriate checks to ensure accountability for project results. OVE's Comparative Analysis of Project Development Effectiveness Management Tools for Sovereign Guaranteed Operations (Document RE-583-5) finds that all comparator MDBs (African Development Bank, Asian Development Bank, IFAD and World Bank) have updated their restructuring policy or procedures within the last several years with the objectives of: (i) introducing flexibility and streamlining restructuring procedures to encourage proactive restructuring when an operation is off track; and (ii) clarifying criteria for restructuring and associated approval authority. Box 2.2 provides an example of projects with negative relevance ratings, affected by inadequate objective definitions, which were not addressed through restructuring (2.2.c).

Box 2.2. Examples of projects' relevance assessments

a. A $60 million Social Investment loan to Haiti approved in 2020 received a positive relevance rating based on strong alignment among country development needs, government priorities, IDB country strategies, and project design. The objective of the *Safety Nets for Vulnerable People Affected by Coronavirus in Haiti* (HA-L1145) operation was to support minimum incomes for those affected by COVID-19. The loan financed school meals for 100,000 children, cash, and in-kind transfers to 124,000 vulnerable households, and temporary wage subsidies to 43 formal enterprises in the textile sector. The project objectives were well aligned with country development needs (such as preexisting food insecurity), government plans and priorities (the need to make rapid and large-scale interventions responsive to the needs of the most vulnerable), the IDB Group CS (which emphasized enhancing human development, reducing inequality, and mitigating large-scale food insecurity), and the project design (including a straightforward and sound vertical logic). The operation also adjusted to the country's realities during the pandemic, for example, by holding online meetings and training cooks on preparing balanced school meals in the context of COVID-19 health and hygiene best practices. Both management and OVE rated the relevance of this operation as Excellent.

b. A $10 million Environment and Natural Disasters investment loan to Belize approved in 2017 received a negative relevance rating due to a design that was not commensurate with the intended outcomes. At approval, the operation did not include specific objectives, as PCR guidelines requiring them were not yet in place; later, in the PCR, these were defined as (1) mitigating climate-related risks for residents of touristic areas and (2) improving government performance in disaster risk governance. The operation's design included activities and outcomes aligned with these objectives. It also included "increased tourist satisfaction in two major tourist areas" as an expected outcome, which reflected an intent to enhance the tourism sector. Related to objective (1), the project financed shoreline stabilization measures in public tourism areas and climate-resilient flood control measures, including a pumping station. Related to objective (2), the project financed consulting services to develop a website for sharing climate risk information, a technical guide with recommendations on building in coastal areas, and a climate risk financing strategy for the tourism and agriculture sectors. The enhancement of the tourism sector outcome was however, not fully integrated in the objectives and the theory of change of the operation, nor reflected in the components or activities planned. Management rated the relevance of this operation as Excellent; OVE rated it Partly Unsatisfactory due to the limitation of the operation's design to achieve the tourism outcome.

c. A $65 million Transport investment grant to Haiti approved in 2015 received a negative relevance rating despite the operation's importance, due to a specific objective which lost its relevance during the loan implementation. The specific objectives of the *Support for Haiti's Transport Sector – V* (HA-L1098) project were to (1) rehabilitate a section of National Route 1 (RN1) located between Camp Coq and Vaudreuil and (2) improve and maintain portions of the primary and secondary road networks of Haiti. The first objective was narrowly defined, as it referred specifically to the rehabilitation of RN1. The operation was designed as a multiple works program to finance (a) road work, mitigation of environmental and social effects and supervision of civil works by specialized companies; (b) equipment, systems and training to strengthen the country's road infrastructure sector; and (c) engineering, socio-environmental studies and administration. The program was aligned with the country's development needs and the government's development plans and priorities, its objectives were aligned with IDB Group country strategies and corporate priorities in force during its lifecycle, and the vertical logic was generally clear. However, in 2018, the IDB and the Government of Haiti mutually agreed to use all the funds of the project to finance the completion of a different section the Les Cayes-Jérémie section of National Route 7 (RN7). Among other reasons for this change was the fact that the work on RN1 did not meet socio-environmental conditions, whereas the work on RN7 did. Supporting development of RN7 was appropriate given the changes in circumstances. Management proceeded with the change, however the specific objective remained as originally defined. As a result, OVE rated the relevance of the operation, which was substantially positive, as Partially Unsatisfactory, as per PCR guidelines requirement to assess relevance based on the operation's specific objectives as stated in the Board-approved project document.

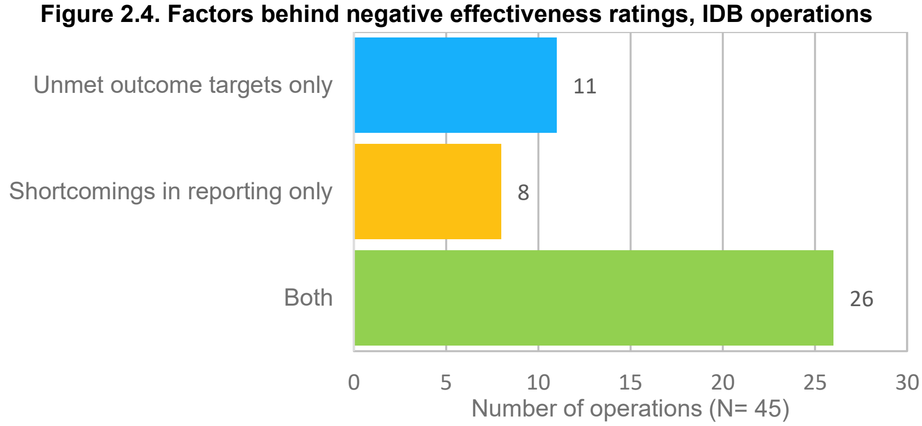
Source: OVE based on PCR contents and OVE's validation notes.

3. Effectiveness

2.7 **OVE rated effectiveness positive for 31 out of 76 validated operations (41%).** For these operations, most objectives were achieved. For an objective to be considered achieved, the targets of outcome indicators must be largely met (at least 80 percent on average), and the observed results must be linked to the outputs delivered by the project. These 31 operations benefited 19 countries, including Uruguay (4), Ecuador and Paraguay (3 each), and Barbados, Bolivia, Chile, Colombia and Honduras (2 each). These 31 operations were in 11 sectors. The sectors with the highest percentage of operations with positive effectiveness ratings include Energy (3 out of 4), Financial Markets (5 out of 8), Social Investment (8 out of 15) and Transport (5 out of 12). This disaggregation is illustrative and should be interpreted with caution because of the small number of operations in certain sectors. Box 2.3 provides an example of a project rated positive on effectiveness (2.3.a).

2.8 **Forty-five (45) out of the 76 validated operations (59%) were rated negative, due to a combination of shortcomings in reporting and unmet outcome targets.** Of the 45 operations with negative effectiveness ratings, 26 (58%) had both unmet outcome targets and shortcomings in reporting, 11 (24%) were due only to unmet outcome targets, and 8 (18%) were due exclusively to shortcomings in reporting (see Figure 2.4). Box 2.3 provides an example of a project with a negative effectiveness rating (2.3.b).

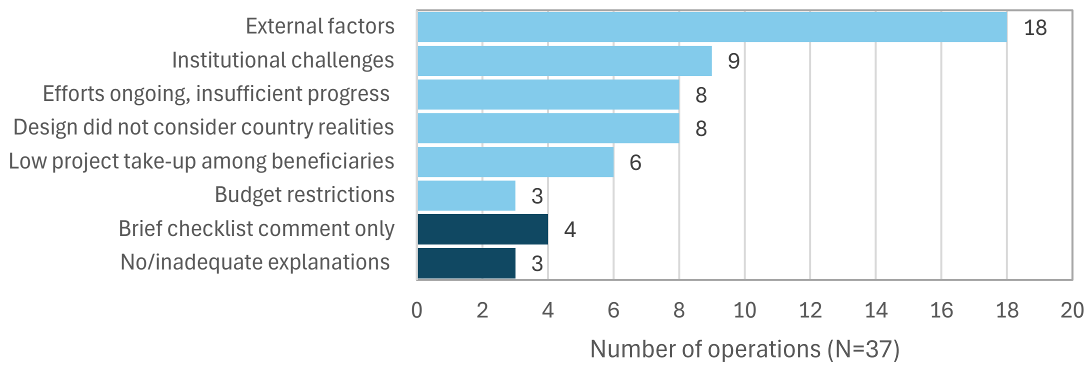
Figure 2.4. Factors behind negative effectiveness ratings, IDB operations



Source: OVE's categorization, based on PCR contents and OVE's validation notes.

2.9 **Operations that did not achieve their outcome targets were most often affected by external factors.** Of the 37 operations with unmet outcome targets 18 were influenced by external shocks such as the COVID-19 pandemic (13), economic downturns (4), and security crises (2). Nine (9) operations had unmet outcome targets due to institutional challenges, including shifting government priorities (6), weak coordination among stakeholders (3), and limited institutional capacity (2). Eight (8) operations were rated negatively because insufficient progress had been made toward the expected outcomes by the time of reporting. Other common factors behind unmet outcomes included low uptake among beneficiaries, and inadequate consideration of country realities in project design (Figure 2.5). The PCRs (and PCR checklists) of three operations did not provide an explanation of underachievement, while four included a short explanation in the PCR checklists, such as design limitations which hinder understanding of the root causes of underperformance.

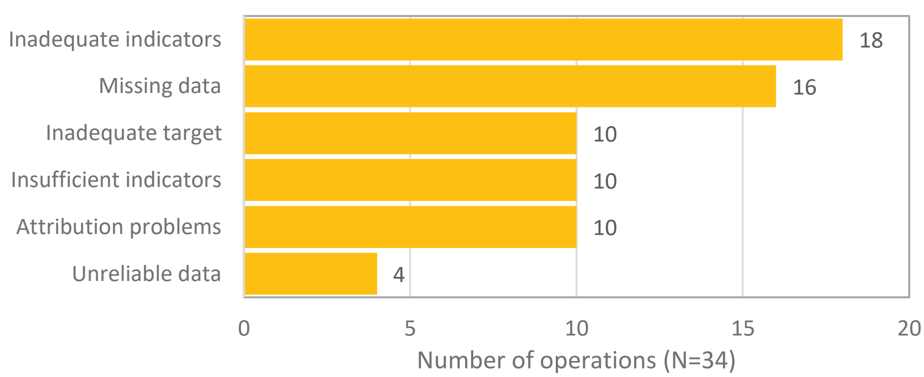
Figure 2.5. Factors behind unmet outcome targets, IDB operations



Source: OVE's categorization, based on PCR contents and OVE's validation notes.
Notes: Numbers do not add up to 37 because reasons are not mutually exclusive.

2.10 **The most common reasons for shortcomings in reporting were inadequate indicators and missing data.** Of the 34 operations with reporting issues, 18 had inadequate indicators; of these, 14 did not measure the intended objectives, while 4 misidentified output indicators as outcomes. Sixteen operations had missing data: in 10 cases data could not be collected, 3 indicators were not reported, and in 3 both issues were present. Other common issues included inadequate targets (poorly defined or overly ambitious), insufficient indicators (i.e., indicators that did not capture all intended outcomes, and attribution challenges (i.e., progress on outcome indicators could not be plausibly linked to the project) (Figure 2.6).

Figure 2.6. Factors behind reporting shortcomings, IDB operations



Source: OVE's categorization, based on PCR contents and OVE's validation notes.
Note: Numbers do not add up to 34 because the reporting shortcomings are not mutually exclusive.

2.11 **In some cases, shortcomings in reporting can obscure a project's achievements.** Providing accurate targets at project design and collecting and updating data at the time of project implementation and closure is essential to assessing project effectiveness. However, when reporting shortcomings impede the assessment of achievement levels and lead to a negative rating, labeling a project as ineffective could be misleading, because neither Management nor OVE can confirm whether the project has achieved its outcomes. Box 2.3 provides an example of a project with negative effectiveness rating due to limitations in outcome reporting (2.3.c).

