

The Bank in the Central American Isthmus and the Dominican Republic

2015 Activities Report



Country Department
Central America, Mexico,
Panama and Dominican Republic

© 2016 Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577

© Inter-American Development Bank. All rights reserved. This publication cannot be reproduced, either in whole or in part, nor used in any manner or media, whether electronic or mechanical, including photocopy or printing processes, nor any storage system or data recovery system, without the express prior consent of the IDB.

www.iadb.org

Design: Miki Fernández, ULTRAdesigns, Inc.
Printing: Goetz Printing

Content

Introduction **p. 3**

I. Bank Activities in 2015 **p. 5**

II. Bank Activities at the Country Level in 2015 **p. 27**

III. Prospects for 2016 **p. 53**

The Bank in the Central American Isthmus and the Dominican Republic



**Report prepared for the XXX Meeting of Governors
of the Central American Isthmus and the Dominican Republic**

Washington, D.C., February 29–March 1, 2016

2015: A complex international
environment with a positive balance
for the region



Introduction

The world outlook in 2015, marked by financial market volatility, a downturn in the world economy and the El Niño phenomenon, has not prevented the countries of the Central American isthmus and the Dominican Republic (hereinafter, the region) from benefiting from the US economic recovery and the almost 50 percent drop in the price of oil and other commodities. These circumstances have allowed the countries to continue along the growth path apparent over the previous six years, following the world financial crisis.

The region recorded a growth rate of 4 percent in 2015, surpassing the 1.4 percent average for the rest of Latin America. Domestic demand, particularly private consumption, was the most dynamic component, reflecting the gains in disposable household income made possible by low inflation, which reached record lows in several countries; a 7.9 percent increase in remittances from overseas;¹ and an improvement in the terms of trade as a result of the weakening of the oil market. This was accompanied by a reduction in the current account deficits equivalent to about 1.2 percentage points of GDP.

These results also indicate the countries' significant achievements in creating conditions to maintain macroeconomic stability, generate growth, and reduce poverty. Some challenges, however, persist. There is a clear need, on the one hand, to strengthen the region's production fabric and diversify its export basket, so that it can lessen the vulnerability of its growth to fluctuations in basic prices and the effects of climate change, as well as benefit from the US recovery and the dynamism of the regional market. On the other hand, the favorable economic climate has not

filtered through to the public accounts: the real growth of tax receipts was 7.2 percent, and although the countries have taken steps to contain the increase in the fiscal deficit it is still at high levels—ranging between 2.5 and 3.6 percent of GDP in the past five years.² Public investment, at 4.4 percent of GDP, is insufficient to tackle the existing gaps in social and productive infrastructure.

In the social arena, although poverty has been reduced it still affects close to 40 percent of the population (22.5 million people) and growth has been insufficient to reach the poorest, thereby posing the risk of heightening the inequities in a region already marked by high levels of inequality. The worsening state of insecurity in some countries and the lack of economic and social opportunities for youths raise a barrier to the region's capacity to accumulate and use its human capital.

In this context, the Inter-American Development Bank (hereinafter, the Bank) has been offering constant support to the region in designing and financing initiatives geared to meeting these challenges, both in response to the particular circumstances of each country and from a regional perspective. This report presents the Bank's financial and non-financial activities in 2015 and the work program for 2016, which gives continuity to the Bank's technical and financial support for key initiatives of economic, institutional and social transformation in the region, and introduces new approaches to make IDB actions more effective.

¹ Data as of September 2015. Includes El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic.

² By 2015, Nicaragua had the lowest fiscal deficit at 1 percent of GDP, and Costa Rica had the highest at 6.1 percent of GDP.

The region's development challenge:
deepening the sources of growth and
increasing its social dividend



I. Bank Activities in 2015



With a loan portfolio of about US\$7.2 billion in 2015, the Bank continued to foster improvements in the population's quality of life, and in logistical infrastructure for productivity



1. Public Sector Loan Portfolio

The Bank currently has an active portfolio of 112 projects totaling about US\$7.2 billion, of which US\$4.15 billion are available. About 50 percent of these available resources are geared to integration projects in transport and energy, which will help reduce logistics costs and facilitate producers' market access. Some 42 percent supports the introduction of significant changes in the provision of basic healthcare, education, as well as water and sanitation services, areas in which the region has the greatest deficits. The remaining 8 percent is devoted to strengthening public finances and transparency.

Loan approvals in 2015

The region faces challenges in providing basic social services to the population, especially in rural and peri-urban areas where the incidence of poverty is highest, and the costs of transport and energy continue to affect regional competitiveness. In 2015, the Bank worked with the countries in designing initiatives geared to improving healthcare, strengthening the capacity of the social protection networks to serve the most vulnerable, and expanding the countries' transport and energy infrastructure while also making it more efficient. Of the US\$2,061 million approved by the Bank in 2015 in sovereign guaranteed loans,³ about two-thirds (US\$1,296 million) went to investment loans⁴ and a third (US\$765 million) to policy-based loans.⁵ This total level of approvals remains above the average of recent years.

³ Refers to loans that have a State surety/guarantee.

⁴ The Bank has various forms of lending to support countries. Investment loans are used to finance public investment projects such as building schools, highways, equipment and so on.

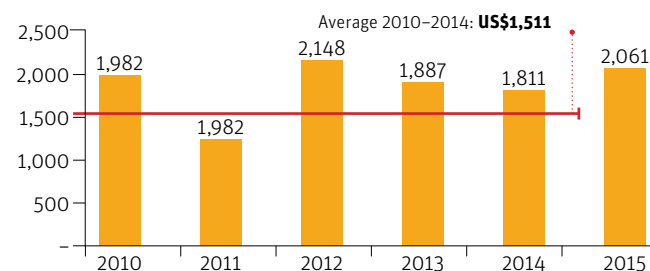
⁵ Policy-based loans support institutional and policy changes at the sectoral and subsectoral levels through fast-disbursing funds.

