



Corporate Evaluation

Management's Implementation of OVE Recommendations: IDB Group's Evaluation Recommendations Tracking System 2019

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**Corporate Evaluation
Management's
Implementation
of OVE
Recommendations:
IDB Group's
Evaluation
Recommendations
Tracking System 2019**

Office of Evaluation and Oversight



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Abbreviations

CIP	Corporate input products
CPE	Country program evaluation
DDO	Differed drawdown option
ESW	Economic and sector work
FFS	Fee-for-service
HMIC	Higher middle income country
ICAP	Institutional capacity assessment platform
IDB Invest	Inter-American Investment Corporation
LBR	Loan based on results
MSMEs	Micro, small, and medium-sized enterprises
NSG	Non-sovereign guaranteed
OPC	Operations Policy Committee
OVE	Office of Evaluation and Oversight
PCR	Project completion report
PBP	Programmatic policy-based loan
PBL	Policy-based loan
PPP	Public-private partnership
RBB	Results-based budgeting
ReTS	Recommendation Tracking System for OVE Evaluations
SMEs	Small and medium-sized enterprises
SPD	Office of Strategic Planning and Development Effectiveness
UIS	Update to the Institutional Strategy
VPC	Vice Presidency for Countries
VPS	Vice Presidency for Sectors and Knowledge
XSR	Expanded supervision report

Executive Summary

This is OVE's fourth full validation of the IDB Group's Evaluation Recommendation Tracking System (ReTS), and the second self-standing report. Assessing to what extent recommendations have been addressed is essential for institutional accountability and learning.

After the Board of Executive Directors considers OVE's recommendations and endorses them, Management prepares an action plan for their implementation. Of the 271 recommendations issued by OVE since the ReTS was launched in 2013, 96% (260) have been endorsed by the Board. Most (73%) of these recommendations are for IDB's Management, while 69 recommendations (27%) are for IDB Invest. OVE analyzes the relevance and evaluability of the action plans as they are prepared by Management, and Management subsequently begins implementation. OVE then reviews implementation progress each year over a period of four years and final adoption of the recommendations at the end of that period. In the 2019 fiscal year, OVE validated action plans for a total of 161 active recommendations corresponding to 38 evaluations.

There have been significant improvements since the pilot validation in 2014. For example, Management has fine-tuned the action plan templates and the information technology system (ReTS Portal). Further advances have been made during this (2019) validation period. Management addressed OVE's recommendations issued in the 2018 ReTS report (Annex I): (i) all changes to milestones and targets in the action plans were systematically documented, making it easier to monitor and validate them, although there is still room to provide a more complete rationale for such changes; and (ii) IDB Invest provided the means of verification for progress reported under its action plans through the ReTS portal, thereby fostering considerable accountability improvements. In recent years, the increased coordination and collaboration among OVE, SPD, and IDB Invest, coupled with Management's commitment, have helped to consolidate the validation processes. In this way, the planned timetable for reporting on 2019 progress was fulfilled, even though this validation period coincided with an institutional adjustment phase due to COVID-19.

The **relevance** of action plans increased in 2019, continuing the trend witnessed in previous fiscal years; thus, 94% of the action plans had high relevance, which reflects aggregate improvements in the ReTS

processes. Of the nine action plans with low relevance, six relate to evaluations conducted prior to 2018. Despite an overall improvement in the plans with respect to 2016 and 2017, **evaluability** declined in 2019 (particularly in terms of setting out well-defined actions in the new action plans), making it difficult to validate the progress made.

At the same time, a larger share of action plans were **implemented** as scheduled (on track) in 2019 than in 2018: 84.3% versus 79% for the Bank and IDB Invest as a whole. In cases in which the action plans were validated with low implementation, the causes were milestones not achieved and insufficient information or means of verification for validating progress.

In addition, 36 recommendations derived from nine evaluations were retired from the system, having completed their implementation cycle. Of these, 86% (a similar share as in the previous year) were considered **adopted** (i.e., had high relevance and overall implementation ratings).

Lastly, in response to the Board's request and its interest in having a deeper understanding of the implementation progress and challenges in addressing the recommendations it has endorsed in recent years, this report for the first time includes three additional analyses based on the information recorded in the ReTS:

- (i) A summary of the systematic analysis in the new Country Program Evaluations (CPEs) on the extent to which the recommendations issued in previous CPEs have been addressed, helping to close out the evaluation cycle (Panama 2015 2019, El Salvador 2015 2019, Argentina 2016 2019, Bolivia 2016 2020, and Uruguay 2016 2020 CPEs). Of the 25 recommendations stemming from these CPEs, 22 were adopted. In addition, OVE determined that, in some cases, the problems that gave rise to the recommendations persist. Consequently, these recommendations are revisited in the recent CPEs and will be tracked in the new action plans: in Panama, to deal with sustainability systematically as part of the operations and reinforce the emphasis on institutional strengthening; in Bolivia, to consider new ways of deepening support for the private sector; in El Salvador, to establish criteria for prioritizing objectives and foster a strategic use of technical cooperation operations to drive loan ratification; and in Argentina to address issues of infrastructure maintenance and sustainability.
- (ii) A description of the degree of final implementation of the recommendations stemming from corporate and sector evaluations that completed their tracking cycle in the ReTS in 2019: With regard to the Evaluation of IDB Group's Work through Financial Intermediaries, significant strides have

been made on actions such as promoting the offering of IDB Invest products for financial intermediaries, introducing a diagnostic assessment of the financial sector in the analysis stage in various country strategies, performed jointly by the Bank and IDB Invest, and preparing a strategic selectivity tool for financial intermediaries. Still needed is a broader strategic focus on this issue. With regard to the Evaluation of the Results of the Realignment, progress has been made on actions that can enhance the Bank's budgetary processes and quality control of the operational products. There are persistent challenges in terms of more directly linking resources and strategic objectives and streamlining the multiple levels of project selection and quality review.

- (iii) An analysis of the findings on the recommendations and actions followed by Management on three recurrent issues since the launch of the ReTS: (a) On collaboration between the public and private sector windows of the IDB Group, progress has been observed; thus, for example, the 2019 Update to the Institutional Strategy is the first to include the Bank, IDB Invest, and IDB Lab, while at the country level, country strategies are now prepared jointly by the Bank, IDB Invest, and IDB Lab. However, there is still room to improve collaboration in practice between the IDB Group's public and private sector windows. (b) With regard to optimizing the use of instruments or modalities, different actions have been implemented, resulting in mixed or incipient progress: the supply of instruments has been adjusted in several countries, such as through a more strategic blend of investment loans, programmatic loans, and technical assistance, while also exploring a greater use of instruments based on results and various other financing modalities. There are still some challenges with respect to ensuring that loans are appropriately sized. (c) On greater support to subnational governments (primarily in countries with medium or high development levels), the IDB Group has worked through national financial entities and has approved technical cooperation operations or support loans and training. Recent CPEs recommend continuing to search for ways of adding value.



01

Introduction

- 1.1 This report presents the results of the Office of Evaluation and Oversight's (OVE) 2019 validation of Management actions in response to recommendations endorsed by the Boards of Executive Directors of the Bank and IDB Invest. OVE following up on such recommendations is essential for both learning and accountability, and helps to ensure that the IDB Group takes the recommendations into account in order to continuously improve performance and results.
- 1.2 This is OVE's fourth full annual validation of the IDB Group's Evaluation Recommendation Tracking System (ReTS) and is the second free-standing report. The ReTS is a monitoring system aimed at providing the Boards and Management with periodic information for decision-making on Bank and IDB Invest actions and progress in implementing the endorsed recommendations. This annual validation exercise reports on 100% of active, Board-endorsed recommendations since 2013. Management prepares an action plan that guides the necessary actions for adopting the recommendations, which is good practice among multilateral development banks.¹ The recommendations stemming from their evaluations and the respective action plans remain active (i.e., are tracked under the ReTS) for up to four years. Four complete validation rounds have been conducted between 2016 and 2019, in addition to a test or pilot validation in 2014.²
- 1.3 The 2019 validation and report follow the same methodology used in previous validations but delves more deeply into an analysis of evaluations that are closing out their cycle as well as into certain issues, primarily related to the four years of full implementation of the ReTS. To ensure comparability, OVE has followed the same methodology used in previous reports (Chapter II). However, this exercise for the first time includes: (i) a summary of the adoption of recommendations stemming from previous country program evaluations (CPEs), from the perspective of new CPEs; (ii) an analysis of the implementation of recommendations stemming from corporate and sector evaluations that are closing out their cycle in the ReTS; and (iii) an analysis of progress made on three recurrent issues identified in the OVE recommendations: optimization of the use of instruments, collaboration between the IDB Group's sovereign-guaranteed (SG) and non-sovereign guaranteed (NSG) windows, and greater support to subnationals.

1 With some variations, other development institutions have created similar systems.

2 In 2016 and 2017, OVE reported on the ReTS in a section of its Annual Report (documents RE-511 and RE-524-2). In addition, the 2018 OVE Annual Report (document RE-537) included a summary of the ReTS process. The first full report on the ReTS was submitted to the Board in September 2019, covering the January-December 2018 period (document RE-541).

1.4 This report is divided into six chapters: in addition to the introduction, **Chapter II** presents a summary of the methodology used, as well as of the recent improvements in the validation process; **Chapter III** provides a brief overview of the set of recommendations and their respective action plans; **Chapter IV** summarizes the main results of the validation in terms of evaluability, relevance, implementation, and adoption of the recommendations; **Chapter V** provides an analysis of the recommendations and Management's actions regarding the three recurrent issues; and **Chapter VI** sets out the conclusions.

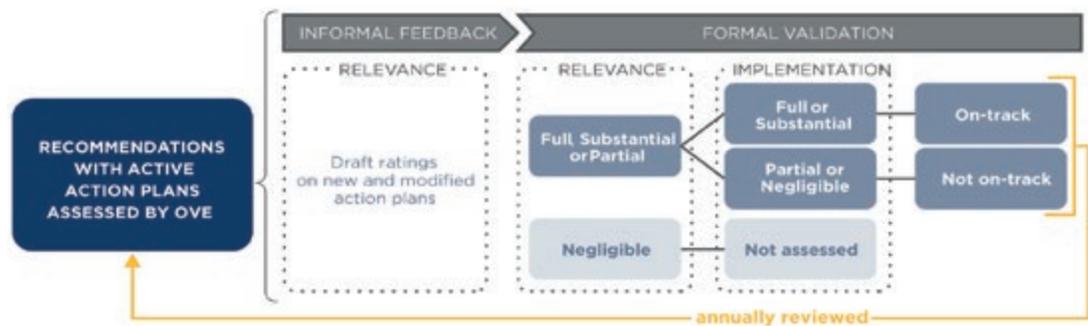


02

Methodology and Processes

2.1 OVE annually validates Management’s action plans in terms of relevance, evaluability, implementation, and adoption. The unit of analysis is the recommendation itself, and each Board-endorsed recommendation requires a Management action plan describing how and when Management intends to implement it. Thus, each evaluation has as many action plans as endorsed recommendations. Each year OVE assesses the *relevance*³ of the action plan in addressing the recommendation and the progress in its *implementation*; after four years,⁴ OVE assesses their degree of *adoption*, i.e., to what extent the action plan has been relevant and implemented as planned.⁵ These dimensions are rated using a four-point scale (full, substantial, partial, and negligible). In addition, OVE assesses the *evaluability* of the action plan, i.e., to what extent the plan has well-defined actions, clear and measurable targets, and adequate milestones and deadlines for completion. Figure 2.1 describes the validation cycle of the action plans while they remain active in the ReTS (see details in Annex II).

Figure 2.1
Annual validation cycle of action plans
Source: OVE.



Note: Evaluability is assessed when analyzing relevance, during the informal feedback and annual formal validation (in the latter case only if there are adjustments in milestones or targets). If the action plan has negligible relevance, it is not validated with respect to implementation.

Box 2.1. What is the scope of OVE’s validation, and what are its limitations?

OVE’s validations focus on action plans, annually tracking whether their outputs have been achieved. This tracking fulfills an accountability objective, since the assessment as to relevance, implementation, and adoption is indicative of Management’s intent, actions, and progress in addressing the recommendations. However, validations cannot assess whether the problem that gave rise to the

- 3 Relevance considers the extent to which the action or set of actions proposed in each action plan is aimed at addressing the main problems underlying the recommendation (Annex II).
- 4 OVE monitors the recommendations over a period of four years or until the date initially agreed upon by Management and OVE.
- 5 Adopted recommendations are those that have both high relevance and a high overall implementation rating. To be considered (i) fully adopted, both relevance and overall implementation must be rated “full”; (ii) substantially adopted, both relevance and implementation must be rated at least “substantial.” Non-adopted recommendations have low relevance, low level of implementation, or both. “General” or “overall” implementation differs from annual implementation inasmuch as it considers the extent of implementation during all years in which the action plan was active.

recommendation has been corrected. This would require a new evaluation that looks also at outcomes and at other factors, such as additional actions undertaken outside the scope of the action plan or external factors.