Box 2.3. Examples of projects' effectiveness assessments

a. A $122 million Transport investment loan to Bolivia approved in 2012 earned a positive effectiveness rating by achieving clear indicator targets. The *Montero-Yapacaní Double Track Section on the Santa Cruz-Cochabamba Route* (BO-L1075) operation aimed to reduce travel times, vehicle operating costs, and accidents on a 70-km stretch of highway. The loan primarily financed civil works. Travel time dropped from 73 minutes to 49 minutes (target: 53), and vehicle operating costs fell by 8.5% (target: 8%). The project also surpassed targets on three accident-related indicators. Both management and OVE rated the effectiveness of this operation as Excellent.

b. A $30 million Reform and Modernization of the State investment loan to Ecuador approved in 2014 received a negative effectiveness rating, due to undelivered outputs stemming from a large cancellation of funds. The *Internal Revenue Service Improvement Program* (EC-L1120) operation had two objectives: 1) to improve tax administration coverage, and timeliness and 2) to improve tax administration services to citizens. For the first objective, the operation aimed to finance the development of a software to support the redesign and automation of tax collection processes. For the second objective, it sought to finance e-government services. The loan exceeded targets on indicators related to citizen service improvements, including timeliness of corporate tax returns and reductions in taxpayer costs. However, regarding tax administration coverage and timeliness, after a contract dispute, 53% of the loan funds (US$ 15.9 million) were cancelled, and the software development had to be carried out in-house. The cancellation meant that several planned outputs for this objective were either cancelled, reduced in scope, or substituted. Because of these shortcomings in delivering key outputs, both management and OVE rated the effectiveness of the project as Partially Unsatisfactory.

c. A $6 million Social Investment loan to Uruguay approved in 2016 received a negative effectiveness rating despite substantive results, due to missing indicator values and unclear attribution. The *Comprehensive Citizen Security Program* (UR-L1112) project aimed to reduce robbery, domestic violence, and youth violence. It financed police capacity building, neighborhood pilots and evidence-based policymaking. Although budget restrictions and COVID-19 required adjustments in scope, the rate of repeated criminal behavior dropped from 60% to 38.2% (target: 55%). Both management and OVE rated the effectiveness of the project as Partially Unsatisfactory because of shortcomings in reporting: two of nine indicators were not measured, and one lacked evidence of attribution.

Source: OVE, based on PCR contents and OVE's validation notes.

4. Efficiency

2.12 **The efficiency assessment for IDB projects investigates whether the results of a project were achieved at a reasonable cost.** The assessment applies to all investment operations, but not to PBLs. According to PCR guidelines, management should assess efficiency through either a cost-benefit analysis (CBA) or a cost-effectiveness analysis (CEA). If neither is feasible, management must justify this in the PCR and calculate the rating based on a cost and time overrun analysis (CTOA). In such cases, a maximum rating of Satisfactory applies if the project performance ratings (PMR ratings) remained satisfactory throughout implementation. If OVE finds no clear justification for the absence of a CBA or CEA, the maximum rating possible is Partially Unsatisfactory if the PMR ratings remained satisfactory throughout the life of the project. PCR guidelines also prescribed that for an economic analysis to be accepted, it must include reasonable assumptions, reliable data, a replicable methodology, and cover at least 60% of operation costs. Otherwise, OVE can dismiss it and revert it to a CTOA. For financial institutions (FI) operations, in cases where ex-post cost-benefit analyses based on individual loan data are not feasible, the PCR guidelines indicate that the efficiency of operations can be assessed using the ratio of nonperforming loans (NPL) for the relevant portfolio.[13] This approach requires

[13] Annex 6 of PCR Principles and Guidelines

comparing NPL performance before and after the IDB operation, using the same portfolio analyzed for effectiveness. When the economic analysis is accepted by OVE, the effectiveness rating would be positive if the economic rate of return (ERR) of a CBA exceeds 85% of the reference discount rate (typically 12%), or if a CEA shows that project results were achieved at a cost no greater than 110% of comparator alternatives.

2.13 **Of the 60 investment operations validated on efficiency, 45 (75%) achieved a positive efficiency rating.** The 45 operations rated positive in efficiency included economic analyses supported by reasonable assumptions, data sources, and clear and reproducible methodologies. They also covered a significant amount of the project's resources. Costs and benefits included in the analysis aligned well with the information provided in other sections of the PCR report. The magnitude of the benefits was consistent with that of the benefits presented in the effectiveness section and the benefits reflected well the specific objectives of the project. Also, the benefits were consistent with the scope of the projects and applied to the beneficiary population or the geographical areas where the projects intervened. The selected discount rates (opportunity cost of financing) aligned well with the literature and were justified. In sum, OVE considered the analysis of these positively rated operations reliable and the results of standard efficiency measures—such as economic rate of return (ERR) or benefit-cost ratio (BCR)—exceeded the thresholds defined in the PCR Guidelines. The 45 operations rated positive in efficiency benefited 20 countries, including Argentina (7), Uruguay (5), Belize, Brazil, Ecuador, Haiti, and Paraguay (3 each). These 45 operations were in 13 sectors. The sectors with the highest percentage of operations with positive efficiency ratings include Science and Technology (3 operations out of 3), Transport (10 operations out of 11), Urban Development and Housing (3 operations out of 4), Education (3 out of 4) and Social Investment (8 operations out of 11). This disaggregation is illustrative and should be interpreted with caution because of the small number of operations in certain sectors. Box 2.4 provides an example of a project with a positive efficiency rating (2.4.a).

2.14 **OVE rated the efficiency of 15 out of 60 investment operations negatively (25%) mostly due to economic analyses showing low efficiency rates, using unreliable assumptions, or covering less than 60% of the operations' costs.** The 15 operations with negative ratings used different approaches to measure the project's efficiency: 8 used a CBA, 3 used CTOA, 2 used a CEA and 2 (FI operations) used non-performing loan (NPL) ratios. In 7 out of the 15 operations with negative ratings in efficiency OVE did not consider the original economic analysis because it was either based on assumptions that lacked full credibility (4) or did not cover the minimum amount of project resources (60%) required to assess efficiency (3). In such instances, OVE reverted to using a CTOA, which produced negative results. Additionally, in 3 PCRs, management used a CTOA to determine efficiency, however only in one case OVE deemed it justified to do so, while in the other 2, OVE considered it feasible to have conducted a CBA/CEA. OVE's validation resulted in a negative assessment due to: (i) economic analyses based on implausible assumptions (4), (ii) results falling below the threshold for a satisfactory efficiency rating (3), or (iii) cost coverage of less than 60% (1). Box 2.4 provides an example of a project with a negative efficiency rating (2.4.b).

2.15 **Unclear guidance can lead to uncertainties on how to assess efficiency in particular types of projects.** Conducting a single traditional CBA or CEA may not be appropriate in certain circumstances; however, PCR guidelines are relatively strict and do not provide clear directions on how to approach divergences such as the use of multiple economic analysis for different objectives or projects where the materialization of outcomes is contingent on specific events. In multi-component operations, where each component targets a different objective, it is unclear whether separate cost-effectiveness analyses should be combined, and if so, how their results should be weighted to provide a single efficiency metric. For some investment loans, outcomes depend on events that may not occur during the project's life (e.g., weather events in the case of climate adaptation projects). In those cases the economic analysis has to rely on hypothetical assumptions, for which the guidelines do not provide direction. In principle, the guidelines allow Management to justify not conducting a CBA or CEA and instead use a CTOA, which can still yield a satisfactory rating if project performance was sound. However, if no justification is provided—or if Management conducts an economic analysis based on unrealistic assumptions—the maximum rating is *Partially Unsatisfactory*. Similarly, the maximum rating is *Partially Unsatisfactory* if the project has been in problem status at any point during implementation, which provides a misaligned incentive, as staff should be encouraged to acknowledge the operations' problem status when problems occur. Compared with MDB peers, the guidelines offer less flexibility: the World Bank, for example, provides indicative guidance on efficiency analyses but leaves discretion on whether a CBA or CEA is feasible. Box 2.4 provides an example that illustrates how the lack of guidance for multi-component projects (2.4.c) can lead to uncertainties on efficiency ratings.

2.16 **Indicators of efficiency for Financial Institutions operations (for IDB and IDB Invest) should focus on the financial intermediation process**. They should measure proxies such as the disbursement ratio (share of committed funds lent), time from approval to disbursement to the intermediary Financial Institutions (FI) and to the ultimate beneficiary, which signal how quickly resources are reaching final borrowers (Beck, 2011; Rosenberg et al., 2013). The PCR and the XSR guidelines suggest the use of NPLs and profitability (for IDB Invest) as proxies of efficiency.

2.17 **Non-Performing Loans (NPLs) are subject to a number of variables that do not make them well suited for measuring efficiency of Financial Institutions operations (for IDB Invest), including credit lines (for IDB Invest and IDB)).** The use of NPLs as a proxy of efficiency for IDB projects (or financial efficiency/profitability for IDB Invest projects) is suboptimal for several reasons. First, MDBs' credit lines aim to reduce access to finance gaps, including for borrowers who lack collateral, formal credit histories, or stable income streams. This inherently raises default risk independent of the project's operational efficiency (Beck et al., 2015; Banerjee et al., 2020). High NPL ratios in such contexts may reflect the structural vulnerabilities of the client base – MDBs targeting of underserved segments - rather than flaws in project design or execution. Second, NPLs should be used carefully when taken as a proxy of profitability or losses. Several variables not correlated with performance or with the quality of the loans could drive the NPL ratio up or down, including a decrease (or an increase) of the loan book, write-off of the existing NPLs or successful restructuring. Teams conducting self-assessments and validation should be encouraged to assess profitability, net interest income or return on equity rather than using NPLs as a proxy. If profitability is not available and cannot be calculated, teams should consider using the Cost of Risk (CoR), which reflects portfolio provisions and write-offs. Finally, when using NPLs, it is important to analyze them by cohort of loans approved each year (“vintage analysis”) to sterilize the NPLs’ lagging nature. It is also important to mention that while XSR guidelines indicate that profitability should be used to assess (financial) efficiency and (possibly) sustainability of IDB Invest projects; PCR guidelines for Financial Institutions do not refer to profitability to assess efficiency or any other performance measure of credit lines. The IDB Financial Institutions guidelines also do not provide guidance on sustainability. To ensure consistency, aligning the guidance of the two institutions would strengthen clarity and support a more coherent approach to evaluating FI operations. In refining FI guidelines, indicator selection should balance conceptual accuracy with operational feasibility—ensuring consistency, comparability, and practicality across diverse financial intermediaries and market contexts.

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Box 2.4. Examples of projects' efficiency assessments

a. A $34 million Transport investment loan to Belize approved in 2014 earned a positive efficiency rating for demonstrating a positive rate of return using a CBA. The Belize *George Price Highway Rehabilitation Project* (BL-L1019, BL-L1029) aimed to decrease vehicle operating costs, reduce travel times, improve safety, and increase accessibility along a 19.4 km stretch of highway, while also building the capacity of the Ministry of Infrastructure Development and Housing. The loan mainly financed civil works but also included institutional strengthening, engineering, and administration activities. The project decreased vehicle operating costs, improved safety, increased accessibility and strengthened the ministry, but increased travel times due to new safety features such as pedestrian crossings. An ex-post CBA showed an internal ERR of 13.5% with a positive economic net present value of $1.75 million, robust up to 10% decreases in benefits or cost increases. On that basis, both management and OVE rated the project's efficiency as Excellent.

b. A $65 million Energy investment loan to Guyana approved in 2014 received a negative efficiency rating despite demonstrating a positive rate of return due to deficiencies in its CBA. The *Power Utility Upgrade Program* (GY-L1041, GY-X1002) aimed to improve the capacity and corporate performance of the national power utility, including reducing financial losses. The loan mainly aimed to finance the rehabilitation of approximately 830 km of the power distribution network. Due to exchange rate losses and high contract values, the project rehabilitated only 629 km falling to reduce overall electricity losses by 23.8%. Despite the change in project scope, a CBA showed a net present value of $37.4 million, with an ERR of approximately 8%, and a sensitivity analysis indicated that the project would have remained economically viable even with a 10% change in fuel costs. OVE indicated that the analysis could have benefited from more detailed explanations of the underlying assumptions and a more comprehensive sensitivity analysis beyond fuel price. Furthermore, the analysis did not account for decreases in benefits over time as infrastructure ages, potentially overstating long-term benefits. Implementation delays – originating both internally (for example, due to personnel, institutional capacity, and procurement issues) and externally (due to the COVID-19 pandemic and civil unrest) – were among the factors affecting the project's efficiency. Consequently, OVE rated the program's efficiency as Partly Unsatisfactory.

c. A $5 million Social Investment loan to Barbados approved in 2015 received a negative efficiency rating based on a weighted combination of CEAs for two of its components —an approach not clearly addressed in the guidelines. The *Strengthening Human and Social Development in Barbados* (BA-L1032) project aimed to reduce extreme poverty and unemployment. To reduce poverty, the loan financed a component that expanded a program for the extreme poor that provided eligible families with psychosocial support and linked them with public health and education services. To reduce unemployment, it financed a component that enhanced the national employment bureau and provided technical training courses and stipends for unemployed and vulnerable youth. The program exceeded its targets for the number of households benefiting from the poverty component and the number of job seekers who found jobs through the national employment bureau. The PCR reported separate CEAs for the poverty component and the employment component. The first found that the poverty component (which accounted for 68% of costs) had significantly higher costs per participant than comparators (222% of the alternative costs) The second found that the employment component (which accounted for 32% of costs) was more efficient at providing job-seeker intermediation services than any of the comparators (57% of the alternative costs). PCR guidelines are mute on what to do when there are separate CEAs for different components, OVE rated the efficiency of the project as Unsatisfactory by using the weighted average of the two components to determine that the project results were achieved at 169% of the alternative costs.