More than half the resources approved in 2015, some 54 percent, were geared to promoting **productivity and innovation in the region**, prominently in the energy and transport sectors. In the energy area, the Bank approved financing for a program of renewable energy, transmission and distribution in Costa Rica; the expansion of and upgrades to the electricity transmission system in Nicaragua; upgrading the Cañaveral hydroelectric complex in Honduras; and reforms to secure the financial and operational sustainability of the electricity sector in Nicaragua and Honduras. In the transport sector, the approved financing will go to road integration programs in Nicaragua and Honduras, and implementation of reforms to the institutional framework of logistics in Panama.

The Bank's support for infrastructure helps underpin the region's efforts to improve economic integration and trade facilitation. Several of the energy and transport projects mentioned above have a regional focus. Examples include projects on renewable energy in Costa Rica and electricity transmission in Nicaragua, since they seek to foster the Regional Electricity Market (MER) and the road integration project in Honduras, given its connection to the Mesoamerican Pacific Corridor. Moreover, the Bank's support for border integration gained importance in 2015 with new projects in Costa Rica and Nicaragua. The broadband and sustainable tourism programs approved

FIGURE 1. Public Sector Loan Approvals, 2010–2015

(sovereign guaranteed loans, US\$ million)



in Nicaragua and Belize, and the program to improve the quality of education in Guatemala, also helps foster productivity and integration.

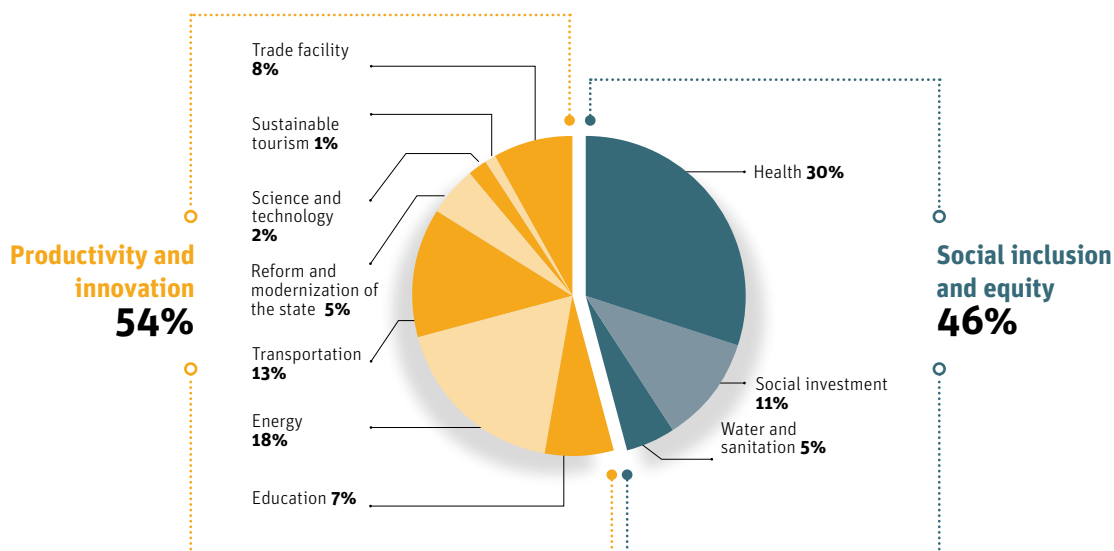
With a view to **promoting social inclusion and equity** in the region, 46 percent of all approvals (US\$950 million) went to financing initiatives in the areas of health, social investment, and water and sanitation. The investment projects approved in 2015 in Panama and El Salvador seek to strengthen the integrated health networks and social protection systems, paying special attention to promoting the accumulation of human capital on the part of those living in poverty and extreme poverty. In the particular case of El Salvador, Bank financing will support, among other activities, the building of new centers in the *Ciudad Mujer* program. This model brings together, in each center, State institutions that provide specialized services for women in areas such as health, economic autonomy, dealing with violence, childcare and education. Policy reform projects,

for their part, helped foster the consolidation of the health sector and social security in the Dominican Republic, and reforms to improve the transparency and equity of social protection spending in Panama.

Additionally, the Bank approved institutional strengthening initiatives in the Dominican Republic and Honduras. These seek to improve budgetary and financial management, and to strengthen the operation of the tax administration, respectively.

In addition to the resources approved by the Bank, the 2015 loan program had US\$50 million in financing from the China Co-financing Fund for Latin America and the Caribbean (CHC) for a second phase of the Panama Bay Sanitation Project, and US\$25 million from the Korea Co-financing Fund for the Development of Infrastructure in Latin America and the Caribbean to expand access to broadband services in Nicaragua.

FIGURE 2. 2015 Approvals by Strategic Areas and Sectors
(sovereign guaranteed loans, %)



Significant data on public sector approvals

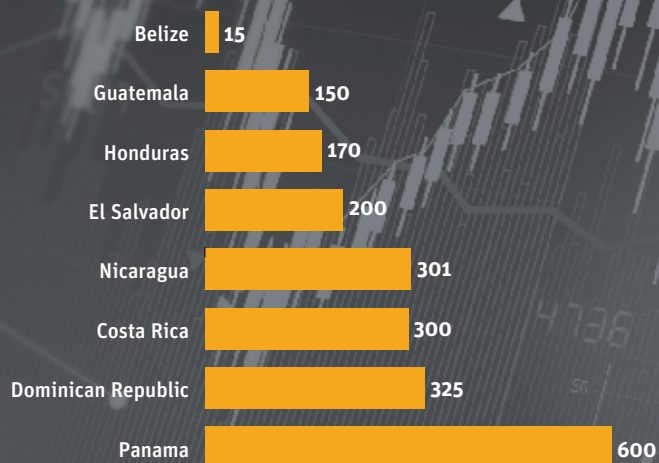
23 loans totaling US\$2,061 million for the public sector