- 2.2 In 2019, OVE began systematically to analyze, in the new CPEs, the extent to which the recommendations stemming from previous CPEs had been addressed, thus fulfilling its commitment to close out evaluation cycles.⁶ Being full evaluations, CPEs provide the opportunity to examine whether the problems that gave rise to recommendations in the preceding CPE have been corrected through the actions implemented by Management. In 2019, five CPEs completed this evaluation cycle (Chapter IV.D).
- 2.3 With regard to the validation process, building on the lessons learned from past validations, in 2019 OVE and Management consolidated earlier progress and further refined the validation process. Significant improvements have been made since the pilot stage validation in 2014 (Box 2.2). It is worth noting that, while the action plans' 2019 closing and progress report period (March-April 2020) coincided with an institutional adjustment phase due to COVID-19,⁷ the increased coordination and collaboration among OVE, the Office of Strategic Planning and Development Effectiveness (SPD), and IDB Invest have helped to consolidate the validation processes. The recommendations issued by OVE in the 2018 ReTS Report were also addressed (Annex I): (i) Management documented all changes in milestones and targets in the action plans more systematically, making it easier to track them, even though there is still room for more fully setting out the rationale for such changes; and (ii) IDB Invest provided the means of verification for their action plans through the ReTS Portal, thereby fostering enhanced accountability.

Box 2.2. Main improvements in the ReTS processes (2013-2019)

2013-2015: OVE and SPD initiated a ReTS test or pilot phase, primarily focusing on the recommendations for the sovereign-guaranteed window (IDB).

2016: The recommendations for IDB Invest and endorsed by its Board of Executive Directors are incorporated into the ReTS. Accordingly, both the IDB and IDB Invest prepare action plans to be validated by OVE.

6 In the 2018 ReTS Report (Board: September 2019, document CII/RE-55, RE-541) OVE undertook *“in all future CPEs, [to] systematically assess the extent to which the recommendations of the previous CPE were addressed.”* In response to the new CPEs, Management will develop new action plans for a new ReTS evaluation cycle.

7 The mandatory telework phase at the IDB Group began in this period, and some Management teams worked on the IDB Group's response to the effects of COVID-19 as a priority matter, which in some cases affected reporting of annual implementation progress.

2017: SPD introduced a new information technology system, the ReTS Portal, a significant advance that allowed capturing means of verifying implementation of the action plans. In addition, OVE started to provide informal feedback on the draft action plans (in the relevance and evaluability dimensions), allowing Management the opportunity to improve the plans and the ratings before the plans become final (in 2019, 12 evaluations benefited from this process. Annex III).

2018: SPD updated the action plan templates and developed guidance materials, which helped to enhance reports on these plans by the relevant Management teams. IDB Invest formally adapted/standardized its reports (action plan reporting templates) based on the approach adopted by the Bank and started to use the ReTS Portal.

2019: SPD introduced a dashboard to better visualize the status of action plans. In addition, the OVE recommendations from the 2018 ReTS Report were addressed. SPD continued to provide training to Management teams. In early 2020, OVE conducted internal training on the ReTS methodology, which has yielded results in the form of greater ownership of the process on the part of OVE evaluation team leaders.



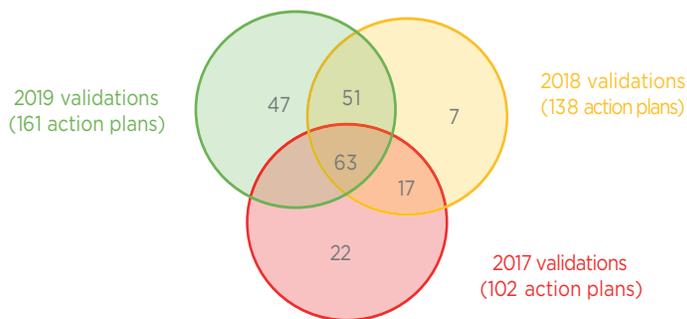
03

Overview of the
Recommendations
and Their Action
Plans

- 3.1 OVE has issued a total of 271 recommendations between the launch of the ReTS in 2013 and 2019. Of the total recommendations issued by OVE, 96% (260) were endorsed by the Board (258 fully endorsed and two partially endorsed), while 11 recommendations were not endorsed (Annex IV). Of the 260 endorsed recommendations, the majority (73%) are directed at IDB Management and 69 (27%) at IDB Invest.
- 3.2 The 2019 validation exercise assessed and monitored action plans for 161 recommendations, corresponding to 38 active evaluations. Of the 260 recommendations endorsed between the launch of the ReTS and December 2019, 161⁸ were active and had an action plan during the 2019 evaluation period. They include 47 new recommendations recorded in 2019.⁹ The remainder (99) had been retired in previous validation exercises. Of the 161 active recommendations, 111 (69%) were directed at the IDB and 50 (31%) at IDB Invest.¹⁰ Of the 161 active action plans in 2019, 114 were also validated in 2018 (Figure 3.1).

Figure 3.1
Overlap among the 2017, 2018, and 2019 validation exercises

Source: OVE



- 3.3 Most of the recommendations recorded in the ReTS stemmed from CPEs, followed by sector and corporate evaluations. By category, most refer to issues related to IDB Group internal organization and client engagement. Of the total of 260 endorsed recommendations, 51% stemmed from CPEs, 18% from sector or thematic evaluations, 17% from corporate evaluations, and 13% from project evaluations.¹¹ Moreover,

8 The tally does not include the recommendations of OVE's Review of Project Completion Reports and Expanded Supervision Reports (PCR and XSR) for the Validation Cycle 2018-2019, submitted to the Board in October 2019; or the CPE: Panama 2015-2019, submitted in February 2020. Both will be monitored starting in 2020.

9 Correspond to evaluations not included in the 2018 validation and issued prior to December 2019.

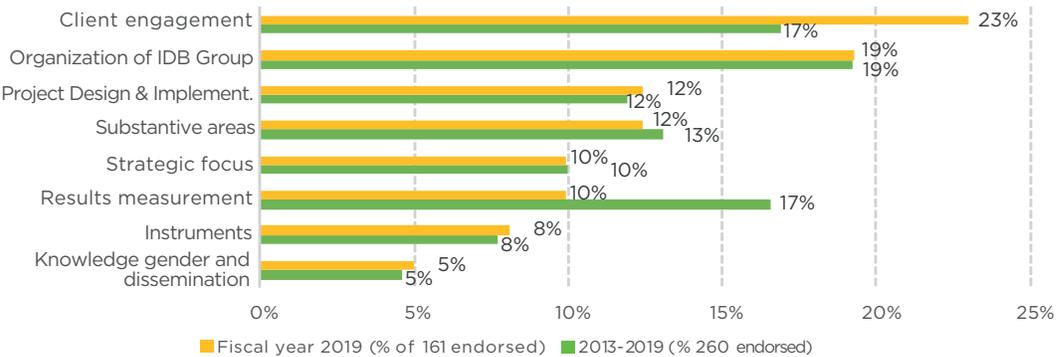
10 Or had elements aimed at IDB Invest.

11 In 2019, for the 161 active recommendations (IDB and IDB Invest), the share was 58% CPEs, 19% corporate evaluations, 16% sector or thematic evaluations, and 8% project evaluations. Meanwhile, of the 50 specific recommendations for IDB Invest

when grouped by recommendation category¹² and in line with what was observed in the 2018 validation exercise, more than half of the recommendations refer to issues associated with IDB Group organization, client engagement, or results measurement (Figure 3.2).

Figure 3.2
Distribution of endorsed recommendations, by type (2013-2019)

Source: ReTS



Note: See Annex V for more details and examples of each type.

(corresponding to 24 active evaluations), 25 (36%) stemmed from CPEs, 17 (25%) from sector or thematic evaluations, 14 (20%) from corporate evaluations, and 13 (19%) from project evaluations (Annex XIV.b).

12 OVE classifies recommendations under eight types (Annex V).



04

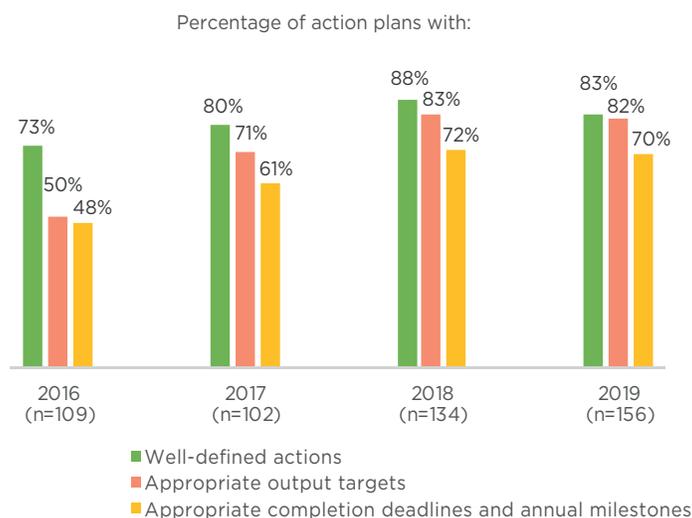
Validation Results

A. Evaluability

4.1 The evaluability of action plans, while having improved with respect to 2016 and 2017, declined in 2019, particularly in terms of setting out well-defined actions to respond to the respective recommendation. Of the action plans validated in 2019, 83% included well-defined actions to address the recommendation (88% in 2018), 82% had appropriate output targets (83% in 2018), and 70% had annual intermediate milestones and clear deadlines (72% in 2018) (Figure 4.1). Moreover, considering only the new action plans entered into ReTS each year, in 2019 74% included well-defined actions (a statistically significant drop from 94% in 2018), 81% had adequate output targets (87% in 2018) and 74% had annual intermediate milestones and clear deadlines (76% in 2018) (Figure 4.2). Thus, notwithstanding the overall improvement in action plan evaluability with respect to 2016 and 2017,¹³ the decline in new action plans with well-defined actions in 2019 points to areas of opportunity, and persistent evaluability challenges that make it difficult to track and validate the progress made¹⁴ (Figures 4.1 and 4.2).

Figure 4.1
Evaluability of action plans, by validation year

Source: OVE



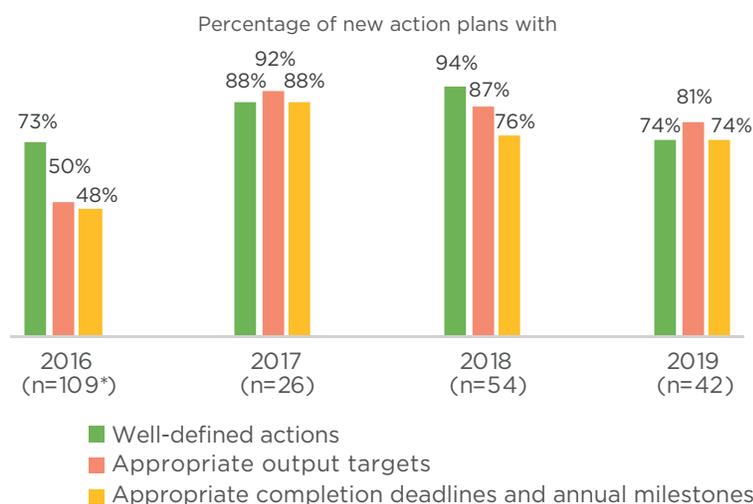
Note: The 2019 tally excludes the CPE: Nicaragua 2013 2017 (five recommendations) (Annex XIII). For 2017 to 2019, Figure 4.2 (right) shows the action plans validated for the first time that year (in some cases, the evaluability rating may have changed in subsequent years). For 2016 (first full validation cycle), all validations performed that year are considered.

¹³ Since 2017, all action plans are required to include intermediate milestones and means of verification. Moreover, OVE identified improvements in reporting and the use of information by Management: in addition to presenting the information through the standard formats, some teams have developed internal monitoring systems and mechanisms to better document their progress (for example, the Bank's Country Office in Chile produced an internal publication that documents progress).

¹⁴ In cases in which no clear annual targets were identified (18%), OVE carried out the validation based on feasible and specific assumptions for each case.

Figure 4.2
Evaluability of new action plans, by validation year

Source: OVE



Note: The 2019 tally excludes the CPE: Nicaragua 2013-2017 (five recommendations) (Annex XIII). For 2017 to 2019, Figure 4.2 (right) shows the action plans validated for the first time that year (in some cases, the evaluability rating may have changed in subsequent years). For 2016 (first full validation cycle), all validations performed that year are considered.

B. Relevance

4.2 In the 2019 exercise, OVE assessed the relevance of 156 action plans, most of which were relevant in addressing the corresponding recommendation. OVE assessed the relevance of 156 of the 161 action plans included in the 2019 validation.¹⁵ Continuing with the positive trend of previous exercises, 94% of the 156 action plans were considered to be highly (fully or substantially) relevant, while only 6% (nine action plans) were rated partially relevant, and none was rated as having negligible relevance (which would remove an action plan from implementation validation)¹⁶ (Figure 4.3). Of the nine partially relevant action plans, six are for evaluations conducted prior to 2018.¹⁷ If we consider only the new action plans that are entered into the ReTS each year, we observe that the share with high (full or substantial) relevance has exceeded 90% since 2017 (Figures 4.3 and 4.4 and Table 4.1), which reflects the various improvements in ReTS processes (Box 2.2) that have made the proposed action plans better geared towards addressing the main problems underlying the recommendation.