Source: OVE, based on PCR contents and OVE's validation notes.

5. Sustainability

2.18 **An operation is rated positively on sustainability when no significant risks threaten the continuation of its achieved results and its compliance with environmental and social (E&S) safeguards is satisfactory.** Sustainability of IDB operations is determined by both the probability and the impact of technical, financial, economic, social, institutional, and environmental risks to the continuation of results beyond project completion. These risks may be internal to the project or arise from external factors, either at the country level (such as price changes) or at the global level (such as technological advances). For a project to receive a positive sustainability rating, it should present, at the time of reporting, only minor unmitigated risks to the continuation of results, and the potential impact of those risks should be small if realized. In addition, for a positive sustainability rating, the E&S safeguards' performance rating—reflecting the extent to which the project complied with E&S commitments—should be satisfactory.

2.19 **Out of 76 validated operations, 61 (80%) achieved positive sustainability ratings.** These 61 operations had a high likelihood of maintaining or improving the results achieved and satisfactory E&S safeguards performance. Risks across technical, financial, economic, policy, institutional, and social dimensions that could compromise the continuity of results were accurately identified, and appropriate mitigation measures were implemented. Unmitigated risks associated with the projects were minimal or negligible. For projects that triggered E&S safeguards at approval, plans were implemented and monitored, with no unresolved issues reported at project closure. These 61 operations rated positive in sustainability benefited 24 countries, including Uruguay (6 operations), Ecuador (5), Argentina, and Paraguay (4 operations each). These 61 operations were in 16 sectors. The sectors with the highest percentage of operations with positive sustainability ratings include Energy (4 operations out of 4), Science and Technology (4 operations out of 4), Private Firms and Small and Medium Enterprises (3 operations out of 3), and Health (3 operations out of 3). This disaggregation is illustrative and should be interpreted with caution because of the small number of operations in certain sectors. Box 2.5 describes an example of a project with a positive sustainability rating (2.5.a).

2.20 **The sustainability of 15 operations (20%) was rated negatively, mostly due to internal continuity risks.** Operations rated negative in sustainability were affected by risks to the continuation of results (11 operations), unsatisfactory E&S performance (1 operation), or a combination of both (3 operations). Fourteen (14) operations faced internal continuity risks that had not been mitigated at project closure and whose impact was likely to be significant, such as insufficient financial resources, shortcomings in local institutional capacities, low commitment from key stakeholders, as well as external risks, such as uncertain economic or political environments. The operations with unsatisfactory E&S performance (including operations that faced only E&S issues or a mix of E&S issues and continuity of results) had problems that remained unresolved at project closure and compromised their sustainability, including weak environmental management capacity or incomplete resettlement and compensation processes. Two of these operations did not include sufficient information on whether or how E&S issues had been adequately resolved at project closure. Box 2.5 provides an example of a project with unsatisfactory safeguards performance at project closure (2.5.b).

Box 2.5. Examples of projects' sustainability assessments

a. A $100 million Urban Development and Housing investment loan to Argentina, approved in 2017, earned an Excellent rating for sustainability because all the infrastructure it supported was transferred to competent agencies with regular budgets for maintenance and operation. The *First Operation of the Urban Integration Program and Social and Educational Inclusion of the Autonomous City of Buenos Aires* (AR-L1260) had two objectives: (a) to provide urban infrastructure and quality social facilities and improve the living conditions in a neighborhood in Buenos Aires, and (b) to improve the quality of education in Buenos Aires. Activities included constructing headquarters for the Ministry of Education, three schools, urban infrastructure (such as an aqueduct and green spaces), as well as implementing a comprehensive educational management system with student evaluations and pedagogical feedback and providing technology, connectivity and furniture adapted to new teaching methodologies. The headquarters of the Ministry of Education and the new schools were integrated into the state education system with guaranteed resources for their operation, the built aqueduct was transferred to the AySA company, which manages its maintenance, and 19,500 m^2 of public spaces were transferred to the Ministry of Public Space and Urban Hygiene for maintenance. On that basis, both management and OVE rated the sustainability of the project as Excellent.

b. A $320 million Transport programmatic PBL to Honduras, approved in 2018, received a Partially Unsatisfactory rating for sustainability because the government did not ensure the approval, implementation, or continuity of some reforms. The aim of the *Reform Program for the Freight Transport and Logistics Sector of Honduras* (HO-L1198 HO-L1206 HO-L1219) was to improve Honduras' coordination performance through regulatory, institutional, planning and trade facilitation reforms. The policy actions included, among many others: submitting a National Logistics Law to the National Congress of Honduras, creating a National Logistics Council, and implementing an Immediate Action Plan and a Master Plan for the Northern Logistics Conglomerate. Several other actions were taken. However, the Government of Honduras did not take key decisions needed to ensure the operational continuity of the National Logistics Council, finalize the approval of the National Logistics Law, continue implementing the Immediate Action Plan, or initiate the execution of the Master Plan for the Northern Logistics Conglomerate. This presents risks to sustainability because government priorities could change. On this basis, Management and OVE both rated the sustainability of the program as Partially Unsatisfactory.

Source: OVE, based on PCR contents and OVE's validation notes.

2.21 **The PCR guidelines for Financial Institutions (FI) do not provide specific guidance on how to assess sustainability, creating ambiguity about the most appropriate methods.** Evaluating projects with FIs requires distinct approaches compared to other types of operations. While PCR guidelines suggest assessing effectiveness of FI projects through the growth of the relevant sub-portfolio and efficiency metrics by measuring portfolio quality (typically using the ratio of NPLs), they do not address sustainability, leading to inconsistent practices at the time of rating these projects. For instance, a high NPL ratio could signal sustainability concerns, but it could also signal an increase in the SME portfolio, which typically would have higher risk, hence higher probability of defaults. Other indicators, such as the profitability of end-beneficiaries or bankruptcy rates, could offer a more robust basis for assessing sustainability. In the absence of clear guidance, sustainability in FI operations may not be adequately captured, making it difficult to draw accurate conclusions or lessons. Considering the importance of using Fis' platforms and other Financial Service Providers to reach underserved beneficiaries, it would be important to develop clear sustainability criteria for these types of operations.

6. Non-core criteria ratings

2.22 **The PCR Guidelines also stipulate the assessment of two non-core criteria: Bank performance and Borrower performance.** The first concerns the quality of services provided by the Bank during the life of the project. The assessment of Bank performance takes into consideration two dimensions: (1) Bank performance in ensuring quality at entry; and (2) the quality of Bank supervision. The second non-core criterion concerns the effectiveness with which the Borrower complied with its responsibilities. The assessment focuses on the extent to which the Borrower ensured the quality of preparation and implementation of the operation and complied with covenants and agreements toward the achievement of development results. Non-core criteria are rated but do not count toward the project's overall outcome (See Figure 1.1).

2.23 **Bank performance was rated positive for 62 of 76 validated operations (82%).** The Bank adequately carried out the preparation and approval of the 62 operations rated positive to facilitate readiness for implementation, including adequate risk assessments and Monitoring and Evaluation (M&E) frameworks. The Bank also provided timely support to executing agencies during project implementation. Fourteen (14, 18%) operations were rated negative, including 13 with shortcomings in both preparation and supervision and 1 with shortcomings only in supervision.

- **Preparation.** Among the 13 operations with preparation shortcomings, the most frequent problem was the poor identification of risks and mitigation mechanisms related to technical, financial, and institutional aspects (12 operations). Another frequent shortcoming was weaknesses in the design of the M&E framework (9), including the selection of indicators that were inadequate to measure the expected outcomes (7), as well as weaknesses in their vertical logic (7). While 61% of the validated projects were approved before the introduction of the PCR guidelines in 2018 (or the specific guidelines for IDB credit lines in 2020), the inclusion of appropriate M&E frameworks and indicators at the time of project design is a key requirement to assess Bank's performance, including for projects approved before the introduction of the guidelines.
- **Supervision.** Among the 14 operations with supervision shortcomings, the most prevalent issues were the deficiencies in project monitoring (8 operations), which usually included failure to correct M&E design issues (e.g., lack of baselines and targets for indicators) or to reflect project changes during execution (e.g., modifications in outputs) in the results matrix. Another frequent shortcoming concerned challenges that arose during implementation that were not addressed on time (7), including risks that materialized but were not mitigated.

2.24 **Borrower performance was rated positive for 55 of 76 operations (72%).** For these 55 operations, the borrower showed commitment, supported the quality of preparation and implementation of the operation, and complied with the covenants and agreements established with the Bank. Twenty-eight percent of the 21 operations with negative ratings lacked timely resolution of implementation issues (15) and adequate monitoring and evaluation arrangements, including the utilization of monitoring and evaluation data in decision-making and resource allocation. Fourteen of the 28 operations also had shortcomings in readiness for implementation, implementation arrangements, appointment of key staff, and resource allocation. Twelve projects had problems fulfilling fiduciary responsibilities (financial management; governance; procurement; reimbursements; compliance with covenants, including environmental and social safeguards policies). Additional shortcomings included lack of coordination with partners/stakeholders (6 projects), limited borrower's commitment to achieving development objectives (4 projects) and problems with the adequacy of transition arrangements after project closure (3 projects).

B. IDB Invest results in 2025

2.25 **In 2025, OVE validated 59 XSRs for IDB Invest.** Management prepared 59 XSR for 61 IDB Invest projects[14] that reached Early Operation Maturity (EOM)[15] between 2016 and 2023.[16] The cohort includes 32 loans (52%), six bonds (10%), four senior loans (7%), three credit lines (5%), three reverse factoring projects (5%), three combined operations (5%),[17] and eight operations of other types of instruments (16%).[18] While the reported operations were implemented in 15 of the 26 IDB Invest's borrowing countries, more than half of these operations benefited five countries: Mexico (11 operations, 19%), Ecuador (7 operations, 12%), Colombia (6 operations, 10%), Chile and El Salvador (5 operations, 8%, each one). Additionally, this cohort included five regional projects. All validated operations were approved between 2014 and 2021, with almost all of them approved post-Merge Out[19] (57 operations, 97%). Forty-six operations (77%) reached EOM in 2023, while the remaining ones achieved EOM in 2022 (8 operations, 14%), 2021 (4 operations, 7%), and 2016 (1 operation, 2%). In terms of business segments, 47% (28 operations) were from the Financial Institutions (FI) segment, 41% (24) from the Corporates segment, and 12% (7) from the Infrastructure and Energy (INE) segment. More than three quarters of operations were focused on three sectors: Financial Markets (28 operations, 47%), Agriculture and Rural Development (10 projects, 17%), and industry (7 operations, 12%) (Figure 2.7).

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14 This cycle includes two joint XSRs, each covering a pair of operations. Hereafter, references to operations or projects refer to the 59 XSRs rather than the 61 operations.

15 At IDB Invest, XSRs are prepared after operations have reached "early operating maturity" (EOM), indicating that the operation is sufficiently mature, has had enough time to achieve results, and is ready for evaluation. Factors determining EOM vary by project type (see details in XSR Guidelines, Annex II).