17 investment loans approved totaling US\$1,296 million, a record amount in health and social investment

6 policy-based loans totaling US\$765 million to promote the effectiveness and efficiency of social spending and healthcare, the electricity sector, and financial transparency

Concessional financing of US\$470.7 million for Honduras and Nicaragua in combined loans from the Fund for Special Operations (FSO) and Ordinary Capital (OC)

FIGURE 3. Loan Approvals by Country in 2015
(sovereign guaranteed loans, US\$ million)



The IDB approved more than US\$2 billion in new public sector projects in 2015 to promote social inclusion and equity, and to foster productivity and innovation

BOX 1. Expected Results with Loans Approved in 2015

GUATEMALA

- 450,000 children at the preprimary and primary levels to benefit from upgraded and equipped classrooms.

BELIZE

- 9,500 direct jobs and the inclusion of the low-income population in the tourism sector by improving seven visitors' centers in archeological sites and cultural and natural attractions in Corozal, Cayo and Toledo.

EL SALVADOR

- 118,982 women will have access to one of the following services: job centers; vocational technical training courses (in classrooms); and production credit.
- 130,000 beneficiaries of healthcare services by strengthening the outpatient network in 10 municipalities, and building and equipping two hospitals, one of them a specialist facility.

NICARAGUA

- 1,405 kilometers of optical fiber will be acquired and installed to increase the connectivity of households and businesses to broadband services, and help the economic and social development of the country.
- 101.6 kilometers of electricity transmission lines will be built to improve the constant, reliable and cost-effective supply of energy, and support will be given to implementation of measures to ensure the financial sustainability of the electricity sector.
- 126.5 kilometers of rural roads will be built or upgraded to improve transport access in rural areas with high levels of poverty, and to facilitate the integration of productive areas.
- Three border crossings will be upgraded and equipped (San Pancho, Peña Blanca and Guasaule) to improve the efficiency of customs procedures, raise competitiveness, and foster economic integration.

COSTA RICA

- 3,156 megawatts of installed capacity achieved through electricity generation with renewable sources.
- Four border crossings to be upgraded and equipped (Peñas Blancas, Las Tablillas, Paso Canoas and Sixaola) to make customs procedures more efficient and boost competitiveness.



DOMINICAN REPUBLIC

- Support for the consolidation of the social security system to improve its coverage and efficiency.

HONDURAS

- 137 kilometers of road will be upgraded (El Amatillo-Guasaule), together with support for the restructuring of the ENEE as the mother company of subsidiary businesses for the generation, transmission, distribution and operation of the system, as well as upgrading two electricity substations.
- Creation of the new Revenue Administration Service, with which tax revenue is expected to rise to 17.1 percent by 2019.

PANAMA

- 235,000 households will benefit from the expansion and upgrading of the Juan Díaz waste water treatment plant in Panama Bay.
- 80 percent of households with minors in extreme poverty included in the Oportunidades network and 650,000 new beneficiaries of anti-poverty programs will be registered; 575,000 people will benefit from primary healthcare services included in the Priority Services Portfolio.
- Reform and consolidation of the regulatory and institutional framework for logistics and transport to improve the country's performance in logistics.

Public sector disbursements in 2015

Bank disbursements to the public sector reached US\$1,983 million, a record compared to the disbursements of the past five years. This amount includes projects that were ongoing at the start of 2015 and the new initiatives approved during the year. It is notable that in 2015 about 50 percent of the resources were devoted to the areas of social investment, health and education, and 28 percent to the energy and transport sectors.

FIGURE 4. Disbursements with Sovereign Guarantee, 2010-2015
(US\$ millions)

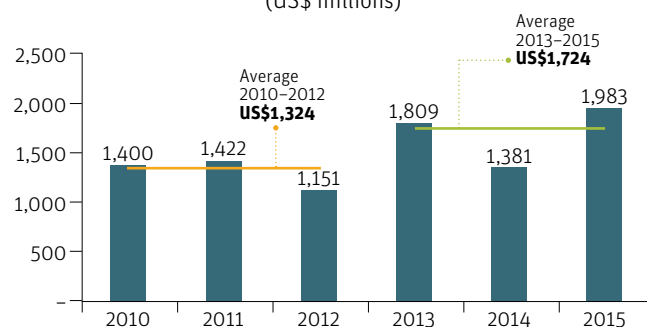
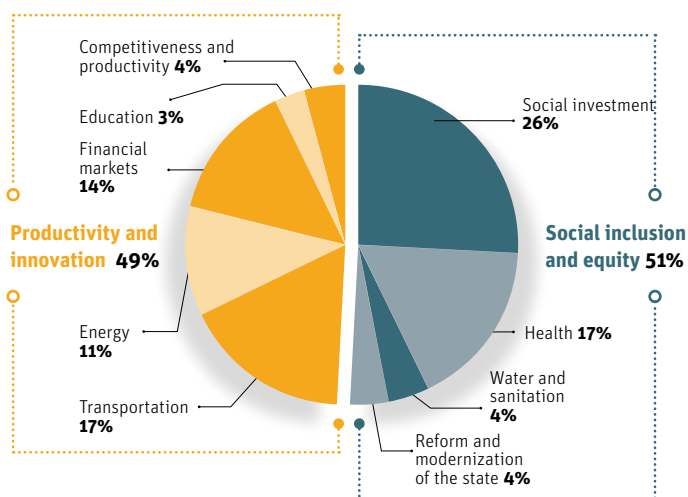