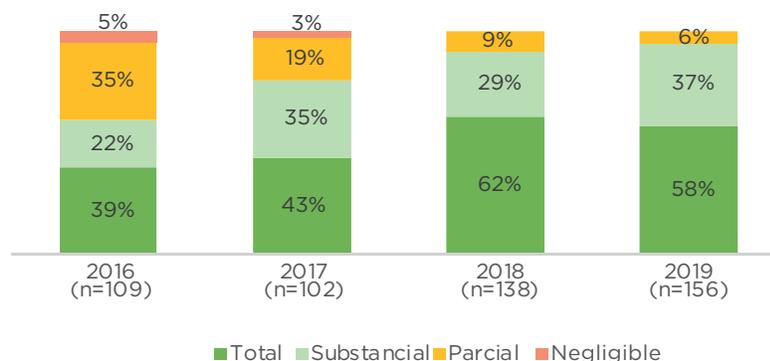
¹⁵ The tally for 2019 excludes the five recommendations from the CPE: Nicaragua 2013-2017 (Annex XIII) and includes 114 action plans also validated in 2018. Of the latter, two underwent sufficiently substantial changes to boost the previous year's "partial" rating to "substantial" (recommendations 4 and 5 of the CPE: Panama 2010-2014 (document RE-475-1)).

¹⁶ Minimally relevant action plans are those which largely fail to address the spirit of the recommendation and therefore are not worth monitoring for progress on their proposed actions. However, action plans with partial or higher relevance are tracked for implementation.

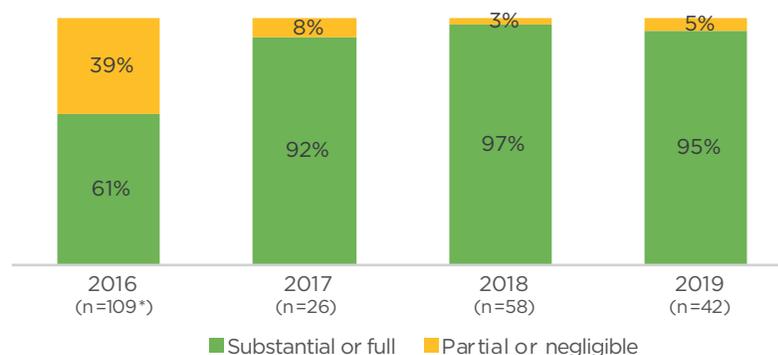
¹⁷ The three recent ones are: Review of Knowledge Generation and Dissemination in the IDB (2018), Evaluation of Environmental and Social Safeguards (2018), and CPE: Brazil 2015-2018 (2019).

Figure 4.3**Relevance of action plans by year of validation**

Source: OVE, based on ReTS data.

**Figure 4.4****Relevance of new action plans by year of validation**

Source: OVE, based on ReTS data.



Note: In Figure 4.3, the sum of full plus substantial may differ from the total (94% in 2019) due to rounding. For 2017 to 2019, Figure 4.4 shows the action plans validated for the first time those years (in some cases, the relevance rating may have changed in subsequent years). For 2016 (first full validation cycle), all validations conducted that year are considered.

4.3 Some action plans were classified as partially relevant in 2019 and therefore need to be adjusted to better address the underlying elements that gave rise to the recommendation. Of the nine action plans that were rated as partially relevant, two will be retired from ReTS tracking after the 2019 validation exercise and three in 2020. However, in four cases (to be retired in 2021 or later), Management could modify its action plan to make it more relevant (Table 4.1). The reasons behind the partial relevance rating were: (i) actions that are too general, making it difficult to determine whether they will lead to the expected outcome (five); (ii) actions that are aligned with the recommendation but are insufficient to address it or leave significant elements unaddressed (three); and (iii) actions that are essentially a continuation of the Bank's existing practices, making it unclear how they constitute a response to the recommendation (one).

Table 4.1. Action plans with partial relevance validated in 2019

Status of action plan	Evaluation	Rec.	Main reason for low relevance rating of the action plan
Retired in 2019	Evaluation of the Results of the Realignment	3	The actions are relevant for part of the recommendation (strengthen quality control of the operations), but it is unclear how they will address another part of the recommendation (streamline the multiple project selection and review levels).
	CPE: Panama 2010-2014	3	Some of the activities address the recommendation; others refer to activities that were already being done.
To be retired in 2020	Evaluation of Public-Private Partnerships in Infrastructure	3.3	In general, the action plan is vague, and it is not entirely clear whether the actions will be strong enough to ensure that the PPPs are only used when they are an appropriate choice.
	IDB Impact Assessments	7	The proposed actions are a starting point but are not enough to address the recommendation.
	CPE: Suriname 2011-2015	2	The actions are aligned with the recommendation, but they only refer to new PBP series to be approved, while the recommendation also referred to approved PBLs as part of prior, active PBP series.
To be retired in 2021 or later	Evaluation of Environmental and Social Safeguards	IDB-3	The actions are generally relevant but do not include specific actions for framework projects, regarding which OVE identified particular challenges.
	CPE: Peru 2012-2016	3	The action plan includes activities aligned with the recommendation, but actions to address part of the recommendation are missing.
	Review of Knowledge Generation and Dissemination in the IDB	3	Lack of clarity on the final scope of some of the proposed actions. In addition, the action plan is limited to a subset of the instruments referenced in the recommendation.
	CPE: Brazil 2015-2018	4	Insufficient actions to cover the scope of the recommendation (the Country Strategy 2019-2022 mentions coordination among IDB Group actors and the basis for such coordination, but the action plan does not include actions to clarify more specifically the areas of interaction and the prioritization criteria).*

* 2019 was a transition year between the Country Strategy 2015-2018 and the new Country Strategy 2019-2022.

Source: OVE.

4.4 Consistent with the high share of individual relevant action plans, the results in terms of relevance were on average high in 2019 at the evaluation level. OVE calculated a relevance score for each evaluation validated in 2019.¹⁸ The majority of the evaluations (35 of 37 whose action plans were assessed as to relevance) have a high average rating (score of 3 or higher, out of a maximum of 4). The two cases with a score of less than 3 are the CPE: Brazil 2015-2018 and the Evaluation of the Results of the Realignment. In general, the evaluations maintained their average ratings with respect to 2018, and one improved (CPE: Panama 2010 2014) (Annex VI).

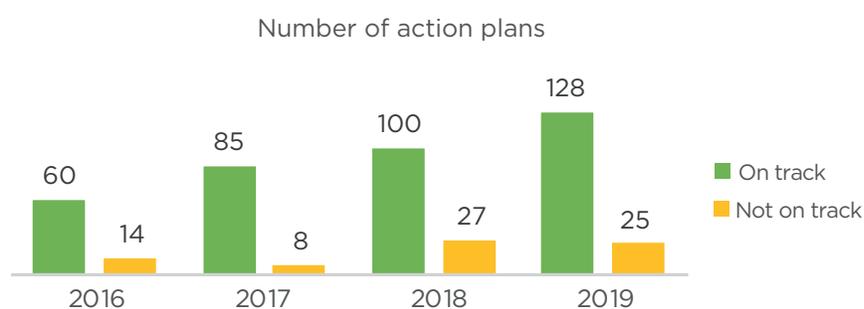
¹⁸ Aggregating and calculating a simple average of the individual relevance ratings of the action plans. Where: 1 means “not relevant” and 4 “fully relevant.”

C. Implementation

4.5 In 2019, a larger share of action plans were on track than in 2018. Despite the progress, 16% of the plans were not on track. OVE validated the extent of implementation progress for 153 of the 161 active action plans (IDB and IDB Invest). Eight action plans were excluded because they lacked actions scheduled for execution in 2019.¹⁹ Of the 153 plans, 128 (84%) were being implemented as scheduled (on track) as of December 2019 (versus 79% in 2018) (Figure 4.5), the share being higher among those of IDB Invest.²⁰ Box 4.1 shows some examples of plans with implementation progress and challenges in 2019. As in the 2018 validation process, no pattern of low/high implementation by type of recommendation was identified (Annex VII.b).²¹

Figure 4.5
Implementation status
of action plans, by
validation year

Source: OVE



4.6 Regarding action plans with low implementation in 2019, some aggregate patterns emerge. Of the 25 action plans with a low implementation rating, 16 stem from previous exercises and nine were validated for the first time in 2019 (Annex VII and examples in Box 4.1). Of the older action plans, eight had a lower implementation rating than in 2018,²² six had a similar rating (“partial”), and two went from a rating of “negligible” to “partial.” Milestones not achieved or an inadequate report (lack of information) for validating progress affected the

19 Of these eight, five correspond to the CPE: Nicaragua 2013-2017 (Annex XIII) and three to other CPEs (recommendation 3 of CPE: Brazil 2015-2018, recommendation 4 of CPE: Argentina 2009-2015, and recommendation 2 of CPE: Suriname 2011-2015).

20 Of the 49 actions plans of IDB Invest, 45 (92%) were on track (Annex XIV.b and XIV.c), while of the 104 actions plans of the IDB, 83 (80%) were on track.

21 While implementation was relatively higher for recommendations related to the use of instruments, no inferences can be drawn due to the low volume for each type. The percentage of action plans with high implementation ranged from 77% for those related to the “organization of the IDB Group” to 90% for those related to “instruments” (Annex VII.b).

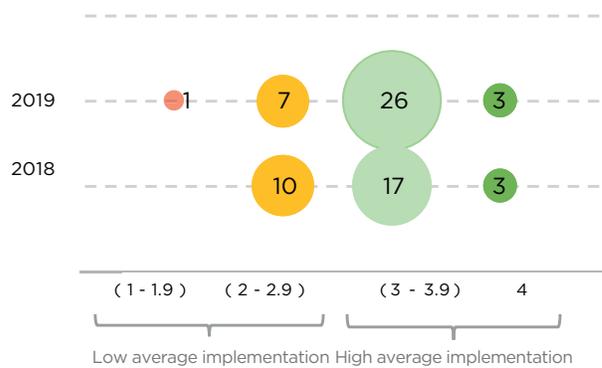
22 CPE: Argentina 2009-2015 (document RE-491-1), recommendation 5; CPE: El Salvador 2009-2014 (document RE-474-3), recommendation 5; CPE: Guatemala 2012-2016 (document RE-503-1), recommendation 3; CPE: Guyana 2012-2016 (document RE-502-3), recommendation 2; CPE: Haiti 2011 2015 (document RE-494-1), recommendation 4; and CPE: Suriname 2011-2015 (document RE 493 1), recommendation 3; Evaluation of the Results of the Realignment (document RE-451-2), recommendation 3; and Comparative Evaluation. Review of Bank Support to Tax Policy and Administration, 2007-2016 (document RE-509-1), recommendation 2.

ratings. In at least three cases, certain difficulties in the country context affected implementation.²³ Similarly, for new action plans, delays in implementation were due to a combination of partial or no progress in the milestones schedule for 2019, partially reported progress, and/or lack of adequate information to assess progress (primarily due to a lack of adequate means of verification).²⁴

4.7 At the evaluation level, although most action plans had positive results in 2019 in terms of implementation, 21% of the evaluations had more action plans not on track than on track. OVE established an annual implementation score for the 37 evaluations that had actions with expected progress for 2019²⁵ (an average higher than 3 means that they had more active action plans with substantial or full annual progress in implementation than action plans not on track). Most of the active evaluations in 2019 (29) had an average score of more than 3. Three evaluations obtained the highest score for this year (CPE: Costa Rica 2015-2018, CPE: Honduras 2015-2018, and Evaluation of Direct Support to Small and Medium-sized Enterprises (SMEs) by the IIC). However, eight evaluations (21%) had more action plans not on track in 2019,²⁶ compared to 10 evaluations (33%) in 2018 (Figure 4.6, Box 4.1).

Figure 4.6
Average annual implementation scores for active evaluations*

Source: OVE



*Only includes evaluations with implementation validated for each year (2019, n=37) (2018, n=30).

23 Action plans of the Haiti 2011-2015, Guyana 2012-2016, and Guatemala 2012-2016 CPEs.

24 CPE: Barbados 2014-2018 (document RE-525-1), recommendation 2; and CPE: Brazil 2015-2018 (document RE-534-1), recommendation 4; IDB's Impact Evaluations: Production, Use, and Influence (document RE-512-1), recommendation 4; Review of Knowledge Generation and Dissemination in the IDB (document RE-517-2), recommendations 1, 2, 3, and 4; OVE Review of PCRs and XSRs for 2017 (document RE-530-2), recommendations 2 and 4 of IDB Invest (recommendation 4 is in coordination with OVE).

25 OVE calculated an average implementation score per evaluation, aggregating and averaging the last individual implementation scores of evaluations that had at least one active action plan in 2019. OVE assigned numerical values to the last available implementation score (from 1 "not implemented" to 4 "fully implemented") (Annex IX).

26 CPE: Barbados 2014-2018; CPE: Guyana 2012-2018; CPE: Haiti 2011-2015; CPE: Argentina 2009-2015; Review of Bank Support to Tax Policy and Administration; IDB Impact Evaluations; and Knowledge Evaluation.