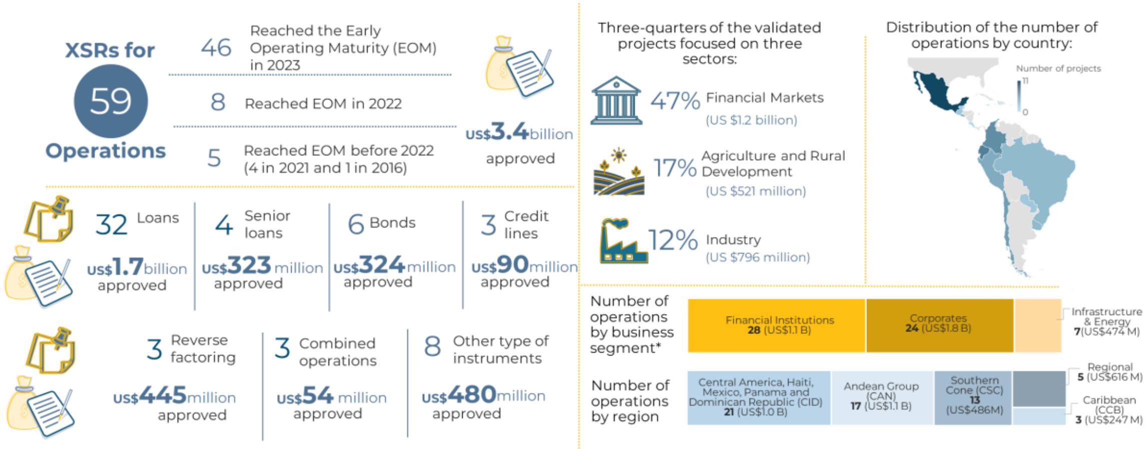
16 Operations in this validation cycle were expected to have reached EOM in 2024. For those that did so before, their EOM dates were not detected on time, or they were in Special Assets.

17 The combined operations were: one loan with a credit line, one loan with a guarantee, one loan with a subordinated loan, and one senior loan with a guarantee.

18 The other type of instrument category includes: two guarantees, two supply change finance projects, one convertible loan, one debt security, one subordinated loan, and one subordinated loan.

19 The Merge Out was a process that consolidated the private sector lending activities of the IDB and the Inter-American Investment Corporation (IIC) into IDB Invest. It took effect on January 1, 2016.

Figure 2.7. Characteristics of IDB Invest operations with XSRs validated in 2025



Source: OVE, with data from IDB Invest (2016, 2025a, 2025b, 2025c, 2025d) and XSRs.
Notes: Instrument disaggregation follows the classifications reported in the XSRs by Investment Officers and may differ from system classifications, as officers can adjust them or disaggregate them in the XSR to better reflect the instrument based on project characteristics. Approval data up to December 31, 2024. Total approved amount in parentheses. The other type of instrument category includes: two guarantees, two supply change finance, one convertible loan, one debt security, one subordinated loan, and one bond operations. Distribution of projects by country excludes five regional projects validated in this cycle that cover different countries. *OVE and Management agreed to report one series project as part of the Financial Institutions business segment, and one project under Corporates to better align disaggregation with each project's characteristics.

2.26 **In 2025, six projects exited the Special Assets portfolio (SAT)**. SAT operations refer to financially impaired projects that are managed by IDB Invest's Special Assets Team,[20] typically involving non-performing transactions, restructurings, or legal proceedings aimed at recovering value**.** Since 2022, OVE has reported SAT operations for accountability purposes, following OVE's recommendation in the OVE's Review of Project Completion Reports and Expanded Supervision Reports: The 2021 Validation Cycle report (Document RE-565). Accordingly, since then, Management has assessed whether each SAT operation is evaluable and has decided if an XSR can be prepared. OVE reports SAT operations as follows: (i) if an XSR is prepared, it is validated by OVE under the standard guidelines and the operation is included in the annual cohort of validated operations; (ii) if no XSR is prepared, the operation is not validated[21]. In this validation cycle, management prepared XSRs for two out of the six projects that exited the SAT portfolio. OVE validated these two XSRs, while the other four were deemed not evaluable by IDB Invest; therefore, no XSRs or validations were prepared. These four operations reached EOM in 2016, 2020, 2021, and 2023.

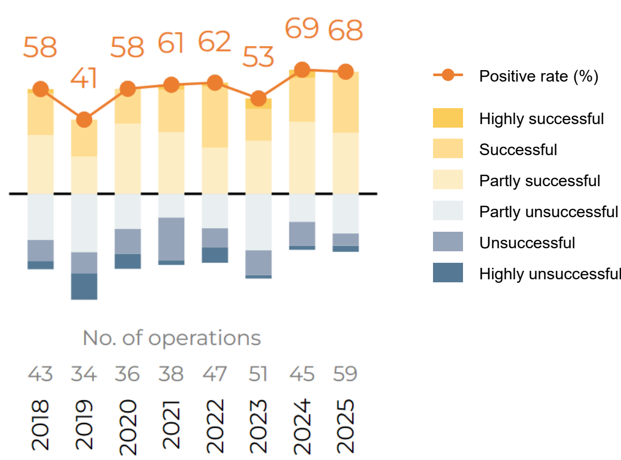
20 The Special Assets Division (SAT) at IDB Invest manages the financially impaired portfolio, seeking to maximize recoveries and preserve capital through recovery strategies.

21 In the 2022 and 2023 cycles, projects that exited the SAT portfolio were assigned a negative overall outcome rating but were excluded from the other core criteria ratings. In the IDB and IDB Invest Management's Response to IDB Group Project Performance: The 2024 Validation Cycle (Document RE-606-1), it was agreed that these projects will be excluded from the general ratings and reported separately for accountability purposes.

1. Overall outcome ratings

2.27 **Of the 59 validated operations, 40 (68%) achieved a positive overall outcome rating, with variations mainly across business segments and approval periods.** At 68%, the 2025 rate confirms a positive, sustained improvement compared to earlier validation cycles (2018–2024). The 2025 overall rating is above the 65% multi-annual target established in the 2024–2030 Impact Framework.[22] Fifty-seven (57) operations (97% of the reported) fell in the middle four ratings (“unsuccessful,” “partly unsuccessful,” “partly successful,” and “successful”). Relevance was the highest-rated core criterion, with 95% of operations rated positive, followed by sustainability (73%), efficiency (63%), and effectiveness (42%) (Figure 2.9). The proportion of operations with positive overall outcome ratings differs across business segments, approval periods, and regions. However, these comparisons should be interpreted with caution because of the small number of operations in certain groups.[23] By business segment, 71% (20) of the operations in the Financial Institutions (FI) segment were rated positive, 67% (16) of the Corporates operations and 57% (4) of the Infrastructure and Energy (INE) operations were rated positive. By approval period all pre-merge-out operations[24] were rated negative (2), and 70% of post merge-out operations (40) were rated positive. There were also differences in overall outcome ratings across regions: while 71% of the operations from CAN, 69% from CSC and 67% from CID had positive ratings, only 33% from CCB did; 80% of the regional projects had positive ratings**.**

Figure 2.8. IDB Invest Operations Overall outcome (2018-2025)



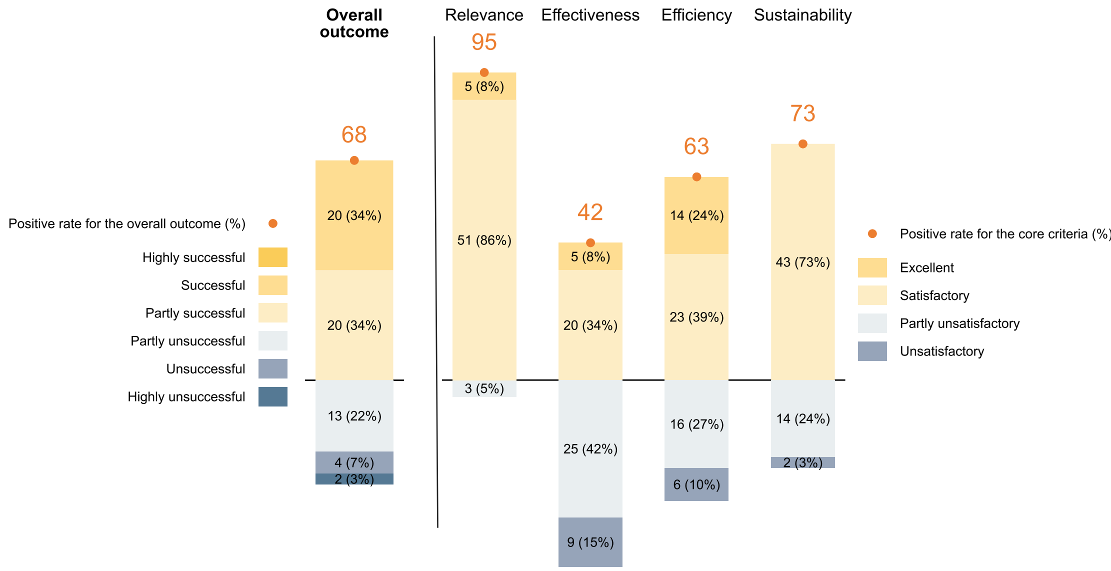
Source: OVE.

22 According to the Impact Framework (Document GN-3195-8), this is a Type C indicator, which has a target that applies to the entire 2024–2030 period and is assessed as a weighted average at the end of that period.

23 Section III briefly discusses IDB Invest performance by business segments, subregions, and approval period (pre- and post-merge out) using a larger number of validated operations during 2018-2014.

24 One out of three projects approved pre-merge-out exited the Special Assets portfolio and no XSR was prepared.

Figure 2.9. IDB Invest operations ratings, 2025



Source: OVE.
Notes: N = 59. Percentages may not sum to 100 due to rounding.

2. Relevance

2.28 **Relevance ratings were positive in 56 of the 59 validated operations (95%).** These operations had objectives that were aligned with country development needs, and IDB Group priorities, including IDB Group Country Strategies (CSs). These operations also had adequate project designs, with evidence supporting the cause-and-effect relationships between proposed outputs and outcomes (sound vertical logic). The analysis confirmed that the key assumptions underpinning the results chain held during implementation and that the project addressed the identified market failures. Changes during implementation did not affect the vertical logic of these operations. These 56 operations benefited 15 countries, with the majority in Mexico (11), Colombia (6), Ecuador (6), and Chile (5). Additionally, all regional operations validated in this cycle received positive ratings. These 56 operations were in 10 sectors. The sectors with the highest percentage of operations with positive relevance ratings include Agriculture and Rural Development (10 out of 10), Energy (5 out of 5), Industry (6 out of 7) and the financial markets sector (26 out of 30) This disaggregation is illustrative and should be interpreted with caution because of the small number of operations in certain sectors. The 3 operations rated negative had design shortcomings such as limited assessment of market conditions (1), a weak vertical logic from design (2), and during implementation (1). These factors are not mutually exclusive. Box 2.6 provides an example of an operation with a positive relevance rating (2.6.a) and an example of an operation with relevance shortcomings (2.6.b).

Box 2.6. Examples of IDB Invest projects' relevance assessments
a. A IDB Invest bond in Colombia, approved in 2020, earned a positive rating on relevance because its design was aligned with clear strategic priorities for the country and for the IDB Group. The project objectives were to increase access to financing for women-led small and medium enterprises (WSMEs) and women-owned social housing. The project consisted of the issuance of a social bond to support the expansion of its credit portfolio for these segments. Both were clear strategic priorities for the country and the IDB Group. The design was a social bond of appropriate currency and tenor. On that basis, Management and OVE both rated the project's relevance as Excellent.
b. A IDB Invest senior loan in Ecuador, approved in 2017, received a negative rating on relevance because it supported a non competitive firm and had a weak results matrix. The project objectives were to increase productivity, increase purchases of raw materials from local suppliers, create jobs and transfer know-how and innovation. The project aligned with IDB Group's strategic priorities and the country's national development goals. However, the project's reliance on significant import protection in an oligopolistic market, combined with the results matrix failing to focus on key development objectives (e.g., productivity growth) detracted from the project's relevance. On that basis, both Management and OVE rated the project's relevance as Partly Unsatisfactory.