FIGURE 5. Sectoral Distribution of 2015 Public Sector Disbursements
(sovereign guaranteed loans, US\$ million)



Significant data on public sector disbursements in 2015

US\$1,983 million in disbursements through sovereign guaranteed loans

US\$868.5 million in disbursements for investment projects, especially in transport, social protection, healthcare and energy

US\$1,115.3 million in loan disbursements to support reforms in the social sector, healthcare, energy and transport

US\$1,373 million in net positive flows for the region

In 2015 the IDB set a record of US\$1,983 million in disbursements from its active portfolio in the region, principally devoted to the health, social investment, energy and transport sectors



Contribution to public sector financing needs

By the end of 2015, the level of disbursements with sovereign guarantee and repayments by the countries generated a positive net flow⁶ of US\$1,373 million in loans to the region. In the area of concessional financing, IDB disbursements for Nicaragua and Honduras accounted for 57.9 percent and 41.6 percent of the financing needs of the non-financial public sector (NFPS) in those countries.

FIGURE 6. Net Flows of Sovereign Guaranteed Loans, 2010–2015
(US\$ million)

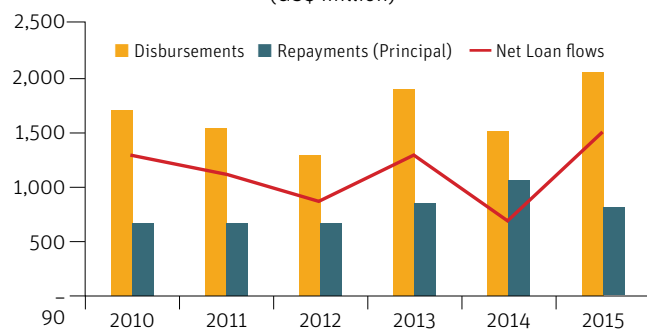
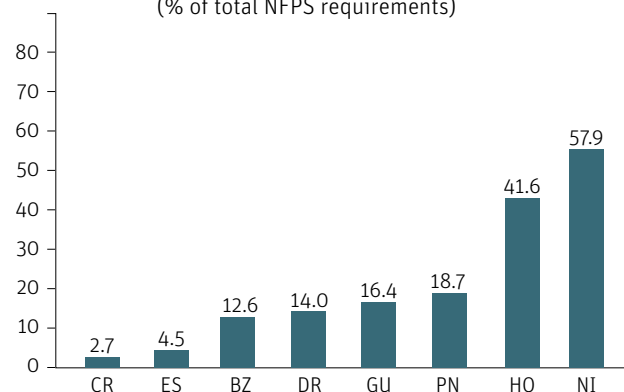


FIGURE 7. IDB Financing as a Share of Gross Financing Needs
(% of total NFPS requirements)



⁶ Net flows are disbursements less repayments. Repayments refer to capital amortizations. If the balance is positive, the inflow of resources in the period exceeded outflows.

In 2015, the net flow of loans to the region was positive with the injection of US\$1,373 million

Measuring the impact of the Bank's portfolio activities

Since 2008 the Bank has been implementing an approach that focuses on measuring the results and development effectiveness of its interventions, in line with practices in the international community and development finance institutions. In 2015, 40 projects totaling more than US\$2 billion completed implementation. Of these, nine supported policy reforms, most particularly:

- Honduras moved forward on fiscal and energy sector reforms.
- Nicaragua consolidated the strengthening of the regulatory and institutional framework of the electricity sector.
- The Dominican Republic introduced a reform program to reduce distortions that hamper the growth of the most productive enterprises, gradually consolidate social security coverage, and improve the efficiency of healthcare spending.
- Panama established an institutional framework to implement the National Logistics Plan and make the government's social investment programs more efficient.
- Guatemala undertook reforms to make social spending more efficient.

The 31 remaining projects concluded their investments in the transport, energy, water and sanitation, healthcare, education and social protection sectors. The implementation of these investment projects, which on average last for five to seven years, allowed the countries to move forward on development targets and objectives. Box 2 outlines some of the countries' achievements made possible by these investment projects.

BOX 2. Achievements with Portfolio Loans for the Public Sector Completed in 2015⁷

	Before...	After...
Belize Property register	It took 39 business days to register a property	This was cut to 10 business days
Costa Rica Sixaola River Basin Sustainability	Bananas and plantains were the main crops in the basin, putting pressure on forest resources in the absence of management plans	260 hectares under organic cacao cultivation in agroforestry systems, and 760 growers adopting practices fostered by the program
El Salvador Rural connectivity in the Northern and Eastern Zones	The poor state of the rural road network in the area affects economic activity and poverty	59 kilometers of five rural roads upgraded, benefiting more than 107,000 people who now have lower travel costs and shorter travel times
Guatemala Rural electrification	There was 66 percent electricity coverage in the poorest prioritized municipalities	The share of households with electricity grew to 74 percent
Honduras Primary education	There was a 20 percent repetition rate among first-grade children who benefited from the program	The repetition rate fell to 13 percent
Nicaragua Lake Managua basin storm drainage	600 inhabitants identified as vulnerable to flood risk	Number of inhabitants vulnerable to flood risk reduced to zero
Panama Access to health services	Some 41 percent of births in indigenous communities attended by trained staff	Some 83 percent of births in indigenous communities attended by trained staff
Dominican Republic Social protection	232,914 people receive conditional transfers	981,070 people receive transfers conditional on fulfillment of co-responsibilities in nutrition, healthcare and education

⁷ From the design stage, the projects have measurable results frameworks that allow the progress of execution and the final results to be assessed. On completion, the results are described in a Project Completion Report that assesses the projects' outcomes, their long-term sustainability, and the lessons learned to improve the design and execution of future operations.