Box 4.1. Examples of implementation progress and challenges in 2019

- **Examples of plans on track.** Evaluations with private-sector components notably include two whose average implementation score was higher (see complete list in Annex IX):

The sector evaluation of PPPs in Infrastructure (document RE 504 4)¹ included 10 recommendations. In 2019, all of its action plans were substantially or fully implemented (average score of 3.6). Progress includes: preparation of 11 PPP country profiles, with regard to recommendation 1.1 (*Identify and assess the potential demand for PPPs through specific country diagnostics*); a report on progress and lessons in 2017–2018 from the PPP Unit, and preparation of a prioritization tool in Paraguay (recommendation 2.1 *Establish a PPP focal point in the IDB Group structure (...) that provides advisory services*); and actions related to the development of in-house capabilities and certification on PPP issues for previously identified relevant staff, as well as a tutorial on Convergence regarding PPP projects (recommendation 2.2 *Assess the current PPP capacities in the organization*).

The corporate evaluation of IDB Invest's **Direct Support to SMEs by the IIC** (document CII/RE-23-3) includes three recommendations,² two of which are still active in 2020. In relation to recommendation 2 (*Coordinate with IDB to identify the most effective ways for the IDB Group to support SMEs*), the actions implemented in 2019 include the implementation of technical cooperation by the IDB and IDB Invest to support SMEs, for example through financial intermediaries, and for promoting knowledge on financial inclusion in several Caribbean countries. With regard to recommendation 3 (*Reorient SME technical assistance programs to address the key constraints limiting the growth of SMEs*), in 2019 the new IDB Invest focal point for SMEs developed an initial product offering primarily in two areas: value chains and financial inclusion, for which the first technical support operations are beginning execution.

- **Example of plans not on track.** At the same time, a specific corporate evaluation had difficulty in achieving annual progress (see complete list in Annex IX):

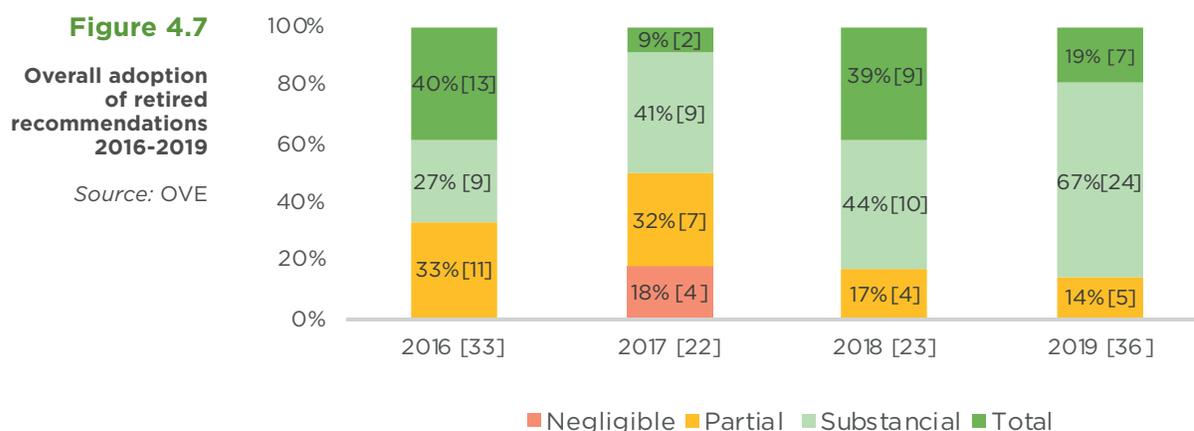
In the case of the **Review of Knowledge Generation and Dissemination** (document RE 517 2), the four action plans were not on track in 2019 and had mixed progress. To mention a few: OVE recommended continuing to improve the organization and monitoring of knowledge activities, the resources devoted to them, their products, and their use. In 2019, Management reported on progress in the VPS dashboard that monitors deliverables: economic and sector work (ESW) and corporate input products (CIP). However, no progress was identified in preparing useful reports to supervise spending on knowledge programs financed through ESW and CIP or those financed through technical cooperation operations. In addition, OVE verified progress in the dynamic reports on activities recorded in the Convergence publications module. However, there is no information on its actual use within the Bank. OVE also recommended improving the prioritization process by reinforcing both the identification of gaps and the guidance for staff on knowledge production at the sector and country levels. In response, in 2019 the IDB Group's Knowledge and Learning Division (KIC) redesigned the process for creating human resources plans on departmental knowledge, innovation, communication, and leadership; and four Sector Framework Documents were approved under the new structure (Early Childhood Development, Agriculture, Integration and Trade, and Transparency and Integrity) along with Country Development Challenge documents that included certain knowledge gaps in specific sectors. However, there was no evidence of a systematic effort to identify gaps between countries and between sectors.

1 Conducted in coordination between the Bank and IDB Invest, specifically through the PPP Unit.

2 Recommendation 1 and its respective action plan were retired as adopted in 2018.

D. Overall adoption of OVE's recommendations

4.8 In the 2019 validation, 36 recommendations stemming from nine evaluations were retired. Of these, 31 were considered adopted (a similar share to the previous year's). In 2019, OVE evaluated the overall extent of adoption of 36 recommendations that reached the final date established by Management or the four years of tracking under the ReTS. It found that 31 (86%) of these were fully (7) or substantially (24) implemented and will be retired as adopted. The remaining five were retired as partially adopted²⁷ (Figure 4.7 and Annex X).



4.9 The score of the five recommendations retired in 2019 as partially adopted was due to shortcomings in their relevance or overall implementation, and they will be retired as not adopted. In three of these recommendations, the respective action plans were fully relevant but were only partially implemented; in the other two, the actions were substantially or fully implemented but the action plans were only partially relevant. However, weak action plan relevance has historically been a more important factor for non-adoption than weak implementation.²⁸ Since the launch of the ReTS, 114 recommendations and their respective action plans have been retired. Of these, 16 (14%) of which were considered

27 These five recommendations are: (i) recommendation 3 CPE: Argentina 2009-2015 (“address the quality and equity problems in Bank programs that support the delivery of basic social services”); (ii) recommendation 3 CPE: Panama 2010-2014 (“strengthen project management capacity”); (iii) recommendation 1 IDB Group’s Work through Financial Intermediaries (“prepare and deploy a strategic approach at the IDB Group level”); (iv) recommendation 1 PCRs/XSRs 2016; and (v) recommendation 3 Results of the Realignment (“reinforce the quality control mechanisms of the Bank’s operational products”) (Boxes 4.2, 4.3, and 4.4 and Annex X).

28 See Management’s Implementation of OVE Recommendations: ReTS 2018 (document RE-541), OVE Annual Report 2017 (document RE-524-2), and OVE Annual Report 2016 (document RE-511-1).

not adopted only due to their low relevance,²⁹ nine (8%) of which only due to their low implementation level, and six (5%) of which due to a combination of the two factors (Annex X).

- 4.10 With respect to recommendations that were only partially adopted due to action plans with low relevance ratings, part of the recommendation was often left unaddressed. Since the launch of the ReTS, in cases of partial adoption solely due to relevance problems, the ratings can be explained by several reasons (Annex X and paragraph 4.3): (i) action plans that are aligned with the recommendation but are insufficient to address it or leave significant elements unaddressed (historically the most frequent reason); (ii) action plans that are too general, making it difficult to determine whether they will lead to the expected outcome; and (iii) action plans that do not entail actual changes to current practices. However, the share of action plans with low relevance has been diminishing over time. Between 2016 and 2018, an average of close to 20% of all recommendations were partially adopted due to relevance problems, while in 2019 this average was only 6%. The two recommendations retired in 2019 that faced this problem were a recommendation from the CPE: Panama 2010 2014 (document RE-475-1) and a recommendation from the Evaluation of the Results of the Realignment (document RE-451-2) (details in Boxes 4.2 and 4.3; see also Table 4.1).
- 4.11 The partial adoption of recommendations because of action plans with a low overall implementation rating is due to several reasons. The ratings can be explained by three reasons (Annex X): (i) non-completion of all planned actions (the most frequent); (ii) evaluability problems, with unclear targets, or no means of verification (support information) of reported progress; and (iii) implemented actions that fell short of the expected outcome.³⁰ In 2017, these recommendations totaled two out of all retired recommendations, while in 2018 they totaled one and in 2019 three.³¹ The recommendations retired in 2019 stemmed from the CPE: Argentina 2009 2015 (document RE-491-1) (Box 4.2), the Evaluation of IDB Group's Work through Financial Intermediaries (document RE-486-2) (Box 4.3), and the OVE Review of PCRs/XSRs 2016 (document RE-520).

29 Including two with negligible relevance (the implementation level of which was not rated).

30 As was identified in the case of the CPE: Argentina (Box 4.2).

31 In the 2016 exercise, overall implementation ratings were not being assigned.

4.12 OVE found that in 2019, as in previous years, recommendations with which Management agreed³² tended to be more frequently adopted (Table 4.2). Of the 36 recommendations retired in the 2019 exercise, Management “agreed” in 24 cases (67%), “partially agreed” in 10 cases (28%), and “disagreed” in two cases (6%), reflecting a similar trend as in previous years.³³ Thus, 23 of the 24 agreed recommendations were adopted (96%), while 8 of the 12 partially agreed or disagreed recommendations were adopted (67%).³⁴

Table 4.2. Adoption of retired recommendations and Management’s response (2019)

Management response		Adopted	Not adopted
	Agree	23	1
	Partially agree	7	3
	Disagree	1	1

Source: OVE

4.13 All action plans for nine evaluations were completed and retired in 2019, and in only one of these evaluations were less than half of the recommendations adopted. OVE calculated the share of adopted recommendations³⁵ for each of these nine evaluations.

Table 4.3. Adopted recommendations in evaluations with completed action plans

Evaluation	Share of adoption
CPE: Bolivia 2011-2015	4/4
CPE: El Salvador: 2009-2014	5/5
CPE: Uruguay 2010-2015	4/4
Project: PCRs 2017	4/4
CPE: Argentina 2009-2015	4/5
CPE: Panamá: 2010-2014	4/5
Corporate: IDB Group’s Work through Financial Intermediaries	4/5
Project: PCR/XSRs 2016	2/3
Corporate: Results of the Realignment	1/4

Source: OVE

32 According to the AM-140-1 protocol, Management submits a formal response to OVE’s final reports, including “a matrix indicating either agreement or disagreement along with the related justification.”

33 From 2016 to 2018, Management “agreed” in 62% of cases, “partially agreed” in 31%, and “disagreed” in 1%.

34 From 2016 to 2018, 34 of the 48 agreed recommendations were adopted (71%), and 17 of the 29 partially agreed or disagreed recommendations were adopted (59%).

35 Number of recommendations adopted divided by number of recommendations in the evaluation.

In four, all recommendations were adopted, and in one case OVE considered that less than half of the recommendations had been adopted (Table 4.3 and Boxes 4.2, 4.3, and 4.4).

4.14 In 2019, OVE began systematically to analyze, in the new CPEs, the extent to which the recommendations stemming from previous CPEs had been addressed. This analysis found that 25 recommendations³⁶ and their action plans, corresponding to five CPEs, have completed or are in the completion phase of this evaluation cycle,³⁷ which has served to better monitor and document progress and identify outstanding issues or challenges. Box 4.2 provides a summary of the main findings. In the new CPEs, OVE determined that certain problems reflected in some of the past recommendations continue to exist; accordingly, OVE issued similar recommendations, which will be tracked through the ReTS. While this evaluation process was formally begun in 2019, other CPEs (Brazil, Honduras, Chile, and Colombia) had already conducted this analysis in 2018, although less systematically.

Box 4.2. Summary of CPEs that come to a close with the 2019 validation (see Annex XI and details in each CPE)

The **CPE: Panama 2010-2014** issued five recommendations, of which four were adopted (recommendations 1, 2, 4, and 5), and one (recommendation 3) was partially adopted. The **CPE: Panama 2015-2019** delves in detail into the issues identified in the ReTS. Management appropriately addressed recommendations 1 and 2 from the previous CPE (*work with the client to structure the country strategy around key crosscutting issues such as duality or poverty; and redouble efforts to support the government's pro-poor development agenda*) by implementing a country strategy that was adequate with the country's duality. It executed operations aimed at helping the country to become consolidated as a logistics hub, while another significant portion of the portfolio was aimed at the issue of poverty. The other recommendations were adopted as shown by the progress in executing PBPs (recommendation 4) and the decline in the number and cost of projects not approved or canceled (recommendation 5). However, with regard to recommendation 3 (*strengthen country systems and project management capacity*), while Management implemented actions that addressed the recommendation,¹ other actions did not entail a significant change in the way that work was being done; moreover, there continue to be institutional capacity challenges. Accordingly, the new CPE proposed that the IDB work within its sphere of competence, reinforcing the emphasis on management and institutional strengthening activities, components, or operations.

1 For example, consolidation of the Sistema Integrado de Información Financiera [Integrated Financial Information System] (ISTMO).

36 Twenty-three of these recommendations were retired in the 2019 validation; 2 others (recommendations 5 and 6 of CPE: Uruguay 2010-2015) were respectively retired in 2017 and 2018.