Source: OVE based on XSR contents and OVE's validation notes.

3. Effectiveness

2.29 **Effectiveness ratings were positive for 25 of the 59 validated operations (42%).** The 25 operations rated positive achieved more than half of their objectives, and attribution of outcomes to the operation was plausible. For an objective to be considered achieved, its targets must have been largely reached (i.e., at least at 80 percent). The 25 operations with positive effectiveness ratings benefited 15 countries, 5 of them in Mexico, and 3 each in Chile, El Salvador, and Peru.[25] These 25 operations were in 10 sectors. The sectors with the highest percentage of operations with positive effectiveness ratings include Energy (5 out of 5), Urban Development and Housing (1 out of 2), Financial Markets (12 out of 28) and Agriculture and Rural Development (3 out of 10). This disaggregation is illustrative and should be interpreted with caution due to the small number of operations in certain sectors. Box 2.7.a provides an example of an IDB Invest operation with a positive effectiveness rating.

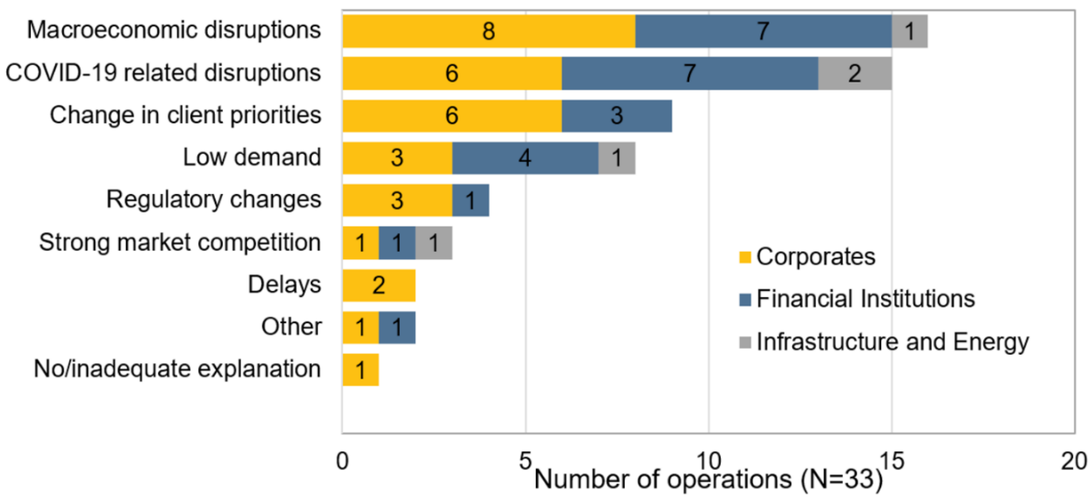
2.30 **Operations with a negative effectiveness rating (34 operations) were most often affected by unmet outcome targets (33 of 34).** Of the 34 operations with negative ratings, 27 were solely affected by unmet outcome targets, 1 by shortcomings in reporting only, and 6 by both unmet outcome targets and reporting shortcomings. The corporate (CO) segment had the highest share of negative ratings, with 70% of projects (16 out of 23) rated negatively, followed by the financial institutions segment with 54% (15 out of 28), while the infrastructure and energy segment had a lower proportion, with only 38% (3 out of 8) of operations receiving negative ratings. Box 2.7 provides an example of an IDB Invest operation with a negative effectiveness rating (2.7.b).

2.31 **The most frequent reasons for unmet outcome targets were external shocks, including macroeconomic shocks and the COVID-19 pandemic.** Among the 33 operations with unmet outcome targets, the most frequently cited reasons were macroeconomic shocks (16), as well as repercussions from the pandemic (15 operations). Another 14 operations were affected by market conditions; of these about half (8) experienced low demand, while the others encountered diverse

[25] Country disaggregation excludes the five regional validated operations that cover more than one country. Two out of them rated positive in effectiveness.

types of challenges, including regulatory changes (4) or strong market competition (3). Macroeconomic conditions influenced 16 operations in 10 countries stemming from issues related to inflation, nationwide protests, or international price volatilities. Reasons related to changes in clients' strategies and operations affected the achievement of outcome targets in 9 cases. For example, some financial institutions changed their focus as they shifted lending to segments not targeted by the operation. One operation was lacking an adequate explanation for not achieving one of its objectives. Reasons for unmet outcome targets do not vary much depending on the business segment. (Figure 2.10).

Figure 2.10. Factors behind unmet outcome targets by business segment, IDB Invest operations



Source: OVE's categorization, based on XSR contents and OVE's validation notes.
Notes: Numbers do not sum to 33 because reasons are not mutually exclusive. The "Other" category includes a case of fraud and a dispute with a supplier.

2.32 **Reporting shortcomings contributed to negative effectiveness ratings for 7 operations out of 59 in the 2025 validation cycle.** In 3 cases, missing data hindered verification of outcomes. In the remaining 4 cases, indicators were inadequate—either due to overly ambitious targets (3) or based on poorly defined baselines (1).[26]

2.33 **Equal weighting across objectives can provide misleading overall effectiveness ratings.** Like PCRs, under the XSR guidelines, all development objectives carry the same weight in assessing effectiveness, regardless of their scope or strategic relevance. To be rated positive, more than 50 percent of a project's objectives must be achieved, and no objective can be rated unsatisfactory. This approach leads to mechanistic assessments that in some cases cause strong performance in core areas to be overshadowed by weaker results in peripheral objectives. Under the current XSR (and PCR) guidelines, this cannot be addressed by applying judgment, which represents a limitation for both Management and OVE in fully capturing and conveying the achieved results. Box 2.7 provides an example of an operation where negative results in one objective determined the overall rating or the operation (2.7.c).

[26] These issues are not mutually exclusive.

Box 2.7. Examples of IDB Invest projects' effectiveness assessments

a. A Senior Loan in Chile, approved in 2020, earned a positive rating on effectiveness by exceeding the projected results. The project objective was to increase access to finance for Small and Medium Enterprises (SMEs). The main component of the project consisted of IDB Invest providing a loan to a non-bank finance company in Chile. The loan was provided so that the company could extend factoring loans to SME sub-borrowers. IDB Invest also provided advisory to help the company improve its SME segmentation and approach to the SME target segment. The borrower doubled the volume of its SME factoring support (compared to an expected growth of 12%) and tripled the number of its clients (compared to an expected growth of 25%). On this basis, both Management and OVE rated the effectiveness of the project as Excellent.

b. A Senior Secured Loan in Trinidad and Tobago, approved in 2020, received a negative rating on effectiveness because it did not achieve the projected results. The aim of the project was to increase access to housing financing for middle and lower middle-income families and individuals in Trinidad and Tobago. The project consisted of IDB Invest providing a loan secured by a pool of mortgages. It was expected that the loan would contribute to the project objectives by providing liquidity to a key player in the secondary market. The borrower's share of affordable loans increased (reaching 75% of its target), but the volume of loans shrank, and the total number of loans did not increase. As a result, both Management and OVE rated the project's effectiveness as Unsatisfactory.

c. A Subordinated Bond in Uruguay, approved in 2020, received a negative rating on effectiveness due to a methodological issue. The project sought to grow the social and green lending portfolios of a financial institution by issuing an unsecured subordinated sustainable bond. For the first objective—promoting the growth of the green portfolio—one indicator (Value of Loans Outstanding) surpassed its target (achievement 100%) and the other (Number of Loans Outstanding) reached 88%, yielding an average achievement of 94%. For the second objective—promoting the growth of the social portfolio—one indicator (Value of Loans Outstanding) achieved only 36%, while the other (Number of Loans Outstanding) significantly exceeded its target (achievement 100%), resulting in an average achievement rate of 68% and therefore a Partly Unsatisfactory rating. Overall, the average achievement rate of both objectives was 81%; three out of four indicators were achieved, and two surpassed their targets. However, under XSR guidelines, effectiveness ratings consider not only the average level of achievement but also whether all objectives were substantially met. Because the project had only two objectives and one was not achieved, it could not be rated Satisfactory, even though overall performance was high. OVE therefore rated effectiveness as Partly Unsatisfactory.

Source: OVE based on XSR contents and OVE's validation notes.

4. Efficiency

2.34 **The efficiency of IDB Invest projects is assessed by the extent to which the financial and economic benefits of the project exceed project costs, considering also the time-value of money.** Efficiency is rated considering the financial and economic performance achieved by the project. Specific benchmarks and metrics to measure efficiency consider the project type and business segment. Financial performance assesses the project's contribution to the company's financial results and the extent to which the project has delivered on the process and business objectives stated at approval. Financial performance is usually measured using metrics such as the Financial Rate of Return (FRR) or Return on Invested Capital (ROIC), benchmarked against the project's Weighted Average Cost of Capital (WACC). For Financial Institution operations, this performance is measured through the performance of the relevant sub-portfolio financed by the operation. Economic performance, on the other hand, evaluates the project's broader impact on the host economy beyond direct financial returns, i.e., if the benefits surpass the cost of capital after adjusting for economic distortions.[27] In addition, the XSR's efficiency

[27] This involves comparing the economic rate of return (ERR) or the economic return on invested capital (EROIC) with the WACC, accounting for all the costs and benefits to key economic stakeholders. For Financial Institution operations, the rating is based on the economic contributions of the sub-

assessment considers aspects of project design and implementation that either contributed to or reduced efficiency.

2.35 **Efficiency ratings were positive for 37 of the 59 validated operations (63%). For the 37 operations rated positive, the financial or economic performance was at least satisfactory.** This means that the project meets or exceeds its financial projections, with FRR or ROIC at least equal to the WACC, surpassing business objectives and demonstrating strong financial and operational performance. In the case of FI operations, there was evidence that the sub-portfolio had a positive effect on the intermediary's profitability. Projects were also positively rated for achieving economic benefits, such as generating employment, boosting productivity, or enhancing the financial viability of targeted sub-borrowers or investees. These 37 operations benefited 13 countries. Most of them were in Mexico (8), Ecuador (4), and Brazil, Colombia, El Salvador, and Peru (3 each). These 37 operations were in 10 sectors. The sectors with the highest percentage of operations with positive efficiency ratings include Urban Development and Housing (2 out of 2), Agriculture and Rural Development (7 out of 10), and Financial Markets (17 out of 28). This disaggregation is illustrative and should be interpreted with caution because of the small number of operations in certain sectors. Box 2.8 provides an example of an operation with a positive efficiency rating (2.8.a).

2.36 **Among the 22 operations rated negative, 17 had both financial and economic efficiency shortfalls, 2 only economic shortfalls, and 3 only financial shortfalls**. The benefits of these projects fall below their respective benchmarks. In several cases, the operation's financial or economic returns were lower than the cost of capital (8 operations) (e.g., ERR or ROIC below the WACC). In addition, among these negative-rated operations, those involving financial institutions (FIs), were rated low due to low borrower repayment rates (6) or limited portfolio expansion (4). Box 2.8 provides an example of an operation with a negative efficiency rating (2.8.b).

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borrowers, the evidence that the borrowers are repaying their loans (typically expressed as non-performing loans -NPLs-), or the comparison of the gross equity fund portfolio return with respect to its weighted average cost of capital (WACC).

Box 2.8. Examples of IDB Invest projects' efficiency assessments
a. An A-loan in Uruguay, approved in 2019, earned a positive efficiency rating because the client achieved strong financial performance. The project aimed to expand agro-industrial production, increase innovation in products and processes, and grow exports through financing of productive infrastructure. It consisted in providing financing to an Agro-industrial company. Both the return on invested capital (ROIC) and the economic return on invested capital (EROIC) were over 4.5 times the weighted average cost of capital (WACC). As a result, both Management and OVE rated the project's efficiency as Excellent.
b. A loan guarantee in Mexico received a negative efficiency rating because it did not achieve its financial objectives. The client finances educational products for Mexican public-school teachers through payroll deductions. The project aimed to provide financing to the teachers, especially women and low-income teachers, by expanding the client's outstanding term sales in trust (credit sales not yet paid off, with ownership retained until payment). IDB Invest provided a revolving loan to fund teacher lending and designed a structure to bundle these loans as investor-backed bonds with an IDB partial guarantee. However, payment delays from state education agencies caused cash shortages and a 44% default rate. As a result, the trust holding loans as collateral for eventual securitization ran out of cash and closed before any bonds were issued. Consequently, the financing structure never produced the expected returns or long-term funding, leading both Management and OVE to rate efficiency as Partly Unsatisfactory

Source: OVE based on XSR contents and OVE's validation notes.