2. Non-Reimbursable Financing

IDB technical support to the countries in 2015 was realized through the approval of US\$48.4 million in technical cooperation, giving priority to institutional strengthening and social investment

Non-reimbursable operations have taken several forms, from small technical cooperation initiatives financed with Bank-managed donor funds and with ordinary capital, which are mainly used to undertake consultancies, to donations that finance infrastructure investments and contribute to the funding of IDB projects.

In 2015 the **technical cooperation** program reached a record of 124 operations totaling US\$48.4 million to finance activities at the national, regional and intraregional levels.

At the **national level**, the operations are concentrated on the social sectors, State reform, and infrastructure. In the social area, the Bank financed initiatives in health, education, analysis of the efficiency of social spending, and the inclusion of gender and diversity considerations in public policies or Bank operations. As regards reform of the State, the IDB financed activities to improve project management capacity, foster transparency in the public sector, and strengthen

expenditure planning. In infrastructure, pre-investment studies were undertaken for transport projects that are now being prepared, and policies were implemented in the area of logistics.

As part of the country-level technical assistance program, the Bank has a specific fund to address the needs of countries with lower relative per capita income, from which Honduras, Nicaragua and Guatemala benefit. In 2015, this initiative financed 40 percent of the technical cooperation program with those countries. Since these funds have no thematic emphasis, they can be used to address multisectoral needs and challenges.

Honduras

- Identification of projects in the Plan of the Alliance for the Prosperity of the Northern Triangle
- Planning and implementation of the medium-term fiscal framework
- The country's commitments under the international convention on transparency

Nicaragua

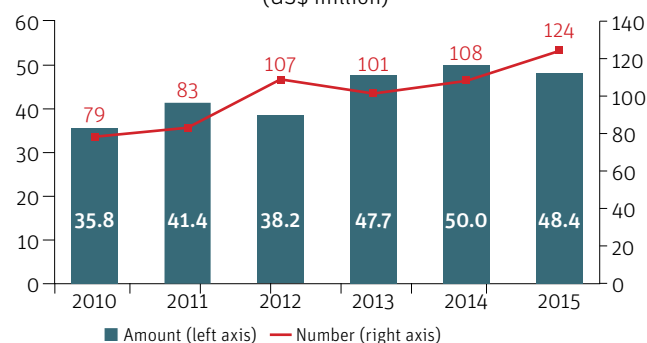
- Devising a tourism development strategy
- Formulation of a national productivity plan
- Strategy to promote irrigation systems
- Mechanisms to finance housing

Guatemala

- Management of State hydrocarbon resources
- Project management tools for the public sector
- Implementation of a public policy to attend to communities affected by the construction of the Chixoy hydroelectric plant
- Early warning systems to monitor the impact of climate change

At the regional level, the Bank approved 35 technical cooperations totaling US\$20 million to help address development challenges that can be tackled more efficiently by means of cooperation among several countries. In Central

FIGURE 8. Technical Cooperation Approvals, 2010–2015
(US\$ million)



America, this is a useful instrument to support and contribute to integration initiatives that are mentioned later in this report.

In the area of health, initiatives were approved to identify good practices in the Mesoamerican Health program SM2015:

- Strengthening the institutional capacity of the Council of Central American Ministers of Health (COMISCA)
- Supporting implementation of SICA's regional health policy
- Financing activities that promote joint negotiation of medicines, micronutrients and medical supplies

The Bank also supported regional dialogue in the area of trade facilitation for implementation of the “Central American Strategy for Trade Facilitation and Competitiveness,” and in energy integration through an analysis of the possibility of introducing natural gas into the region.

Additionally, among the non-reimbursable operations,

the Bank approved four **investment grants** in 2015 totaling US\$11 million; unlike technical cooperation initiatives, these finance infrastructure projects. Notable among these is the approval of three operations for the development of the second phase of the Mesoamerican Health Initiative SM2015 in Costa Rica, Guatemala and Panama. This initiative, co-financed and executed by the Bank, enters its second stage of execution to meet its goal of reducing maternal and child malnutrition, mortality and morbidity in its eight beneficiary countries.

Another form of non-reimbursable technical cooperation is **intraregional technical cooperation (TC-Intra)**. These kinds of operations, though they involve small amounts (US\$14,000 on average), have been crucial in fostering South-South collaboration. The transfer of successful experiences and good practices has nourished the policy dialogue, the origination of operations, and the strengthening of program execution. In 2015, the Bank financed 16 exchanges in the countries of the region.

BOX 3. Progress and Achievements in the Mesoamerican Health Initiative (SM2015)

SM2015 has directly served 1.7 million women and under-fives in the region, improving child nutrition, enhancing the sexual and reproductive health of women and adolescents, and increasing the availability of inputs, medicines and equipment to maternal and child care in more than 1,000 health centers.

Implementation of the initiative's second operations began in 2015, representing a total investment of US\$51.4 million (US\$31.7 million from the Initiative and US\$19.7 million in local counterpart funding), and centering on improving the coverage and quality of the interventions.

Belize, El Salvador, Honduras and Nicaragua began their second operations, with positive results in the early stage. For their part, Panama, Costa Rica and Guatemala completed

their first operations and will begin the second operations in 2016.

- 1.7 million women and children under-fives has been benefitted
- Second operations began in 2015, representing a total investment of US\$51.4 million
- Belize, El Salvador, Honduras and Nicaragua began their second operations in 2015

BOX 4. Prominent Cases of South-South Cooperation in 2015⁸

- Exchange of experiences in sustainable tourism between **Belize, Panama** and Jamaica
- Promoting innovation in Uruguay and adaptation in **Costa Rica**
- Experiences and good practices of public-private linkages for competitiveness in Panama, for **Costa Rica**
- Best practices in managing public services between public companies in Medellín (Colombia) and the **Dominican Republic**
- Knowledge exchange between Mexico, Brazil and Colombia with **El Salvador** to develop productive investment programs through remittances

- Best practices in institutional capacity and urban development between the municipality of Rio de Janeiro and **Guatemala City**
- Exchange of best practices between the Financial Superintendency and the Ministry of Finance in Colombia and **Panama** for the implementation of regulations on money laundering
- Observation of Paraguay's program Tickichuela—Mathematics in My School by **Panama**

- Latin American countries that exchanged knowledge, good practices and lessons learned in 2015.