37 In other words, they completed their monitoring period under the ReTS and were evaluated or are being evaluated in the new CPEs. In 2019, OVE also presented the CPE: Mexico 2013-2018. However, the predecessor CPE: (2007-2011) was evaluated before the 2016 ReTS exercise.

The **CPE: El Salvador 2009-2014** also issued five recommendations. The CPE: El Salvador 2015-2019 agrees with the 2019 ReTS that these recommendations were substantially adopted but points out areas of opportunity on which Management should continue to work. For example, to address recommendation 1 from the previous CPE (*identify criteria for selection of sectors and priority-setting for Bank projects on the basis of diagnostic assessments*), Management prepared a diagnostic assessment of growth for the Country Development Challenges (CDC) document and nourished the priority areas of the country strategy (human capital, logistics, and public finance). However, the country's fiscal headroom limitations and productive development challenges mean that the recommendation of setting priorities based on clearly identified criteria continues to be relevant for the recent CPE. With regard to recommendation 3 (*efforts to mitigate the impact of delays in the approval of the Bank's program*), OVE recognizes that the Bank's Country Office made efforts to mitigate the impact (the action plan was relevant and substantially implemented).² However, the new CPE identifies that there are persistent challenges (the average time between approval and ratification of loans was the longest for countries that require legislative ratification). Accordingly, it returns to this issue in its recommendations. The rest of the recommendations were adopted by supporting policy reforms for the sustainability of public finance and the pension system (recommendation 2), reinforcing priority-setting and risk analysis in the country strategy and in projects (recommendation 4), and implementing actions aimed at generating evidence (recommendation 5).

The **CPE: Bolivia 2011-2015** issued four recommendations, all of which were substantially adopted. The Bank supported the reform processes underway in the country, maintaining the technical and policy dialogue (recommendation 1); looked for ways to strengthen subnational entities in various sectors through loan and technical cooperation operations (recommendation 2) (Chapter V.C), and implemented some activities aimed at improving infrastructure supervision, although no crosscutting actions were identified in this area (recommendation 3). With respect to recommendation 4 (*seek spaces for supporting the private sector*), the **CPE: Bolivia 2016-2020** finds that Management searched for avenues for dialogue, dissemination, and collaboration with the private sector as well as for fostering collaboration between Bank and IDB Invest operations. The country's current economic and political juncture could pose an opportunity to strengthen the dynamics with the private sector (for example, in 2020 eliminating the 2% fee on transfers of resources from abroad). However, business opportunities are still at an incipient stage (Bolivia is one of the region's countries with the lowest number and amount of approvals from the private sector window). In view of this, the new CPE includes a recommendation in this regard.

The **CPE: Uruguay 2010-2015** issued six recommendations, five of which were fully or substantially adopted (the exception being recommendation 5). Of the five adopted recommendations, the ReTS and **CPE: Uruguay 2016-2020** conclude that: progress was made in the multisector approach of the country strategy and the Bank program (recommendation 1); actions were implemented to delve more deeply into an analysis and estimate of costs for infrastructure projects (recommendation 3); and the Bank systematized its technical support in the country to facilitate access to the knowledge generated by technical cooperation operations, in addition to confirming the potential for knowledge transfer, both bilateral (Uruguay and the IDB Group) and to other countries (recommendation 4). In response to recommendation 2, the operations program during the country strategy period included an appropriate combination of contingent and investment financing; maintained a 40%/60% target for pending disbursements of policy-based loans with deferred drawdown option (PBL-DDO) in relation to pending investment loan disbursements;³ and complemented the foregoing with technical

2 For example, by organizing events to disseminate and rationalize the strategy and the program and by limiting the number of executing agencies per loan and increasing the average amount of the operations.

3 It was also observed that PBL-DDO approvals rose with respect to prior periods but continued to be balanced in relation to investment loans (approximately 50%/50%).

assistance. With regard to recommendation 5 (*explore the use and development of new financial instruments that allow its debt strategy to be supported and reduce transaction costs*), the ReTS recognizes the progress made by Management in implementing results-based lending (LBR) and in developing instruments tailored to the country (adjustments to CCLIPs aimed at strengthening their multisector long-term approach, document GN 2246 11). However, OVE considered that the action plan was partially implemented in view of limited evidence of the use of other originally envisaged instruments, such as regional integration loans and instruments that would allow low-amount operations. However, the new CPE did not see the need to include a recommendation thereon given the significant progress in use of contingent financing and currency conversion that allowed for better liquidity management and debt management in the country.

The **CPE: Argentina 2009-2015** issued five recommendations, four of which were substantially adopted (the exception being recommendation 3, which was partially adopted). This recommendation proposed *addressing the problems of quality and equity in Bank programs that support the delivery of basic social services*. While the action plan was aligned with the recommendation, its implementation was rated as partial in the ReTS.⁴ Accordingly, the **CPE: Argentina 2016-2019** concludes that the support of the health sector (through legacy operations) reflected a powerful emphasis on disease prevention and actions aimed at improving the quality of services. However, in education, the program made little progress in implementing quality improvement components. At the same time, the Bank helped to support policy dialogue and the execution of operations in key areas for the country's development, such as expenditure efficiency and the tax system, in line with recommendation 1. With respect to recommendation 2 (*support actions to address institutional deficiencies that undermine the effectiveness and sustainability of the Bank's program*), the Bank implemented actions aimed at boosting sustainability in areas such as sector planning (e.g., guidelines for calculating water and sanitation service rates). However, the CPE identified persistent challenges and therefore continued to issue a recommendation in this regard. Recommendation 4 lost its applicability during the country strategy cycle.⁵ With respect to recommendation 5, the CPE concludes that the IDB Group's sovereign-guaranteed and non-sovereign guaranteed (NSG) windows coordinated effectively on the renewable energy program (with technical support from the Bank and subsequent project financing from IDB Invest) as well as on PPPs (with technical support from IDB Invest and the Bank and subsequent planned financial support from the Bank and IDB Invest).

4 Some progress was reported in the ReTS until 2017, and there were no subsequent milestones. OVE indicated that the reported actions did not ensure overall implementation in the sense of the recommendation.

5 Due to the change in government policies, operations ceased to include nonreimbursable contributions to companies as suggested by the recommendation.

4.15 In addition, in 2019 a sector evaluation and a corporate evaluation closed out their evaluation cycle (Table 4.3). Unlike the case of CPEs, it is not always possible for other evaluations (e.g., corporate or sector) to assess whether the problem that gave rise to a recommendation was corrected, since there is typically no follow-up evaluation. In 2019, two evaluations of this type concluded their cycle: Evaluation of IDB Group's Work through Financial Intermediaries and Evaluation of the Results of the Realignment (Boxes 4.3 and 4.4).

Box 4.3. Summary of the 2019 closing of the action plans of the Evaluation of IDB Group's Work through Financial Intermediaries

In 2016, OVE carried out a comprehensive evaluation of operations with financial intermediaries, covering operations managed by all (at the time) IDB Group windows between 2005 and 2014 that focused on financial intermediaries (466 operations for a total of US\$17 billion, 14% of total approvals). Based on the findings of the evaluation, OVE issued five recommendations (endorsed by the Board) aimed at: deploying a strategic approach at the IDB Group level with regard to work done through financial intermediaries; better integrating the work with financial intermediaries into the country strategies; and strengthening how the environmental and social safeguards are applied to operations with financial intermediaries, along with other objectives. In the ReTS, four of the five recommendations were retired as adopted (the exception being recommendation 1). Progress was made in several actions, such as improving coordination among the different windows, promoting the supply of IDB Invest products for financial intermediaries, including a diagnostic assessment of the financial sector in the analysis stage of various country strategies, performed jointly by the Bank and IDB Invest, adjusting the legal agreement templates for financial intermediaries to reflect the scope of the portfolio subject to environmental and social risk management, and preparing a strategic selectivity tool for financial intermediaries (pilot phase in 2019). However, with regard to recommendation 1, OVE considers that a broader strategic approach at the IDB Group level is still missing, primarily to define what exactly it is seeking to achieve (strategic objectives) by working with financial intermediaries. In addition, OVE continues to notice that both CPEs and validations of projects with financial intermediaries lack a diagnostic assessment of the bottlenecks that restrict access to credit for the relevant beneficiaries (Annex XII).

Box 4.4. Summary of the 2019 closing of the action plans of the Evaluation of the Results of the Realignment (document RE 451 2)

The realignment process¹ identified objectives in response to the Bank's perceived loss of relevance and presence in the region. To address these objectives, the Bank proposed changes in the Bank's structure (matrix structure), processes (delegation of new responsibilities and authority to the Country Offices and Team Leaders), human resources, and incentives. In 2014, OVE presented an assessment, which concluded that steering this process toward a matrix structure and decentralization was appropriate,² but at the same time identified challenges for reaching the planned objectives and offered five recommendations (four of which, the exception being recommendation 5, were endorsed by the Board). Based on what Management reported through the ReTS, OVE considered that recommendation 2 (*to enhance inter-VP coordination and country program*

1 In 2006, the Board of Executive Directors approved the document for the institutional reform process known as realignment. In 2007, Management presented the implementation plan, whose objectives included deepening the sector and country approach, reinforcing risk- and results-based management, and promoting institutional efficiency.

2 The progress included: improvements in the technical skills of Bank staff, efforts to generate and disseminate knowledge, greater Bank engagement with its clients, and some improvements in collaboration between staff from the same sector at the Country Offices and at Headquarters. The challenges included: the organizational matrix could be strengthened, room for greater collaboration between vice presidencies and between sectors, and sector compartmentalization. The 2014 evaluation found no conclusive indications of increased efficiency.

coherence, strengthen the role of VPS and VPC in country strategy-setting and programming) was substantially adopted in 2016. Although progress was made on the action plans for recommendations 1 (*further strengthen the country program management function in Country Offices*), 3 (*strengthen mechanisms for quality control of Bank operational products*), and 4 (*enhance efficiency, continue to strengthen budget processes and information systems to ensure full and accurate cost accounting*), the action plans were only partially relevant and the recommendations were considered partially adopted between 2017 and 2019. Nevertheless, this progress includes some actions implemented by Management to help improve the Bank's organizational matrix and budget processes (in 2015, SPD submitted a proposal to improve the alignment between the corporate performance measuring tools,³ and in 2017 a new results-based budget (RBB) was implemented), although challenges persist in establishing a more direct linkage between resources and strategic objectives. With regard to recommendation 3, OVE considered that the action plan was relevant and acknowledges that significant progress was made. For example, updates to the action guidelines of the institutional capacity assessment platform (ICAP) were developed and sent to the Operations Policy Committee (OPC) for approval in January 2020 with a view to their entry into force in January 2021; pilot tests were conducted in 15 projects;⁴ ICAP workshops were conducted for 13 operations; and work is being done with KIC to develop ICAP training courses. However, it was not clear how the multiple levels of project selection and review would be streamlined. Since the four years of tracking in the ReTS have elapsed (protocol AM 140 1), OVE is no longer monitoring them (Annex XII).

3 Alignment between the Corporate Results Framework (document GN-2727-8)—under which the Update to the Institutional Strategy is monitored—and results-based budgeting (RBB) indicators.

4 The ICAP guidelines were approved by OPC in 2018.

4.16 The cycle of OVE's Review of Project Completion Reports (PCRs) 2016 and 2017 and Expanded Supervision Reports (XSRs) 2016 in the ReTS also came to a close in 2019. As part of its PCR/XSR 2016 report, OVE issued seven recommendations: four to the Bank and three to IDB Invest; three were retired from the ReTS in 2019 and four in 2018. Progress includes updating of the XSR guidelines by IDB Invest in collaboration with OVE and use of OVE's final ratings of PCRs and XSRs in Bank and IDB Invest corporate reports. The four recommendations directed at the Bank in the PCR 2017 report were subsequently adopted. In 2019, training workshops and seminars were conducted for 100% of the operations that closed in 2018 and were required to prepare a PCR in 2019 (97 teams from 10 sector divisions), and specific examples were provided on the cost-benefit and cost-efficiency analysis for the different sectors, along with guidelines on the alignment of standards and methods for operations of financial institutions (public and private sectors).³⁸

38 Three XSR 2017 recommendations are still active; their cycle comes to a close in 2020.



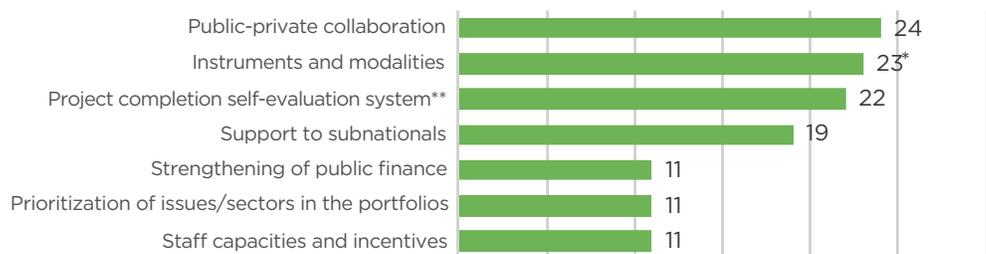
05

Main findings:
ReTS 2013-2019

5.1 In response to the Board's request and its interest in knowing in greater detail the implementation progress and the challenges in addressing the recommendations it has endorsed in recent years, OVE sets out the main findings regarding three issues that have been recurring in its evaluations. The 260 recommendations issued by OVE and endorsed by the Board since 2013 and recorded in the ReTS were organized by OVE into the eight categories shown in Figure 3.2 (Annex V).³⁹ However, for analytical purposes, since these categories were too general to produce specific findings,⁴⁰ OVE reanalyzed each recommendation based on the specific issues covered by each. Thus, an examination of the recurrence of the identified issues showed that three of them appear most often in OVE's recommendations (Figure 5.1 and Annex XV). The issues analyzed in this chapter are:⁴¹ collaboration of the public and private sector windows of the IDB Group (24 recommendations), optimization of the use of instruments or modalities (23 recommendations), and support to subnationals (19 recommendations).