5. Sustainability

2.37 **Sustainability is an assessment of the conditions that could influence the continuation of the results already achieved and the achievement of future expected results during the lifecycle of the project.** Sustainability is assessed based on the likelihood and impact of threats to the continuation of outcomes beyond EOM and the success of mitigation measures in the project's design or execution. For IDB Invest operations, this assessment covers environmental, social, technical, financial, economic, and company governance aspects. Environmental and social (E&S) performance is measured against the IDB Group E&S standards. To be rated positive, the project should be in material compliance with E&S requirements at approval, including the implementation of the Environmental and Social Action Plans (ESAPs).

2.38 **Sustainability ratings were positive for 43 of the 59 validated operations (73%).** These 43 operations achieved results that were likely to continue over time and adhered to the E&S standards set by the IDB Group. Factors influencing project and company sustainability – such as financial and economic sustainability, governance, market, and technical considerations – were accurately identified and mitigated. Additionally, the client's overall profitability, adaptability, and prospects for sustainability and growth were assessed as satisfactory. These projects also properly implemented ESAPs to address potential gaps with respect to IDB Group E&S standards, whether anticipated during project design or identified later. No significant natural resource or other disasters, nor operational, sectoral, or country-specific risks, were anticipated to disrupt the continuation of results. These 43 operations benefited 12 different countries, with most of them in Mexico (9), El Salvador and Colombia (5 each), and Ecuador (4). These 43 operations were in 10 sectors. The sectors with the highest percentage of operations with positive sustainability ratings include Financial Markets (23 out of 28), Industry (5 out of 7), Agriculture and Rural Development (6 out of 10), and Energy (3 out of 5). This disaggregation is illustrative and should be interpreted with caution because of the small number of operations in certain sectors. Box 2.9 provides an example of an operation with a positive sustainability rating (2.9.a).

2.39 **The sustainability of the 16 operations with a negative rating was affected both by uncertainty surrounding the continuity of results and weak E&S performance.** Among the 16 operations rated negative, 6 were exclusively affected by the uncertain continuity of results, 6 exclusively by E&S performance, and 4 by both factors. Continuity of results was at risk due to unstable financial standing of the client (7 operations), which was often affected by external factors such as COVID or unfavorable macroeconomic context—as well as operational challenges (3) for example due to limited portfolio growth. E&S performance was affected by shortfalls in fulfilling requirements (10 operations), including delays in implementing E&S action plans, lack of timely reporting on critical events by the client, and missed report submissions. In three cases, the XSRs identified important E&S issues: two involving environmental management, including a case of allegations of improper waste disposal that resulted in a MICI Compliance Review Report, and one involving non-compliance with labor standards. Box 2.9 provides an example of an operation with uncertain continuity of results (2.9.b).

Box 2.9. Examples of IDB Invest projects' sustainability assessments

a. A Senior Loan in Peru, approved in 2019, earned a positive rating for sustainability by developing appropriate environmental and social safeguards and ensuring the client's financial sustainability. The project objectives were to increase urban development for first homes, financing for the purchase of urbanized lots, and the stock of social and sustainable housing. The project consisted in giving an enterprise dedicated to the business of urban site preparation and social housing a loan to provide long-term financing for the company's capital investments in urban development and housing expansion. The project developed an Environmental and Social Action Plan that included creating a comprehensive land acquisition and road safety management plan as well as the development of human resource policies and the calculation of greenhouse gas emissions. Environmental and Social Compliance Reports showed adequate performance and did not identify negative impacts on affected communities. While there were some identified risks for the operations going forward, the company's overall sustainability also appeared likely. As a result, both Management and OVE rated the project's sustainability as Satisfactory.

b. A project in Uruguay, approved in 2019, received a negative rating for sustainability due to issues with both financial sustainability and environmental and social sustainability. The project objectives were to increase and improve access to credit for agricultural producers in Uruguay and foster growth of the agricultural-forestry value chain. The project consisted of providing a machinery distributor with financing to offer long-term financing for new machinery. An Environmental and Social Action Plan was developed, but key commitments, including increased female workforce participation and establishing a greenhouse gas inventory, were not met. There was also a non-compliance issue with waste disposal, leading to a Corrective Action Plan, but it was unclear whether it was implemented. Moreover, the financial trust created for the project appeared not to be financially sustainable, did not offer competitive conditions, and stopped issuing loans, leaving an uncommitted tranche undisbursed. On that basis, both Management and OVE rated the sustainability of the project as Unsatisfactory.

Source: OVE based on XSR contents and OVE's validation notes.

6. Non-core criteria ratings

2.40 **Besides the core criteria, the XSR Guidelines also require the assessment of three non-core criteria: additionality, investment profitability, and work quality.** Non-core criteria are rated but do not count toward the project's overall outcome. For IDB Invest, additionality refers to the key financial and non-financial inputs it brings to make the project or investment happen, make it happen sooner than it would otherwise, and/or improve its development impact and sustainability.[28] The assessment of investment profitability considers the investment's gross profit contribution (net of financing cost and loss provision but before deducing administrative costs) with rating benchmarks set in relation to corresponding at approval standards for minimally expected performance.[29] Finally, the work quality assessment takes into consideration (1) pre-commitment work at entry, i.e., screening, appraisal, and structuring/underwriting, and (2) the monitoring and supervision of the operation following commitment/guarantee issuance.

2.41 **Of the 59 validated operations, 57 (97%) were rated positive on additionality, and 54 (92%) were rated positive on investment profitability.** Fifty-seven (57) operations provided the client with either financial or non-financial additionality. The two operations with negative additionality ratings reflected limited financial additionality, given IDB Invest's early exit after loan prepayment in one case and the client's limited use of a revolving facility—preferring local financing—in the other. The 54 operations with positive ratings on investment profitability had gross profits that met or exceeded the benchmarks set at approval, while 5 operations missed the benchmarks due to prepayments or due to a risk of default for one loan.

2.42 **Work quality ratings were positive for 28 of 59 operations (47%).** For the 28 operations rated positive, IDB Invest effectively carried out its screening, appraisal, and structuring work prior to approval and commitment of the investment. Moreover, IDB Invest adequately executed its responsibilities following the commitment of the investments, including the monitoring and supervision of project risks, E&S performance, and development results. Of the 31 operations rated negatively on work quality, 25 had shortfalls exclusively during preparation, 6 in both preparation and supervision. The most frequent shortcomings affecting work quality during the structuring phase were related to M&E aspects (22), including deficiencies in the results matrices and indicators, as well as inadequate risk assessments (12) or economic assessments (12). During supervision, IDB Invest did not collect key data from the client in 3 operations and did not fully comply with environmental and social requirements in 3 others.

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28 Financial additionality refers to the terms and conditions offered by IDB Invest and the resources it mobilizes from third parties. Non-financial additionality refers to non-financial products and services provided by IDB Invest to maximize the impact of projects and reinforce client's capabilities (e.g., mitigating risks). It also includes generating knowledge and supporting innovation and capacity building. According to the XSR Guidelines, ''the assessment of additionality considers IDB Group's value proposition in providing support to the project''. ''The assessment and rating are based on the counterfactual assessment of how the operation would have (or would not have) proceeded without IDB Group's support''. For a positive rating (at least a Satisfactory rating), ''it is clear that: a) the project would not have gone ahead without IDB Group or b) absent the IDB Group, i) it would have entailed an unfair or inefficient allocation of risks and responsibilities or ii) it would have been weaker in business, developmental, social or environmental terms''.

29 Specific standards and benchmarks are considered for loans, equity investments, guarantees, and operations with more than one type of investment.

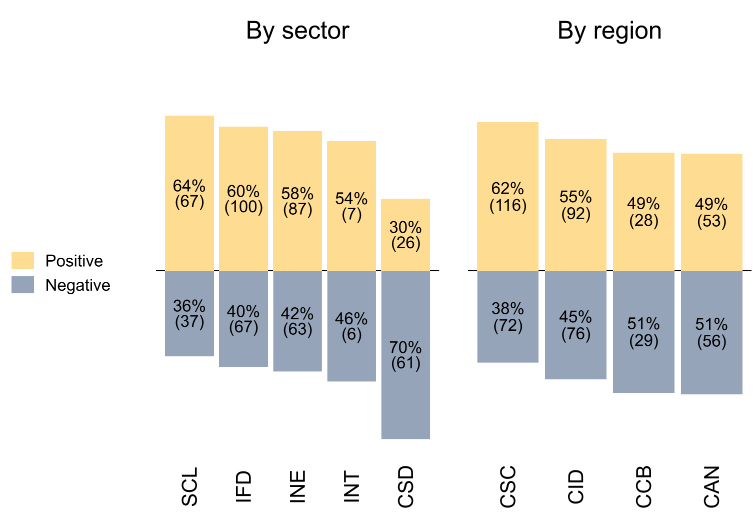
III. PERFORMANCE OVER TIME BY SECTORS AND SUBREGIONS

3.1 **This section compares the average overall outcome ratings of the last seven validation cycles to identify patterns of performance of relevant groups of IDB and IDB Invest operations.** The analysis encompasses 523 IDB operations and 353 IDB Invest projects, validated by OVE, for the period from 2018 to 2025. Results should be interpreted with caution for two reasons: (i) the ratings are sensitive to the limited number of operations in certain groups, and (ii) the results for IDB need to consider the adjustments in the PCR guidelines in 2020 that included, for example, additional guidance for specific project types, loan instruments, and efficiency analysis.

A. IDB performance

3.2 **The proportion of IDB operations with positive overall outcome ratings differs across sectors and regions.** Half or more of the 434 operations validated in the 2018–2025 period in the Social (SCL), Infrastructure and Energy (INE), Institutions for Development (IFD), and Integration and Trade (INT) sectors achieved positive overall outcomes. The 87 operations of the Climate Change and Sustainable Development (CSD) sector had a 30% positive overall outcome rating, driven by relatively low effectiveness and sustainability ratings. By region, the Southern Cone (CSC) and Central America, Haiti, Mexico, Panama, and the Dominican Republic (CID) had overall outcome rates above 55 percent, while the Andean Group (CAN) and the Caribbean (CCB) achieved 49% (Figure 3.1). These results should be interpreted with caution, particularly for groups with a small number of validated operations, such as the Integration and Trade Sector (13 operations).

Figure 3.1. Overall outcome ratings for all IDB operations validated in 2018–2025

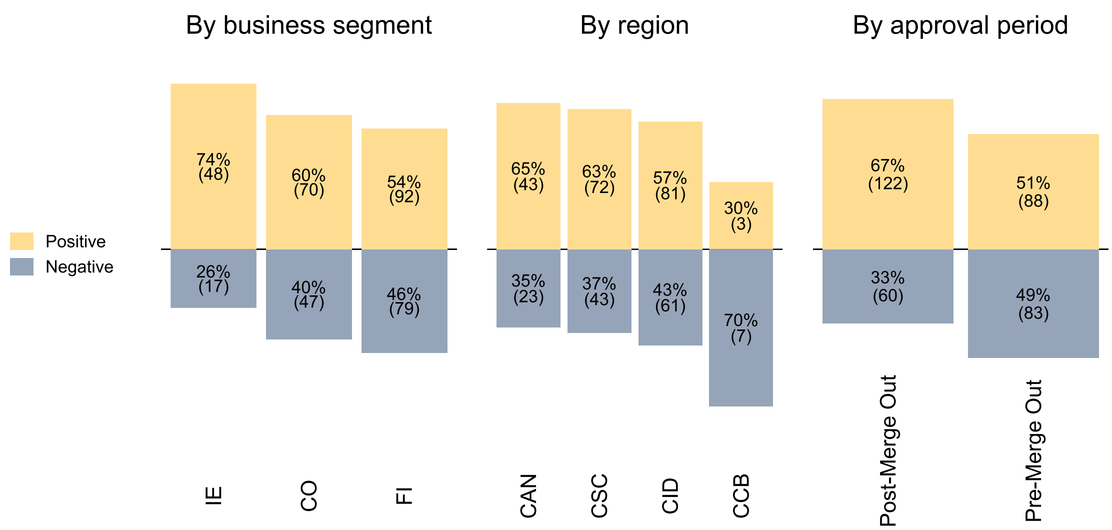


Source: OVE
Notes: Number of operations in parentheses. Acronyms by sector: SCL=Social Sector, INE=Infrastructure and Energy, IFD=Institutions for Development, INT=Integration and Trade, and CSD=Climate Change and Sustainable Development Sector. Acronyms by region: CSC=Southern Cone, CID=Central America, Haiti, Mexico, Panama, and the Dominican Republic, CAN=Andean Group, and CCB=Caribbean. Out of 523 operations validated by OVE during the period, sector data excludes two operations shared by different sectors, and regional data excludes one regional operation.