⁸ The term **South-South Cooperation** is used to describe the exchange of knowledge between the Latin American countries that have attained a higher level of development or engaged in good practices in matters of interest for other countries of the region.

Significant data on support to the private sector

25 loans and guarantees totaling US\$445 million were approved for the private sector in 2015 for the purposes of facilitating SME trade, as well as for renewable energy and financial services

US\$416 million in loan disbursements to the private sector in 2015 for trade, development of SMEs and their access to financial markets

Two new TFFP lines totaling US\$12 million approved in 2015

22 MIF projects totaling US\$22 million approved in 2015 for the development of SMEs headed by women and small producers, support for agriculture and rural development, and social and financial inclusion projects

29 IIC operations worth US\$146.3 million approved in 2015 in the industry, energy and financial services sectors

In 2015, IDB support to the private sector focused on access to credit for SMEs and renewable energy generation



3. Support to the Private Sector

In 2015 the Bank approved 25 lending and guarantee operations totaling US\$445 million for the private sector in the region. The financing focused on financial services and infrastructure.

In the financial sphere, resources were channeled through local banks to provide SMEs with access to financing, to support upgrades to housing, and to offer green financing lines for environmentally friendly projects. Foreign trade was also promoted through a series of loans to financial institutions to support commercial transactions through the Trade Facilitation Financing Program (TFFP). Apart from the operations with the banks already in the program, in 2015 two new uncommitted lines were approved totaling US\$12 million. The TFFP network involves more than 103 issuing banks in 21 countries in Latin America and the Caribbean, as well as 300 confirming banks throughout the world. Access to this network allows the program's clients to enter new foreign markets, as well as to deepen trade integration and forge links with international value chains.

In the energy sector, the initiatives reflected a significant push to improve the sustainability of energy sources, mainly through support for the development of renewable energies.

FIGURE 9. IDB Non-Sovereign Guaranteed Loans Approved in 2015, by Sector
(US\$ million)

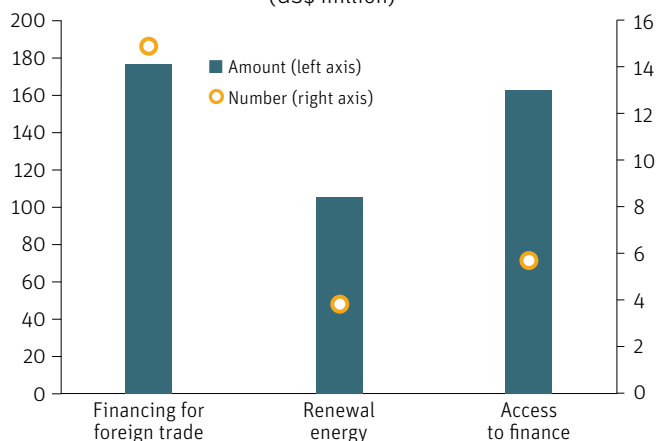
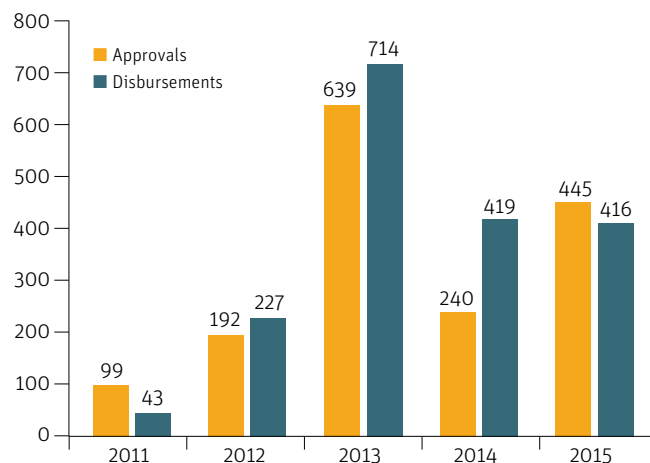


FIGURE 10. Approvals and Disbursements for the Private Sector, 2010–2015
(non-sovereign guaranteed operations, US\$ million)



This is the case of solar energy projects in El Salvador and Panama, the development of a cogeneration plant using biomass from agricultural residues in Costa Rica, and a solar energy self-sufficiency and efficiency project in Honduras.

In addition to the Bank's operations, the Inter-American Investment Corporation (IIC) approved 29 operations totaling US\$146.3 million for the development of SMEs in the region through direct loans to businesses in the foodstuffs industry, agriculture, services, energy and logistics, among others, as well as through financial intermediaries. The Corporation is also implementing a series of technical cooperation projects focusing on environmental audits through the GreenPyme program, market studies to develop new renewable energy and energy efficiency projects, and mainstreaming gender in the energy sector.

For its part, the Multilateral Investment Fund (MIF)—a fund that specializes in designing and financing pilot projects to test pioneering ways of creating economic opportunities and reducing poverty—approved 20 projects totaling US\$22 million in Central America and the

Dominican Republic. Most of these operations (70 percent) were in the form of grants and the rest were three loans under the Social Entrepreneurship Program (SEP) and a capital investment in a fund on climate change. The projects centered on access to financing in rural areas and for recipients of remittances, and market access and capacity building for MSMEs, especially those headed by women, small agricultural producers and youths.