Figure 5.1
Main issues identified in the recommendations

Source: OVE



Note: N= 260. The figure only presents the issues that arose most frequently (either as priority or secondary issues) in 121 of the 260 recommendations. The other recommendations cover diverse topics such as design improvements and project monitoring; building institutional capacity in borrowing member countries; generation, use and dissemination of evidence, etc. Details in Annex XV. (*)Thirty-one of the recommendations on technical cooperation operations and technical assistance are included. (**)Corresponds to recommendations stemming from the PCR/XSR Validation Reports.

5.2 The analysis in this chapter is based on the information recorded in the ReTS. This section is not intended to serve as an evaluation of effectiveness or results on the underlying issues, since this would require specific assessments. Rather, it seeks to delve more deeply into examining the scope of the recommendations

39 All types of OVE evaluations (country, corporate, sector, and project) that have been monitored in the ReTS are included.

40 As indicated above, there does not appear to be a clear trend in terms of relevance or extent of implementation at the category level. However, the categories have served to identify and delve more deeply into specific issues covered by the recommendations.

41 Although the recommendations on the project completion self-evaluation system stand out as one of the most frequently recurring issues, they have already been dealt with in the previous chapter (paragraph 4.16). In OVE's 2019 Annual Report (document RE-548), it also identified these issues as recurring in recent evaluations. "The CPES delivered in 2019 [...] highlighted the need to [...] optimize the mix of financial and non-financial instruments to address client needs, at both national and subnational levels; and improve the coordination of activities between the IDB and IDB Invest to maximize the development impact of the Group."

endorsed by the Board and go beyond the aggregate descriptive analysis and the progress in actions implemented by Management to address those recommendations.

A. Recommendations on collaboration between the public and private sector windows of the IDB Group

- 5.3 OVE has issued 24 recommendations related to strengthening coordination and joint work between the Bank and IDB Invest (or the Bank's former private sector windows) at the strategic and organizational as well as the country and sector levels. Most of these recommendations (14) stem from 14 CPEs (in other words, the issue is dealt within 44% of the CPEs published since the launch of the ReTS), while the rest stem from sector evaluations (six recommendations from four evaluations) and corporate evaluations (four recommendations from three evaluations). All recommendations were endorsed by the Board.⁴² Most (17 action plans, 65%) remain in implementation after 2019. Two countries (Brazil and Chile) have recommendations dealing with sovereign guaranteed-NSG coordination in two consecutive CPEs (Box 5.1). The corporate evaluations notably include the Review of the Merge-out (document RE-513-3);⁴³ OVE evaluated the process in 2017 and highlighted the importance of improving coordination in the private sector and between the Bank and IDB Invest (its action plan remains active until 2021).
- 5.4 Most of the recommendations refer to the need to strengthen coordination or make use of synergies in countries or sectors, and for clearer definitions at the organizational level (Table 5.1). The recommendations have focused on two main issues. The first is to foster greater and more effective collaboration to maximize the development impact of the IDB Group's work at the country or sector level or in key areas (such as delivery of basic infrastructure, energy, sanitation, transportation, SMEs, or PPPs) (17 recommendations), achievable by preparing country strategies that include both windows of the IDB Group,⁴⁴ strengthening the regulatory frameworks in the countries, and better defining the terms of collaboration.⁴⁵ The second issue is

42 Of these 24 action plans, 19 were part of the 2019 exercise and two were retired at the conclusion of that exercise. Other recommendations correspond to IDB-9 and higher middle income countries (HMIC) and were retired without an action plan in 2017 because the respective actions were reviewed in the context of other evaluations.

43 The consolidation of the IDB Group's private sector windows (merge-out) was approved in 2015.

44 CPE: Brazil 2011-2014/2015-2018, CPE: Chile 2011-2013/2014-2018, CPE: Barbados 2014-2018, and CPE: Honduras 2015-2018.

45 The CPE: Argentina 2009-2015, CPE: The Bahamas 2010-2017, CPE: Barbados 2014-2018, CPE: Haiti, 2011-2015, CPE: Honduras 2015-2018, CPE: Trinidad and Tobago 2011-2015, CPE: Dominican Republic 2013-2016, CPE: Nicaragua 2013-2017, CPE:

to identify areas and entities for joint work at the organizational level (seven recommendations), including: establish a focus point in the organizational structure with authority to bring the relevant IDB Group actors together (Evaluation of PPPs in Infrastructure); and develop a strategic approach for working in a coordinated fashion through financial intermediaries⁴⁶ (IDB Group's Work through Financial Intermediaries) (Box 4.3). Most of Management's proposed actions to address the recommendations have been considered by OVE as relevant and on track in terms of implementation progress. Only one has been retired as partially adopted (Table 5.1).

Table 5.1. Summary of recommendations on public-private collaboration and action plans

Recommendations (frequency and description)		Examples of Management actions and progress	ReTS summary
17	1. Foster greater and more effective collaboration to maximize the development impact of the IDB Group's work at the country or sector levels	The country strategies are being prepared jointly (IDB, IDB Invest, and IDB Lab), but there is room for improvement in practice on collaboration. Other actions: spaces for coordination, knowledge generation, and definition of agendas. In several cases, efforts have been made to promote PPPs.	<p>Relevance: <i>full or substantial, except in one case.*</i></p> <p>Implementation: <i>full or substantial</i> in 2019. Two cases with <i>partial</i> progress.**</p> <p>Adoption: Four recommendations <i>adopted</i> and one <i>partially</i> adopted.***</p>
7	2. Identify areas of joint work (internal structure and processes) at the organizational level	Update to the Institutional Strategy (UIS), document CII/ AB 1540 2 (first to include all IDB Group institutions).	
Total: 24 recommendations (from 21 evaluations)			

Source: OVE

* The partial rating is for an action plan (recommendation 4) stemming from the CPE: Brazil 2015-2018. **An action plan for the CPE: Argentina 2009-2015 (recommendation 5) and another for the CPE: Brazil 2015-2018 (recommendation 4). *** Action plan for the Evaluation of IDB Group's Work through Financial Intermediaries (Box 4.3 and Annex XII).

5.5 Management's actions in terms of fostering greater and more effective collaboration at the country and sector levels have been relatively homogenous and include joint preparation of country strategies by the Bank, IDB Invest, and IDB Lab.⁴⁷ Worth noting are the cases of Brazil, Chile, and Argentina, whose recent

Colombia 2015-2018, CPE: Peru 2012-2016, and Evaluation of PPPs in Infrastructure. In the case of Barbados, the CPE also recommended supporting the pending agenda in the context of the country's competitiveness program. The evaluations of climate change (recommendation 3) and SME support (recommendation 2) recommended strengthening the strategy and coordination between windows and expanding the efforts to mobilize financing or external resources in the context of those issues.

46 Address issues such as: the criteria and rationale for sovereign-guaranteed and NSG selection and support (including technical assistance for regulatory frameworks, for example) of financial intermediaries.

47 The need to strengthen the synergies between the Bank and IDB Invest in the country strategies was pointed out in the updated 2015 guidelines (document GN-2468-9), "in compliance with OVE recommendations on the commitments of the Ninth General Capital Increase (IDB-9)."

CPEs analyzed the actions taken by Management with regard to these issues. In all three cases there was evidence of improved collaboration between the public and private sector windows. However, challenges persist in Brazil and Chile, and the new CPEs have accordingly issued similar recommendations (Boxes 5.1. and 4.2). In the remaining cases, the action plans remain in implementation, making it too early to identify results, but progress has been made in preparing joint country strategies.⁴⁸ Other measures are focused on promoting knowledge exchange actions or actions on access to finance for SMEs, support to PPPs, and investments in the productive sectors of each country. To mention a few: in The Bahamas, the country strategy that was approved included fostering the competitiveness of the private sector as a priority area in which the IDB Group would act in a coordinated fashion, and a regional knowledge creation workshop on PPPs was organized in 2018. In Honduras, the joint country strategy that was approved highlights supporting the productive sector and closing gaps in financing for micro, small, and medium-sized enterprises (MSMEs). In 2019, a study was conducted to assess the PPP program in the country (RG T2998), and alternative models of public-private synergies have been explored.⁴⁹ In Trinidad and Tobago, the IDB Group promoted internal knowledge exchange between sector specialists and IDB Invest, which in 2019 gave rise to advisory work on energy efficiency (IDB Invest with the Bank's Energy Division), a workshop on gender issues (IDB Invest with the Bank's Gender and Diversity Division), and the PPP Country Profile. The Dominican Republic hosted the PPP Americas forum in 2019 to foster synergies between the two windows of the IDB Group in PPP projects. However, OVE has highlighted the importance of incorporating specific measures to identify progress in strengthening the regulatory frameworks for PPPs. In Peru, there have also been actions aligned with this recommendation, but there is room for addressing the key point of having guidelines for work with PPPs.

Box 5.1. Recommendations on public-private collaboration and action plans

In the **CPE: Brazil 2011-2014** (document RE-482-1), OVE recommended preparing a specific plan to promote more effective collaboration between the public and private sectors in the country program. An action plan was prepared which partially complied with the recommendation. A plan was prepared to promote such collaboration; there was evidence of increased intersectoral work, with

⁴⁸ In 2019, eight country strategies and other country documents (nine country development challenges (CDC) documents) were prepared in integrated fashion with inputs from the Bank and IDB Invest.

⁴⁹ Worth noting is the analysis of the Apuesta por la Inversión [Investment Initiative] (API) in the cases of health and education. In addition, an initial dialogue on PPPs was promoted in the forestry and water sector.

a greater share of double-booking operations; and an IDB Group office was created in São Paulo, enabling better communication among specialists in different areas. However, coordination at the program level between the Bank and IDB Invest continued to be a challenge. Therefore, in the **CPE: Brazil (2015-2018)** (document RE-534-1), OVE recommended continuing to strengthen coordination and agreeing on the cases in which there is a rationale for using sovereign-guaranteed and NSG financing for the same purposes. The new action plan (started in 2019) includes the approval of a joint country strategy (it has already been approved) that identifies areas of interaction between the public and private sector windows in the various sectors and calls for organizing and giving priority status to the interaction among the Bank, IDB Invest, and IDB Lab through the country representative and the regional manager, with the support of a regional coordinator. OVE considered that, while these actions are relevant to the recommendation, the action plan could be strengthened by developing an a priori plan with respect to cases in which resources from both windows should not be used for the same issue or purpose. The action plan is only now starting to be implemented and therefore more results may be identifiable in the coming years.

In response to the **CPE: Chile 2011-2013**, Management prepared an action plan that was retired as substantially adopted in 2017. Between 2014 and 2017, the Bank and IDB Invest carried out joint activities that helped to promote collaboration (for example, in energy and financial markets), and the country representative played an important role in identifying and originating NSG projects. However, there was no evidence that the programming exercises were systematically conducted jointly with the private sector. The **CPE: Chile 2014-2018** confirmed that programs on access to finance for MSMEs were supported during this period through the public and private sector windows with satisfactory preliminary results, and that the private-sector portfolio was aligned with the country strategy objective of supporting the generation of nonconventional renewable energy. However, the country strategy did not outline a broad strategic positioning of the private sector windows in the country (particularly beyond the above-mentioned areas). Consequently, the CPE recommended promoting greater strategic coordination between the IDB Group's windows to maximize their development impact. The response action plan is relevant; it has been in implementation since 2019 and includes the integrated country strategy (approved in 2019), together with the dialogue and joint missions (IDB, IDB Invest, and IDB Lab) with government authorities, along with other elements.

5.6 Progress has been made on various actions aimed at identifying areas and entities for joint work between the IDB Group's public and private sector windows at the strategic and organizational levels. The way in which the Bank and IDB Invest should work together as the IDB Group has been more clearly defined. In 2019, both the Bank's and IDB Invest's Management submitted the Update to the Institutional Strategy (UIS), document CII/AB15402, to their respective Boards. This UIS is the first to include all institutions comprising the IDB Group, and a single Corporate Results Framework (CRF) was approved. The UIS identifies potential areas for collaboration and the shape that could take (it will be presented to the Board of Governors for approval in 2020). OVE, however, believes that this collaboration could be strengthened even

further.⁵⁰ In addition, internal incentives have been created to foster coordination, such as including collaboration between the sovereign-guaranteed and NSG windows as part of the objectives of the country representatives in the annual individual performance evaluation system (CareerPoint), IDB Invest participation in the evaluations of country representatives, training, and others.