B. IDB Invest performance

3.3 **The proportion of IDB Invest operations with positive overall outcome ratings differs across business segments, regions, and between pre– and post–merge–out operations.** Seventy-four percent of the 64 projects validated in the 2018–2025 period in the Infrastructure and Energy segment (IE) had positive overall outcome, versus 60% of the 117 projects of the Corporate (CO) and 54% of the 171 Financial Institutions (FI) projects. The proportion of operations with positive ratings in overall outcomes in the Andean Group (CAN) and the Southern Cone (CSC) is above 60%; in Central America, Haiti, Mexico, Panama, and the Dominican Republic (CID) it is 57%, while in the Caribbean (CCB) it is 30%. The results of the Caribbean should be interpreted with caution because the data only includes 10 projects. Finally, the proportion in post-merge-out–operations was 16 percentage points higher than in pre-merge–out operations (Figure 3.2).

Figure 3.2. Overall outcome ratings for all IDB Invest operations validated in 2018–2025



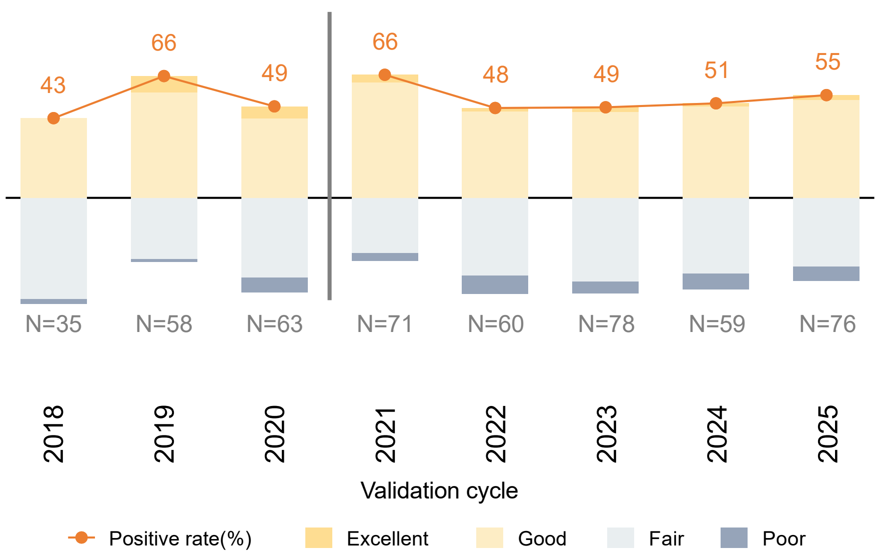
Source: OVE.
Note: Number of operations in parentheses. Acronyms by business segments: IE=Infrastructure and Energy, CO=Corporates, and FI=Financial Institutions. Acronyms by region: CAN=Andean Group, CSC=Sothern Cone, CID=Central America, Haiti, Mexico, Panama, and the Dominican Republic, and CCB=Caribbean. Out of the 353 IDB Invest operations validated by OVE during the period, regional analysis excludes 20 regional operations. SAT operations without XSRs are excluded from this analysis (4 in 2022, 2 in 2023, and 4 in 2025).

IV. Quality of Self-Evaluations and Differences between Management's and OVE's Ratings

A. Quality of PCRs

4.1 **Slightly more than half (55%) of the PCRs received a positive quality rating (excellent or good).** OVE assesses the quality of PCRs using a four-point scale that rates compliance with PCR guidelines, completeness and candor, quality of evidence and analysis, consistency, and the articulation of lessons learned (Table 1.3). In this cycle, of the 76 PCRs reviewed, OVE rated 55% (42) as positive. Among the 34 PCRs (45%) rated negatively, most showed multiple shortcomings: 91% (31) in completeness and candor, 91% (31) in the quality of analysis, 79% (27) in the quality of evidence and data provided, 62% (21) in consistency, and 44% (15) in the articulation of lessons learned—reducing their overall usefulness for institutional learning (Figure 4.1).

Figure 4.1. Quality of PCR positive ratings over time (2021-2025)



Source: OVE.
Notes: The number of PCR per year may vary to the number of operations validated because Management could prepare one PCR for different operations.

4.2 **Quality shortcomings were more prominent in effectiveness and efficiency criteria.** Shortcomings related to relevance were present in 9 PCRs (26% of PCRs with negative quality rating), including weak analysis of initial alignment with country realities and insufficient assessment of how implementation changes affected relevance. Those related to effectiveness affected 30 PCRs (88%) including inadequate indicators (e.g., missing baselines or targets), poor attribution analysis, and insufficient explanations for target outcomes. Those related to efficiency were present in 18 PCRs (53%) including unreliable assumptions, lack of sensitivity analysis, and missing information in cost-benefit or cost-effectiveness analyses.[30] As mentioned earlier, for some of these projects, conducting a cost-

[30] PCRs with quality shortcomings in efficiency used different types of efficiency analysis, including cost-benefit analysis (in two cases OVE reverted to using a cost and time overrun analysis instead), cost-effectiveness analysis, ratio of non-performing loans.

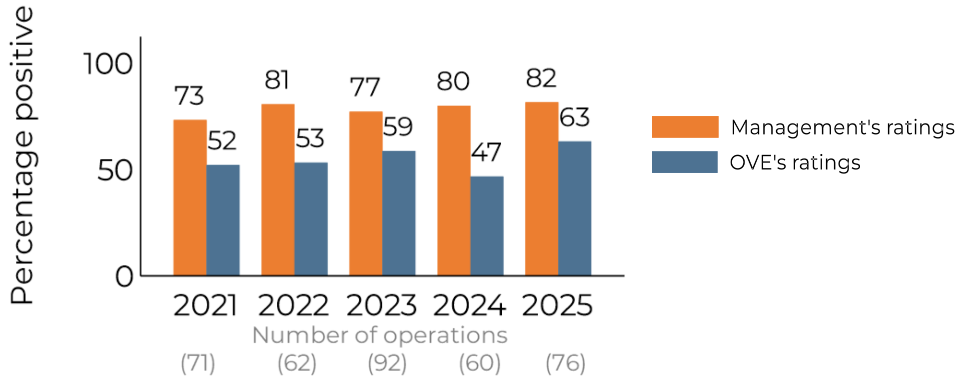
benefit or cost-effectiveness analysis was not a meaningful exercise, but the PCR and XSR guidelines mandate assessing efficiency for all projects, which has an impact on the efficiency ratings and on the ratings of the quality of PCRs. Those related to sustainability affected 14 PCRs (41%) including gaps in reporting on the continuation of results, risk mitigation, and safeguards. Finally, shortcomings related to non-core criteria (14 PCRs, 41%) included insufficient reporting on the performance of the Bank and borrowers.

4.3 **Quality deficiencies in effectiveness and efficiency were particularly common in self-evaluations of global credit lines.** All self-evaluations pertaining to global credit lines in this cycle were rated negatively in quality (6 out of 6), either for not applying or for only partially applying the relevant guidelines. Four of these operations were approved before the issuance of the Financial Institutions guidelines in June 2020, partly explaining the uneven application of requirements. All PCRs missed important indicators, which the teams submitted following OVE's request to provide them before closing the validation cycle. As a result, 72% (5 out of 7) of the credit lines were rated positively, but OVE rated the quality of the PCRs based on the original information included in the completion reports, which had shortcomings. One of the reasons for the lack of relevant information in the PCRs is the complexity of the credit lines guidelines, which lead to different interpretations of which indicators are required. The approval of special indicators for credit lines issued at the time of COVID-19 (including for example the use of NPLs to measure effectiveness in addition to efficiency), which were not consistent with the guidelines and did not capture well the project's performance, also added to the complexity of self-assessing and rating these projects.

B. Differences between IDB Management's and OVE's ratings

4.4 **Differences between IDB Management's and OVE's ratings are still high, but have decreased in 2024.** OVE rated 63% of 76 operations as having a positive overall outcome, versus 82% rated positive by Management, a difference of 19 percentage points (Figure 4.2). This is the second-lowest discrepancy since 2021, (the lowest was in 2023 with 18 percentage points). Last year, the discrepancy was 33 percentage points. Among the four core criteria, the discrepancies between OVE and Management have been lowest in the relevance and sustainability ratings and largest in the efficiency and effectiveness ratings (see Annex I). Yearly comparisons should be interpreted with caution, given the limitations caused by cohort sizes and inter-cohort differences in project characteristics.

Figure 4.2. Comparison of positive overall outcome ratings between Management's and OVE's assessment for IDB operations over time



Source: **OVE.**

Notes: The graphs include only periods (2021-2025) where ratings by Management and OVE are comparable across all validated operations. During 2018-2020 Management prepared PCRs using 2014 guidelines that applied a 0–1 numeric rating scale, while OVE has used the current ordinal scales in all cycles since 2017. The number of operations per year is rated for all criteria except efficiency, given that policy-based loans (PBLs) and the combined PBL and INV are not rated for this criterion. The number of operations for the efficiency assessment is 69 in 2021, 56 in 2022, 75 in 2023, 52 in 2024, and 60 in 2025.

4.5 **Changes in OVE's validation process contributed to the reduction in disparities between OVE's and management's ratings.** With the aim to gain a better understanding of – and reduce – the persistent large disconnects in ratings between OVE and Management, OVE revised its PCR validation process in 2025. The changes introduced entailed: (i) simplifying the validation process by reducing the number of reviews of individual projects, (ii) holding OVE's management reviews of all projects with disconnects, aggregated by instrument or topic; and (iii) increasing dialogue with management, including requesting missing data and information for completed PCRs (Box 4.1). These changes to the validation process led to reducing the disconnects from 29 projects (38%) after the first round of validation (March 2025) to 14 projects (18%) at the end (May 2025). Annex III provides information on the reasons for these changes. By facilitating further opportunities for interaction and context understanding, OVE aimed to ensure that the disconnects that remain at the end of the cycle incorporate all relevant information and reflect legitimate differences. Going forward, OVE plans to follow the process introduced in the current validation cycle and to further increase the dialogue with management at inception and throughout the preparation of the validation reports.

Box 4.1. Changes to OVE's PCR validation process introduced in the 2024 cycle and additional changes envisioned for the 2025 cycle

The main changes introduced to OVE's PCR validation process in the **2024 cycle** included:

- **Simplification:** removing consistency review for individual validations, which in the past had generated unnecessary loops between validators and consistency checkers.
- **OVE's Disconnect Meetings:** for all projects with a disconnect between OVE's and management's overall ratings, OVE conducted internal review meetings chaired by the Director with the program leader of the validation work, the relevant validators and peer reviewers and in some cases external experts on the area financed by the project or the financial instrument (or both). When possible, the meetings combined all projects with disconnects by instrument or area (e.g., all PBLs, all credit lines, investment loans in a sector).
- **Increased dialogue with management:** After the disconnect meeting, if needed, OVE's validators and peer-reviewers requested further clarifications or additional information from Management by email or arranged in-person meetings to facilitate communication and reduce misunderstandings.