In 2015 the MIF approved a capital investment of US\$4 million in the Honduras Financial Fund for Renewable Energy, so as to provide capital to small-scale renewable energy entrepreneurs, with a co-investment of US\$20 million in the same fund from the Scaling Up of Renewable Energy Program in Low-Income Countries (SREP). This is a program of the Strategic Climate Fund, of which the Bank is an executing agency. The Fund will use mostly mezzanine financing to develop a portfolio of small-scale, grid-connected energy projects and self-sufficiency in renewables, such as hydroelectricity, biomass, biogas, wind power and solar power.

4. Contribution to the Regional Dialogue, Strategies and Knowledge Agenda

The IDB: a partner in defining agendas and priorities in the region during 2015

Country strategies

In 2015 the Bank undertook policy dialogue and prepared country strategies with the governments of Costa Rica, El Salvador and Panama. This process involved preparing policy notes outlining the main challenges at the sectoral and macroeconomic levels, which fostered technical exchange on development challenges and priority areas for action. As a result of dialogue with the governments, the Bank approved three country strategies whose main features are outlined below.

- **Strategy with El Salvador, 2015–2019.** The strategy proposes work in three, closely interrelated areas. One is logistics infrastructure to support the process of productive transformation on which the country has embarked, and to foster growth. The second consists of improvements in the quality of public spending on education and health, so as to ensure a deeper and broader impact on those living in poverty. The third is support for the country's efforts to attain the fiscal sustainability needed to maintain stability and growth.
- **Strategy with Costa Rica, 2015–2018.** The priority areas are geared to boosting productivity through investments in transport, energy, financing for SMEs, and education. A cross-cutting element of the strategy addresses regional integration and the impact of climate change, as well as institutional strengthening for the development of public-private partnerships.
- **Strategy with Panama, 2015–2019.** The strategy has the dual goal of reducing poverty and inequality by improving the provision of services for the most vulnerable, and increasing the productivity of the economy linked to the Canal and enhancing the country's connectivity at the national and international levels. These goals are to be met through coordinated actions in the areas of social protection, health, water and sanitation, education, transport and energy.

Regional dialogue

Moving forward with regional integration is a crucial development challenge for Central America. Examples of activities in this regard are the increase in exports attendant on the strengthening of the intraregional market, the attraction of investment by taking advantage of regional economies of scale and comparative advantages, and the expansion and diversification of integrated production chains to secure greater benefit from regional trade agreements.

In 2015 the IDB fostered sectoral coordination with the countries and other cooperation partners on the issue of

Central American economic integration. Some of the most important advances made on trade facilitation, transport, and energy are detailed below.

Trade facilitation: towards a Central American customs union

Institutional progress. Central American economic integration received a boost in 2015 with the completion of the “*Central American Strategy of Trade Facilitation and Competitiveness with Emphasis on Coordinated Border Management*,” which was adopted by the Council of Ministers for Central American Economic Integration (COMIECO) and was included as a milestone on the roadmap to establish the Central American Customs Union, ratified by the presidents of the region in June.

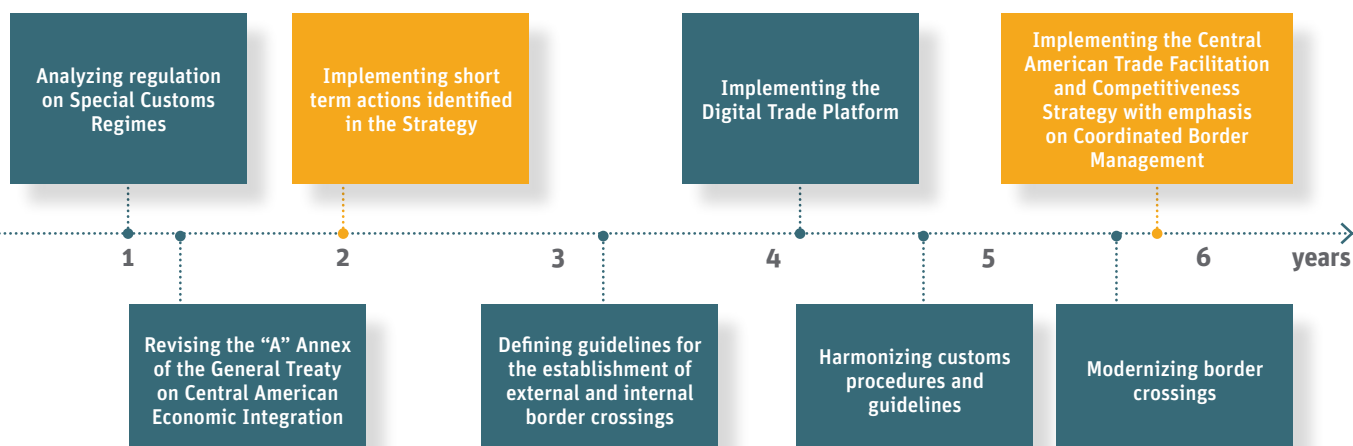
The IDB provided support for the design and implementation of the strategy, in coordination with the United States Agency for International Development (USAID), through a technical cooperation grant. With these resources progress was made on monitoring border crossings by installing cameras and radiofrequency devices, as well as on streamlining customs clearance procedures by means of the advance transmission of information and coordination of migration and sanitary controls.

Border integration. In line with this regional strategy, the Bank approved two loans in 2015 to promote border integration between Nicaragua and Costa Rica, strengthening the border crossings in both countries as regards infrastructure, equipment, and customs procedures. The US\$100 million loan for Costa Rica will allow Costa Rica and Nicaragua to join efforts to bring about coordinated border management at the crossings in San Pancho and Peñas Blancas. The US\$55 million loan for Nicaragua will have a positive effect on the time required to export and import goods, and on the movement of people using the border crossings with Costa Rica. The resources will also be used to modernize the border crossing at El Guasaule between Nicaragua and Honduras.