B. Recommendations on the use of instruments and modalities

- 5.7 OVE has issued 23 recommendations related to the issue of instruments⁵¹ (Annex XVI). All of these were endorsed by the Board (two partially)⁵² and most remained active in the 2019 validation exercise (three were retired after this exercise and four in previous exercises). The recommendations stem from 19 evaluations: 13 CPEs (16 recommendations), five sector evaluations (six recommendations), and one corporate evaluation (one recommendation). Thus, there is at least one such recommendation in 40% of the 32 CPEs recorded in the ReTS since 2013. Three countries have recommendations related to instruments in two consecutive CPEs (Chile, Colombia, and Paraguay). It is worth noting that, in addition to this analysis, OVE has performed specific evaluations on instruments.⁵³
- 5.8 OVE's instrument-related recommendations validated in the ReTS are varied but may be divided into two topics: First, optimize the use of the instruments or modalities offered by the IDB Group, adapting the instrument mix to the context and needs of the borrowing countries. Second, explore the viability of new instruments or innovative instruments for the Bank, or improve their design or implementation modalities. In general, the actions proposed by Management in response to the 23 recommendations have been considered relevant by OVE and most of them have shown implementation progress (Table 5.2).

50 While OVE has recognized the progress made in the ReTS, it indicates that the UIS does not address the potential conflicts of interest between the Bank and IDB Invest, as was also noted in the evaluation's recommendation.

51 In general, the actions proposed by Management in response to the 23 recommendations have been considered relevant by OVE, and most have shown implementation progress.

52 CPE: Suriname 2011-2015 (recommendation 2) and CPE: Guatemala 2012-2016 (recommendation 3).

53 Several of these evaluations preceded the launch of ReTS. In addition, OVE recently performed a review on instruments covering a period of 15 years (Lending Instruments Report, 2020 Annex XVI.A).

Table 5.2. Summary of recommendations on the use of instruments or modalities, and action plans

Recommendations (frequency and description)		Examples of Management actions and progress	ReTS summary
13	<p>1. Optimize the blend and use of the instruments offered by the IDB Group:</p> <p>i) Adopt a more effective combination of instruments, based on the context.</p> <p>ii) Ensure an appropriate loan size.</p> <p>iii) Improve the use of programmatic loans.</p>	<p>i) In Uruguay and Chile, the Bank properly adjusted its instrument offering. In Colombia and Brazil, the action plan is only now starting to be implemented.</p> <p>ii) In the Dominican Republic, a lending framework was established for sovereign-guaranteed operations. In Jamaica, low-execution loans were canceled; there are challenges in ensuring an optimal size.</p> <p>iii) In Suriname, there are no new PBPs. In the Dominican Republic, there is room to ensure their high initial depth.</p>	<p>Relevance: <i>full or substantial</i> in 21 cases and <i>partial</i> in two cases.*</p> <p>Implementation**: <i>full or substantial</i> in 20 cases and <i>partial</i> in two cases.***</p>
10	<p>2. Explore the viability of new instruments or modalities, or improve their design and implementation in the countries:</p> <p>i) New approaches or instruments aimed at the achievement of results.</p> <p>ii) Introduction or increased use of various modalities.</p>	<p>i) The performance-driven loan (PDL) modality was revisited, and the loan based on results (LBR) modality was approved in 2016. Eight LBRs have been approved and one canceled. Management also responded with non-reimbursable funding in Colombia and Guatemala.</p> <p>ii) In Colombia, local currency operations were approved in 2019 (IDB Invest), and in Chile there was increased use of fee-for-service (FFS).</p>	<p>Adoption: Of the seven retired action plans, five were <i>fully or substantially</i> adopted and two were <i>partially</i> adopted.****</p>
Total: 23 recommendations (from 19 evaluations)			

Source: OVE. Some recommendations cover more than one of these topics.

* The two cases are action plans for the CPE: Jamaica 2009-2014 (recommendation 3) and the CPE: Suriname 2011-2015 (recommendation 2). ** The action plan for the CPE: Brazil 2015-2018 (document RE-534-1), referring to recommendation 3, has not yet begun to be implemented. *** Partial in the case of the action plans for the CPE: Guatemala 2012-2016 (recommendation 3) and CPE: Uruguay 2010-2015 (recommendation 5). **** The partially adopted action plans are for the CPE: Uruguay 2010-2015 (recommendation 5) and the CPE: Jamaica 2009-2014 (recommendation 3).

5.9 OVE has recommended optimizing and adapting the mix of instruments to make it more relevant to the context and needs of the borrowing countries (Annex XVI.B). In particular, it has recommended: (i) balancing the financing needs and adopting a more effective combination of instruments based on the economic context (for example, contingent support with investment loans and technical assistance, PBPs with implementation support through investment loans or technical cooperation operations, or combining the existing portfolio with new instrument modalities to lower transaction costs or better adapt to the different types of borrower (Uruguay, Suriname, Colombia, Chile, The Bahamas, and Brazil); (ii) ensuring that the new loans in the portfolio are properly sized, taking into account factors such as fiscal constraints, the

experience and capacity of the executing agencies, the sectors in which the Bank has invested in a medium- to long-term relationship with the country (Jamaica, Dominican Republic, and Brazil); and (iii) improving the use of PBPs, including establishing conditions that are fewer, but more strategic and of greater depth at the start of the series (Suriname and Dominican Republic). In addition, in the Review of Bank Support to Tax Policy and Administration 2007-2016, OVE recommended continuing to look for opportunities to provide synchronized support in the area of tax policy and revenue administration through a more appropriate combination of PBPs/PBLs, investment loans, and technical cooperation operations. At the same time, the Evaluation of Direct Support to SMEs by the IIC recommended discontinuing direct loans to SMEs (this recommendation was retired in 2018 as adopted).

- 5.10 The Bank has implemented various specific actions in the countries to promote a more effective combination of instruments. In Uruguay, the Bank promoted an operations program that combined contingent and investment financing; the recommendation was retired as adopted in 2019 (Box 4.2). In Chile (action plan active until 2022), an operations program is being promoted that includes a broader spectrum of sovereign-guaranteed instruments than under the previous country strategy, and provides for periodic review in the event that a redesign or adaptation to the context are required (instruments implemented include PBLs, investment loans—one of which is being restructured into an LBR— and FFS). In Colombia (action plan launched in 2019), Management seeks to promote a strategic dialogue with the government on the recommendation issues (including the possibility of using guarantees). In Brazil (action plan launched in 2019), in the country strategy for the period 2019-2022, Management proposed a differentiated, client-by-client approach (federal government, states, municipios, private sector, and public financial institutions) intended to guide the implementation of the program. Also, as in the case of Colombia, Management will seek to promote the use of guarantees. However, OVE considers that these actions need to be more fully described in the multiyear programming documents.
- 5.11 In Jamaica and the Dominican Republic, the Bank implements different strategies to ensure that the new loans in the portfolio are appropriately sized, but there are challenges. In Jamaica, the action plan envisaged the cancellation and restructuring of low-execution loans as well as portfolio coordination among donors under the country strategy. However, the recommendation was retired from the ReTS in 2016 as partially adopted, since the action plan did not include any provision to ensure that the size of the investment loans would be consistent with the fiscal restrictions, nor did it establish that the performance of the individual loans would be a criterion for determining the appropriateness of new

interventions. In the Dominican Republic, Management established a lending framework for sovereign-guaranteed operations and provided for a review of fiscal performance and the public debt, and it has given preference to certain priority areas in the country strategy in terms of the product offering. However, OVE highlighted the absence in the ReTS of specific actions to achieve a balance between budgetary support and the development objectives under the country strategy (active action plan).

- 5.12 In the two cases in which OVE recommended a more strategic use of programmatic loans, there is partial or incipient progress. In two countries, OVE recommended improving the use of PBPs, including establishing conditions that are fewer, but more strategic and of greater depth at the start of the series. In the Dominican Republic, actions were implemented to make PBPs more relevant to the needs of the context. However, OVE highlighted the absence in the ReTS of actions to ensure that most of the reforms' conditions will have great structural depth from the first phase onward (the new CPE, in preparation, will examine this issue in greater detail). In Suriname, the Bank approved investment loans that were coupled with, and strengthen the execution of, PBPs on agricultural development and revenue policy and administration issues. However, no new PBPs have been approved since 2017 (action plan active until 2020).
- 5.13 OVE has recommended exploring the feasibility of using and developing new financial instruments or innovative instruments, modalities, or approaches for the Bank in certain countries, or improving their design or implementation and financing modalities to better address specific needs (Annex XVI.C). The recommendations of this type seek to: (i) explore new approaches or instruments aimed at achieving results. Such recommendations include reviewing the experience of performance-driven loans (PDLs) at the Bank and peer institutions and considering the use of the loan based on results (LBR) modality (approved in 2016), which finances expenditure frameworks, as well as piloting approaches, instruments, or modalities (including non-reimbursable modalities) aimed at achieving results.⁵⁴ (ii) Consider or explore the introduction or broader use of more diverse modalities or approaches (especially to support countries with higher levels of development), such as local currency financing, “umbrella” loan instruments (to support several institutions in a common thematic area), complementary financing such as social

⁵⁴ CPE: Uruguay 2010-2015, CPE: Colombia 2015-2018, CPE: Guatemala 2012-2016, and the Sector and Thematic Evaluation How Is the IDB Serving Higher Middle Income Countries? Borrowers' Perspective, (2013). The CPE: Chile 2014-2018 also recommended LBRs as one of several options.

impact bonds, and FFS.⁵⁵ The Bank is already able to provide some of these options directly or indirectly through combinations of financial instruments and products.

5.14 In compliance with the recommendations, Management has explored the use of approaches or instruments aimed at achieving results in several countries, with various degrees of implementation.⁵⁶ In the context of OVEs evaluation of HMICs, which recommended that the Bank review its experience with the discontinued PDLs,⁵⁷ Management revisited this modality and proposed a modification, the LBR, which was approved by the Board in 2016⁵⁸ (in view of which the recommendation was retired as adopted in 2016). To date, the Board has approved eight LBRs: in Argentina (1), Brazil (1), Mexico (1), Dominican Republic (1), and Uruguay (4). Of these, seven are in execution (three in Uruguay with execution progress of more than 40%, the most of all eight), the one in Mexico was canceled in September 2019, and none has been completed. With regard to the rest of the CPEs that recommended exploring the implementation of instruments based on results, in Colombia the Bank is working on restructuring an LBR (CO-L1248) and recently approved a results-based grant operation (CO-G1013, Regional Malaria Elimination Initiative, approved by the Bank in 2018). In Guatemala, in response to the recommendation,⁵⁹ Management proposed analyzing the viability of implementing the results-based mechanism in the country's portfolio. In 2018, Management completed a study on results-based budgeting. However, still pending for the Bank is completion and presentation to the government of a strategic roadmap on the viability of the use of results-based financing in the country that goes beyond the budget analysis (postponed to 2020, with the change in government).

5.15 Management has also sought to introduce, adapt, or expand the use and implementation of other support instruments, modalities, or arrangements, with mixed progress. The most widespread use of FFS is in Chile, the country that has used this arrangement the most. Also in Chile, social impact bonds (in coordination with IDB Lab and the country's Ministry of Social Development) have supported

55 CPE: Uruguay 2010-2015, CPE: Colombia 2015-2018, CPE: Chile 2014-2018, CPE: Mexico 2013-2018, and HMIC Evaluation.

56 The 10 action plans in this group are relevant. Most of them are starting or continuing in their implementation phase, and three recommendations have been retired (one of them as partially adopted: recommendation 5, Uruguay) (Box 4.2).

57 The PDL modality was introduced in 2003 as a six-year pilot (document GN-2278-2). Between 2004 and 2009, 19 such operations were approved.

58 LBRs link disbursements to the achievement of results. (Proposal to Establish the Bank's Sovereign-guaranteed Loan Based on Results, document GN-2869-1; Guidelines for Processing Loans Based on Results, document GN-2869-3; and Proposal for a Pilot Program for Performance-Driven Loans, document GN-2278-2).

59 The CPE found that "Given the [...] limited progress in operations, the Bank should explore new results-based mechanisms [...]."

innovative public-private solutions for priority population groups identified as such on a social vulnerability map. In Colombia, in the context of the OVE recommendation, worth noting is the recent approval (in 2019) of four operations in local currency through the IDB Invest window. In Mexico, OVE recommended adapting and improving the new IDB Invest instrument for value-chain financing to ensure its financial additionality. In response, in 2019 (start of the action plan) there has been progress in some areas: Management approved a diagnostic technical cooperation project aimed at examining how the eFactor platform can make its processes more efficient so as to add more companies to its platform, and there is progress toward defining indicators that can enable better monitoring of the effectiveness of the lines. However, OVE continues to recommend in the action plan developing a better-defined plan to ensure financial additionality and conclude the establishment of indicators to be reported by clients, as well as clarifications on how the actions taken will help eFactor add more clients.