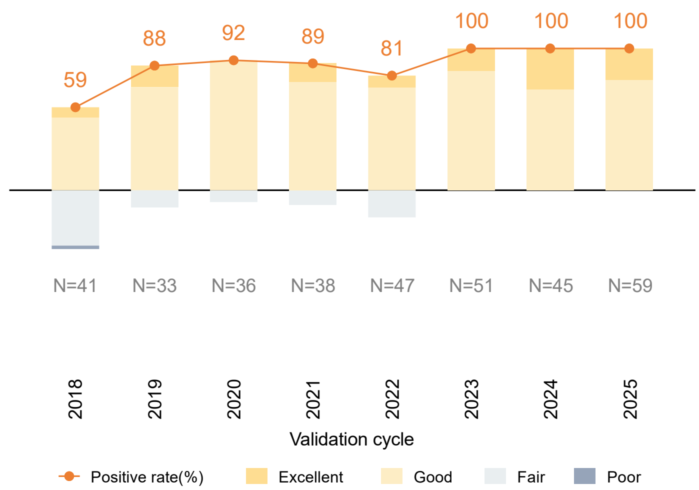
The 2025 validation cycle will follow the process introduced in 2024 and add**:**

- **Context Interview at the beginning of the validation process:** At the beginning of the validation process, validators will interview the PCR project team leader to have a broader overview of the projects and their context before starting the validation as well as to get a better understanding of the challenges faced during the lifetime of the project.
- **Exchanges with management throughout the validation process:** validators will contact management when in need of clarifications on the PCR self-assessments or for additional information to conduct the validations.

C. Quality of XSRs

4.6 **For the third year in a row, all validated XSRs were of satisfactory quality.** OVE assesses the quality of XSRs using the same rating criteria as those used for PCRs**.** In 2025, OVE rated the quality of all 59 XSRs delivered as positive, with 46 of them (78%) rated "good" and 13 (22%) "excellent." Overall, XSRs closely followed the guidelines, cited sufficient data to support their findings, captured results in a balanced and complete way, and provided evidence-based ratings and lessons. Since 2019, the proportion of XSRs with a positive quality rating has been above 80 percent every year (Figure 4.3).

Figure 4.3. Quality of XSRs ratings over time (2021-2025)

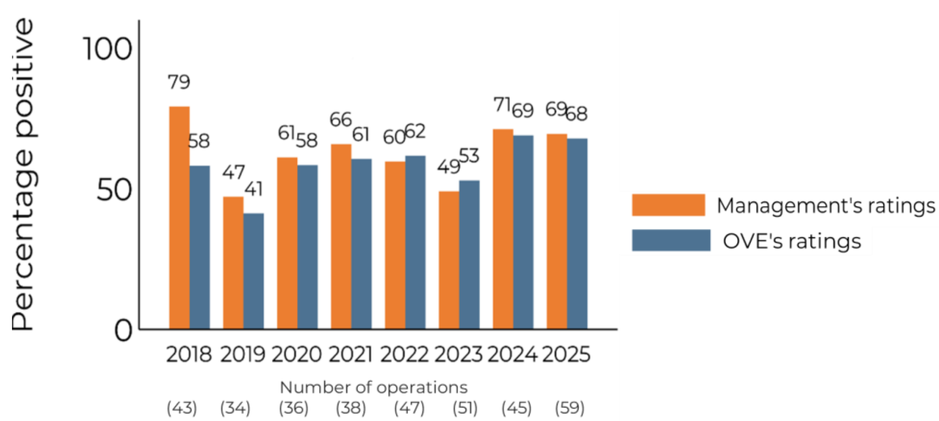


Source: OVE. *Notes: The number of XSRs analyzed in this criterion per year may vary from the number of projects validated, as management may prepare one XSR for multiple projects.*

D. Differences between IDB Invest Management's and OVE's ratings

4.7 **Similarly to previous years, ratings by IDB Invest Management and OVE have remained close in the 2024 validation cycle.** OVE's and Management's ratings of the overall outcomes of the 59 validated projects in 2025 were very close, with management rating positive 69% of the operations and OVE 68% [31]. The discrepancy in positive ratings for the overall outcome decreased from 21 percentage points in 2018 to just 1 percentage point in 2025 (Figure 4.4). A similar pattern is observed for the four core criteria. Yearly comparisons should be interpreted with caution, given the limitations posed by small cohort sizes and differences in project characteristics across cohorts.

Figure 4.4. Comparison of positive ratings between Management's and OVE's assessment for IDB Invest Operations over time



Source: OVE.

31 This analysis excludes the four operations that exited the Special Assets portfolio and did not prepare an XSR in this cycle.

V. CONCLUSIONS

5.1 **As part of its yearly validation exercise, in 2025, OVE validated 76 IDB and 59 IDB Invest projects for accountability and learning purposes.** Every year, IDB Group Management prepares self-evaluations of PCRs for closed IDB projects and of XSRs for IDB Invest projects that have reached early operating maturity. OVE validates the self-evaluations prepared by Management to ensure that the IDB Group has used resources effectively, efficiently, and sustainably to achieve projects' approved objectives (accountability purpose) and to identify lessons to inform the design and implementation of ongoing and future operations (learning purpose). Both IDB Group Management and OVE assess project performance using the PCR and XSR Guidelines. Projects' aggregate outcome ratings are based on the weight of four core criteria: effectiveness (40% weight) and relevance, efficiency, and sustainability (20% weight each). The weights for policy-based lending (PBLs) are: 60% for effectiveness and 20% for relevance and sustainability (efficiency is not assessed for PBLs). Management and OVE also rate non-core criteria, including Bank and Borrower performance for IDB; and Additionality, Work Quality, and Investment Performance for IDB Invest. Non-core criteria do not count towards the aggregate outcome rating. In 2025, OVE validated 135 operations, including 76 IDB operations and 59 IDB Invest operations; representing the second-highest number of validations after 2023 (143 operations), resuming the upward trend seen in the previous five cycles.

5.2 **OVE rated positively the overall outcome of 63% of the 76 IDB validated operations. The overall outcome was driven by high relevance, efficiency, and sustainability.** The 63% rate in 2025 resumes the upward trend observed between 2021 and 2023 and is a significant improvement compared to the 47% rate of 2024. OVE rated relevance positive for 62 (82%) of the validated operations, which had adequate designs and objectives aligned with country development needs, government priorities, and IDB Group Country Strategies. The operations that OVE rated negative (14) were mostly affected by weaknesses in their vertical logic. OVE rated effectiveness positively for 31 (41%) of the operations. These operations achieved more than half of their objectives with plausible attribution of outcomes. Most operations rated negative (45) were affected by a combination of unmet outcome targets and shortcomings in reporting. Efficiency was positive for 45 (75%) of the validated operations. These operations included robust analysis demonstrating that the cost incurred to achieve project results was reasonable. The 15 investment operations rated negatively were mostly affected by unreliable assumptions or assessments that covered less than the minimum amount of project resources (60%) required to assess efficiency. Finally, OVE rated sustainability positive for 61 (80%) of the operations. These operations achieved results likely to continue over time and adhered to the Environmental & Social (E&S) standards. The 15 negatively rated operations faced continuity risks or unsatisfactory E&S performance.

5.3 **OVE rated positively the overall outcome of 68% of the validated 59 IDB Invest operations. The overall outcome was driven by high relevance and sustainability.** At 68%, the 2025 IDB Invest's rate confirms a positive, sustained improvement compared to earlier validation cycles (2018–2024). IDB Invest's operations rated positively had objectives that were aligned with country needs and IDB Group priorities, and they had adequate vertical logic. The operations with negative relevance ratings (3) suffered from design shortcomings and weak vertical logic from design and during implementation. OVE rated effectiveness positive for 25 (42%) of the validated operations. The operations rated had more than 50% of their objectives largely or fully achieved, with no objective rated Unsatisfactory, and outcomes plausibly attributable to the operation. The operations that OVE rated negative (34) were affected by a combination of unmet targets and shortcomings in reporting, though the former was more common due mainly to external shocks, the COVID-19 pandemic, and changes in market conditions. OVE rated efficiency positive for 37 (63%) of the validated operations. These operations had financial and economic benefits exceeding their costs, considering the time-value of money. The 22 operations rated negative were mostly affected by low financial or economic returns. OVE rated sustainability positive for 43 (73%) of the operations. These operations achieved results that were likely to continue over time and adhered to the E&S standards. Operations rated negative (16) faced an uncertain continuity of results and subpar E&S performance.

5.4 **The quality of IDB Invest's self-assessment is high, while shortcomings persist for IDB.** For the third year in a row, all 59 validated XSRs were of satisfactory quality, while about slightly more than half of IDB's PCRs (42) were satisfactory. The most common shortcomings of PCRs were similar to last year's and mostly related to the quality and completeness of the analyses in the effectiveness and efficiency sections.

5.5 **Ratings by IDB Invest Management and OVE have been close in the past few years. Differences in ratings between IDB Management's and OVE's ratings are still large but have significantly decreased in this validation cycle.** Similarly to previous years, ratings by IDB Invest Management and OVE have been close in the past validation cycle, with OVE rating the overall outcome positively in 68% of operations versus 69% rated positive by IDB Invest Management. The discrepancy between IDB management and OVE has remained high in the last validation cycle, with OVE rating the overall outcome positively for 63% of IDB's operations versus 82% rated positive by IDB management. The difference (19 percentage points) has decreased significantly from last year, when OVE rated 47% of the IDB operations positive versus 82% rated positive by management (a 33 percentage points difference). The reduction in the disconnect between OVE's and management's ratings was the result of the introduction of changes to OVE's validation process, including (i) simplifying the process by reducing the number of reviews of individual projects, (ii) holding OVE's management reviews of all projects with disconnects, aggregated by instrument or topic; and (iii) increasing dialogue with management, including requesting missing data and information for completed PCRs. Among the four core criteria, the discrepancies between OVE and IDB Management have been largest in the efficiency and effectiveness ratings.

5.6 **OVE's 2025 validation exercise confirmed methodological issues flagged in previous reports, which affect Management's self-assessments and OVE's validations, and identified additional shortcomings affecting the self-assessments and validations of policy-based lending and financial institutions operations.** In this validation cycle, OVE has confirmed several of the methodological shortcomings identified in recent OVE reports, including the IDB Group Project Performance: The 2024 Validation Cycle (Document RE-606), the Evaluation of IDB Support in the Area of Citizen Security in the Region (Document RE-560-5), and the Comparative Analysis of Project Development Effectiveness

Management Tools for Sovereign Guaranteed Operations of the African Development Bank, Asian Development Bank, Inter-American Development Bank, International Fund for Agricultural Development, and World Bank (Document RE-583-5). These shortcomings, some of which have been flagged by IDB, IDB Invest and Board members in the past, include, for example, inaccurate relevance ratings for projects that have been modified to adjust to changing conditions while maintaining their original objectives, given the complexity of formal reformulation, or effectiveness ratings that do not properly reflect achievement of important outcomes due to equal weighting of (process and outcome focused) objectives according to the current PCR and XSR guidelines. Shortcomings in Management's reporting (e.g., missing data, attribution issues, or poor indicators) can also negatively affect effectiveness ratings, with lack of evidence being rated as not achieving results. Shortcomings affecting efficiency mostly stem from the mandatory requirement to assess this criterion even when it is not feasible. Additional shortcomings that OVE has identified in this validation cycle refer to policy-based (PBLs) lending and Financial Institutions operations (for IDB Invest) and global credit lines (for IDB Invest and IDB). The main issue affecting PBLs is that current PCR guidelines lack specificity in assessing them. Since PBLs are inherently different from investment loans – e.g., they support a set of policy actions rather than tangible investments, they lead to outcomes that take longer to materialize – they require guidelines that reflect their specificities to avoid uncertainties and inconsistencies in their ratings. The main issue affecting financial institutions operations (for IDB Invest) and credit lines (for IDB Invest and IDB) are the complexity of the guidelines that cover this instrument, which lead to different interpretations of which indicators are required, the frequent reliance on non-performing loans to assess the efficiency and profitability of credit lines and inconsistencies in the criteria to rate this instrument between the IDB and IDB Invest guidelines.

5.7 **Management and OVE are addressing the methodological issues that have been identified by revising the PCR and XSR guidelines.** Since their introduction in 2018, the PCR and XSR guidelines have been essential for ensuring that IDB Group management and OVE assess project performance consistently for accountability and learning purposes. IDB Group Management and OVE, in consultation with the Board, aim to further improve the guidelines by addressing the methodological issues that have been identified and by ensuring increased alignment with the guidelines of other MBDs, especially in the context of mutually reliance agreements. To this aim, IDB Group Management and OVE are discussing revisions to the PCR and XSR guidelines, starting with the development of instrument-specific guidelines for policy-based lending.

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