C. Recommendations on collaboration with, or support to, subnationals

5.16 In recent years, some OVE evaluations (particularly CPEs) have indicated the need to provide more support for, and work more directly with, subnational governments (Annex XVII and relevant CPEs). Although the Bank has worked with subnational entities throughout the region, the countries in which they have been given direct financing are few, either because the requirements for the instruments offered by the Bank are not met⁶⁰ or because the country's internal policies or restrictions do not allow such financing. The countries with direct loans to subnationals include Brazil and Argentina. Since the launch of the ReTS, OVE has issued 19 recommendations (from 14 evaluations) that included components aimed at improving collaboration with, or supporting, subnational governments (directly or indirectly). All these recommendations were endorsed by the Board and 79% (15) stem from 10 CPEs,⁶¹ which represent almost a third of the CPEs that have been monitored in the ReTS. Due to the extensive work with states and municipios in Brazil, the last two CPEs for this country have accounted for the largest number of these recommendations (Box 5.2).

60 For sovereign-guaranteed loans, the Bank requires a joint and several guarantee from the member country. However, the policy can accommodate decentralized systems in which the subnational entities might be solvent and financially autonomous. In such cases, a sovereign guarantee from the local counterpart is not necessary (provided the financial analysis confirms the borrower's capacity to provide the resources in timely fashion). ([Guarantees Required from the Borrower](#))

61 Argentina 2009-2015, Bolivia 2011-2015, Brazil 2011-2014 and 2015-2018, Colombia 2011-2014 and 2015-2018, Ecuador 2012-2017, Panama 2010-2014, Mexico 2013-2018, and Costa Rica 2011-2014.

5.17 OVE’s recommendations on support to subnationals have primarily been issued in the context of countries with medium or high development levels and have focused on two main areas: First, on creating or adapting instruments and models for work with subnationals that reflect the needs of countries that have greater access to various sources of financing (10). The evaluation of HMICs also recommends that the Bank continue to explore options to interact operationally with subnational entities in higher middle income countries, whether through sovereign-guaranteed or NSG loans or through noncredit instruments. In CPEs of countries with such characteristics (Brazil, Mexico, and Colombia), recommendations of this type have been frequent. Second, the recommendations have also been focused on supporting the institutional capacity or the public finances of subnational governments (9). All recommendations in this regard stem from CPEs, for the most part of middle income countries, such as Bolivia, Ecuador, and Costa Rica, or high income countries, such as Panama and Brazil.

5.18 With regard to Management’s response, most of the action plans have been relevant, although more than half (10) are at the start of execution or are still in the implementation phase and it is therefore too early to describe their results.⁶² Eight of the nine retired recommendations were adopted⁶³ (Table 5.3 and Annex XVII).

Table 5.3. Summary of recommendations on support to subnationals and action plans

Recommendations (frequency and description)		Examples of Management actions and progress	ReTS summary
10	1. Create or adapt instruments and models for work with subnationals	The Bank continued to work through national financial entities (Mexico, Colombia, Brazil). Their recent CPEs recommend continuing to search for options to add value from the subnational standpoint.	Relevance: <i>full or substantial</i> in 18 (94%) cases and <i>partial</i> in one. Implementation: 13 action plans active in 2019, all of them with a rating of <i>full or substantial</i> .
9	2. Support the institutional capacity of subnational entities or support subnational public finance	The Bank has been conducting training workshops for subnational entities. Technical cooperation operations or support loans have been approved (such as in Bolivia, Brazil, Costa Rica, and Ecuador). However, limited institutional capacity is a persistent challenge at the subnational level.	Adoption: eight action plans adopted and one retired with a rating of <i>partial</i> .
Total: 19 recommendations (from 14 evaluations)			

Source: OVE.

62 Six were issued in 2019 (CPE: Colombia 2015-2018, CPE: Brazil 2015-2018, and CPE: Mexico 2013-2018).

63 The retired recommendations stem from the CPE: Argentina 2009-2015, CPE: Bolivia 2011-2015, CPE: Brazil 2011-2014, CPE: Colombia 2011-2014, CPE: Ecuador 2012-2017, and CPE: Panama 2010 2014. Three of them were retired in 2019.

- 5.19 With regard to the recommendations aimed at creating or better adapting the models of support for subnationals, Management continued to work through national financial entities in countries having relatively higher development levels (e.g., Mexico,⁶⁴ Colombia, and Brazil), with mixed progress. Worth noting are the cases of Colombia and Brazil, in which two consecutive CPEs included recommendations along these lines: Brazil 2011-2014 and 2015-2018 and Colombia 2011-2014 and 2015-2018 (Box 5.2). Despite some progress, the recent CPEs of both countries recommend continuing to search for options to be relevant and continue to add value from a subnational standpoint.
- 5.20 With a view to enhancing the institutional capacity of subnational entities, workshops and training seminars have been conducted on various topics and technical cooperation funds or loans have been used to strengthen fiscal governance or promote reforms. However, low institutional capacity in subnational entities persists. In recent decades, Latin America and the Caribbean has witnessed a trend toward decentralization that has made the intermediate levels of government more relevant. However, according to a 2015 Bank publication,⁶⁵ this relevance is counteracted by shortcomings in their capacity to govern and manage their territories effectively and by challenges in coordination between different levels of government. In compliance with the recommendations, the action plans of three CPEs (Bolivia, Costa Rica, and Brazil) were retired. In Bolivia, progress was identified: training seminars were conducted for subnational entities on logistics, water and sanitation, and evaluation issues; cadastral information was gathered through loans in several municipios, improving their capacity to systematize property information; improvements in national, departmental, and municipal sector planning were supported through water and sanitation PBPs; and a public expenditure and fiscal accountability (PEFA) study was supported for the Municipality of La Paz. The recommendation was adopted in 2020; however, the recent CPE identified persistent challenges in the subnational entities. In Costa Rica, the Bank supported management issues and the preparation and implementation of infrastructure and urban development projects (for example, in cantonal road development and restructuring of production and the subnational level) through technical cooperation

64 The CPE: Mexico 2013-2018 recommended searching for ways to ensure that the Bank remains relevant to the country's development needs and argued that support to subnationals can add value, through development banks, federal government programs, and technical cooperation operations, or through more direct financing options.

65 Fortalecimiento de Capacidades Institucionales de Gobiernos Intermedios para Gestión y Gobernanza Territorial: Experiencias con gobiernos subnacionales en la región andina. IDB, UNDP, RIMISP, 2015.

and loan operations. The recommendation was adopted in 2018. Brazil and Colombia are a special case, having recommendations stemming from two consecutive CPEs (Box 5.2).⁶⁶

Box 5.2. Recommendations on support to subnationals in two consecutive CPEs: Colombia and Brazil

The **CPE: Colombia 2011-2014** (document RE-477-1) recommended continuing to explore ways to become involved operationally with subnational entities, searching for innovative options that utilize sovereign-guaranteed and NSG, technical cooperation, and FFS instruments. Management included subnational and local development as a priority area under the country strategy for 2015-2017, paid attention in programming to operations focused on subnational and local development and reinforced the dialogue with subnational entities and intermediary agents (i.e., development banks). Lessons learned from the CCLIP CO X1018 were documented to be used in the design of future operations in this area. The recommendation was assessed by OVE in 2017 as substantially adopted. However, the issue was revisited in the subsequent CPE (2015-2018, document RE-529-3). All recommendations (3) had at least one component that dealt with ways to work with subnational entities. The action plan is currently in the process of implementation until 2022.

In the **CPE: Brazil 2011-2014** (document RE-482-1), three of the five recommendations focused on subnational entities (support for their institutional capacity, deepening of the public finance reform, and search for greater long-term partnerships with states and municipios). The action plans produced mixed results: work was carried out to a larger extent with states with which the Bank already had an established relationship, but also with new municipios. The country strategy included a sector approach for work with states and municipios on public finance issues, and the Bank continued to work on deepening those reforms, under the PROFISCO and PNAFM models. Technical cooperation projects were approved and workshops (in fiscal and municipal management, education, transportation, and water and sanitation) were conducted for subnational entities. A regulatory framework and PPP project prioritization tool were developed in Mato Grosso through a technical cooperation operation; additionally, a memorandum of understanding was signed, leading to PPP studies on secondary airports in São Paulo. However, the approach of working with metropolitan areas was limited due to fiscal restrictions. In the **CPE: Brazil 2015-2018** (document RE-534-1), two of the five recommendations focused in one way or another on subnational support. They called for adapting instruments and developing business models to work with each type of borrower (including states and municipios) and allow greater coordination between the federal and subnational levels. They also called for emphasizing expenditure control and quality considerations in the Bank's work in view of the restrictive fiscal context. The action plan proposed maintaining the IDB Group's support to states and municipios either directly or through lines of financing with federal and regional public banks, creating sustainable comprehensive development plans for states (based on productive value chains), and developing an agenda of dialogue and coordination on subnational expenditure quality.

66 Through the Urban Development and Housing Sector (HUD) and Cities Laboratory, pilots have been carried out and support has been provided in the development of plans for sustainable cities.



06

Conclusions

- 6.1 This is OVE's fourth full validation of the action plans prepared in response to the recommendations endorsed by the Board. It is the second time that this assessment is delivered in a self-standing report. Since the pilot validation in 2014, the process has undergone significant improvements. The 2019 validation addressed the recommendations issued by OVE in the 2018 ReTS report: (i) Management systematically documented all changes made to the milestones and targets in the action plans, thereby making it easier to monitor and validate them, even though there is still room more fully to set out a rationale for such changes; and (ii) IDB Invest provided the means for verifying the progress reported in its action plans through the ReTS Portal, fostering improvements in accountability.
- 6.2 In the 2019 exercise, OVE validated the action plans for a total of 161 active recommendations, corresponding to 38 evaluations. The **relevance** of the action plans improved (continuing the trend observed in previous exercises): thus, 94% of them had high relevance, reflecting aggregate improvements in ReTS processes. With regard to **evaluability**, despite an overall improvement in the action plans, there was a decline in 2019 in comparison with 2016 and 2017, particularly in terms of setting out well-defined actions, making it difficult to validate the extent of progress achieved among the new action plans. At the same time, a larger share of action plans were **implemented** as scheduled (on track) (84.3% versus 79% in 2018). In cases in which the action plans were validated with low implementation, the reasons are milestones not achieved and insufficient information or means of verification to validate progress (Annex XIV a-c).
- 6.3 In addition, 36 recommendations stemming from nine evaluations were retired from the ReTS due to having completed their implementation cycle. Of these, 86% (a similar share as in the previous year) were considered **adopted**, i.e., were relevant to addressing the recommendation and were implemented as planned.
- 6.4 Lastly, in response to the Board's request and its interest in knowing in greater detail the implementation progress and challenges in addressing the recommendations it has endorsed in recent years, this report for the first time includes three additional analyses based on the information recorded in the ReTS:
- (i) A summary of the analysis in the new CPEs on the extent to which the recommendations issued in preceding CPEs have been addressed, helping to close out the evaluation cycle (Panama 2015-2019, El Salvador 2015-2019, Argentina 2016-2019, Bolivia 2016-2020, and Uruguay 2016-2020 CPEs). Of the 25 recommendations stemming from these CPEs, 22 were adopted. In addition,

OVE determined that, in some cases, the problems that gave rise to the recommendations persist. Consequently, these recommendations are revisited in the recent CPEs and will be tracked in the new action plans: in the case of Panama, to deal with sustainability systematically as part of the operations and reinforce the emphasis on institutional strengthening; in Bolivia, to consider new ways of deepening support for the private sector; in El Salvador, to establish criteria for prioritizing objectives and foster a strategic use of technical cooperation operations to drive loan ratification; and in Argentina to address issues of infrastructure maintenance and sustainability.

- (ii) A description of the degree of final implementation of the recommendations stemming from corporate and sector evaluations that completed their tracking cycle in the ReTS in 2019: With regard to the Evaluation of IDB Group's Work through Financial Intermediaries, significant strides have been made on actions such as promoting the offering of IDB Invest products for financial intermediaries, introducing a diagnostic assessment of the financial sector in the analysis stage in various country strategies, performed jointly by the Bank and IDB Invest, and preparing a strategic selectivity tool for financial intermediaries. Still needed is a broader strategic focus on this issue. With regard to the Evaluation of the Results of the Realignment, progress has been made on actions that can enhance the Bank's budgetary processes and quality control of the operational products. However, there are persistent challenges in terms of more directly linking resources and strategic objectives and streamlining the multiple levels of project selection and quality review.
- (iii) An analysis of the findings on the recommendations and actions followed by Management on three recurrent issues since the launch of the ReTS: (a) On collaboration between the public and private sector windows of the IDB Group, progress has been observed; thus, for example, the 2019 Update to the Institutional Strategy is the first to include the Bank, IDB Invest, and IDB Lab, while at the country level, country strategies are prepared jointly by the Bank, IDB Invest, and IDB Lab. However, there is still room to improve collaboration in practice between the IDB Group's public and private sector windows. (b) With regard to optimizing the use of instruments or modalities, different actions have been implemented, resulting in mixed or incipient progress: the supply of instruments has been adjusted in several countries, such

as through a more strategic blend of investment loans, programmatic loans, and technical assistance, while also exploring a greater use of instruments based on results and various other financing modalities. There are still some challenges with respect to ensuring that loans are appropriately sized. (c) On greater support to subnational governments (primarily in countries with medium or high development levels), the IDB Group has worked through national financial entities and has approved technical cooperation operations or support loans and training. Recent CPEs recommend continuing to search for ways of adding value.

Office of Evaluation and Oversight - OVE

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