Dialogue with the private sector. Another important step forward in the area of trade facilitation is related to partnerships between the public and private sectors in customs matters. The Bank supported private sector initiatives through the Trade Facilitation Commission of the Consultative Committee for Economic Integration (CCIE), the body that represents the Central American private sector. The Bank also facilitated dialogue with counterparts in the public sector. One outcome of this process was the consensus reached on aligning regional regulations on the Authorized

FIGURE 11. Roadmap for Progress on the Central American Customs Union

Milestones in the area of “Promoting the Free Trade of Goods and Trade Facilitation”



Economic Operator (AEO) with international standards. The regulations were modified in October 2015 following a proposal formulated with the Bank's technical support. The AEO is a non-obligatory certification that makes it easier for exporters and importers to move their products through the customs posts.

Transport and logistics: a shared regional vision to prioritize investments

Institutional progress. An important step that began in 2015 was the drawing up of the “Regional Framework Policy on Mobility and Logistics” in coordination with the Economic Commission for Latin America and the Caribbean (ECLAC) and SIECA. This will provide the countries with a regional framework that will allow them to move forward in coordination to narrow the gap in physical infrastructure, service provision, and the prioritization of investments.

Transport. As regards investment in transport in 2015, the Bank continued to prioritize its technical and financial support in modernization of the Pacific Corridor, which is crucial for regional integration. With IDB financing, Honduras allocated US\$154 million to upgrade all sections of the Corridor. El Salvador has given parliamentary approval to the US\$115 million loan approved by the Bank in 2013 to modernize the Corridor, thus allowing progress to be made on building works in the short to medium term. It is estimated that about 73 percent of the Corridor has been upgraded or meets regional technical standards. Nonetheless, investments of US\$967 million are still required to meet the agreed standards, mainly with interventions in El Salvador and Costa Rica.

The Action Plan for implementation of Short-Distance Maritime Transport in Central America was also completed in 2015, in coordination with the Central American Commission on Maritime Transport (COCATRAM) and Panama's Maritime Port Authority. This makes provision for a pilot project between Mexico (Puerto Chiapas) and Central America (Puerto Quetzal, Acajutla, Corinto, Caldera and Panama). The Plan originated in a request from the countries in the Mesoamerica Project, which agreed on the need to offer alternatives to land cargo transport

to foster greater maritime trade between the Central American countries.

Logistics. There were significant achievements in various initiatives to improve cargo logistics in the region, notably: i) progress in preparing the National Logistics Plans in El Salvador, Honduras, Nicaragua and Guatemala—the latter will complete its National Plan this year; and ii) development of a Mesoamerican Cargo Transport and Logistics Observatory to collect, systematize and disseminate updated and useful information on the region's cargo logistics sector.

The Bank as a strategic partner to foster Central American integration

Energy integration and the future of SIEPAC

The Regional Electricity Market (MER) continued to be consolidated in 2015. From December 2014 to August 2015 the volume of transactions was 1,405.8 GW/h, which is higher than the interannual figure for 2014. The Bank continued to support the process of adapting the MER regulation to promote secure transmission rights over the long term.

The region moved forward in discussing two issues to enhance the benefits of the Central American Electrical Interconnection System (SIEPAC): i) planning the expansion of regional transmission, which involved identifying the national upgrades in transmission needed to reach and maintain transfer capacity of 300 MW on the SIEPAC line;⁹ and ii) planning the expansion of regional generation for the design and implementation of the second circuit of the SIEPAC line,¹⁰ which entailed identifying the regional projects and the corresponding investment plans.

⁹ Study developed by the Regional Operations Center with the financial support of the US State Department.

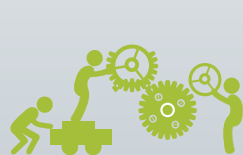
¹⁰ The “Study on Indicative Planning of the Expansion of Generation and Regional Transmission of the Central American Countries” was completed with IDB support.



BOX 5. Plan of the Alliance for the Prosperity of the Northern Triangle: Building Trust, Creating Opportunities

In 2015 the IDB promoted regional dialogue between El Salvador, Guatemala and Honduras in defining the Plan of the Alliance for the Prosperity of the Countries of the Northern Triangle. Acting as a technical secretariat, the IDB provided support and technical advice for the drawing up of the Plan and its strategic actions in the period 2016–2020. The Bank also supported the countries in the process of choosing the programs and in identifying, in each of the national budgets, the resources to be devoted to the Plan in 2016, the first year of its implementation. In addition, the Bank helped foster links with other donors who have offered support to the Plan's objectives.

The Plan was drawn up by the governments of Honduras, El Salvador and Guatemala. It includes specific actions to be adopted in four areas:



1

**Fostering the
productive
sector**



2

**Developing
human capital**



3

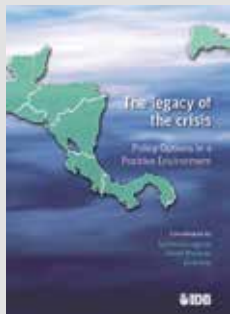
**Improving
security and
access to
justice**



4

**Strengthening
institutions and
transparency**

Studies and Main Publications in 2015



The Legacy of the Crisis: Policy Options in a Positive Environment

The region comprising Central America, the Dominican Republic and Panama is on a path towards a favorable economic environment, characterized by higher growth in the United States, the region’s main trade partner, lower oil prices, and low external financing costs. This book argues that this new context offers a window of opportunity for the region to overcome the vulnerabilities inherited from the international financial crisis and to resume its long-term growth path.

For more information: : <https://publications.iadb.org/handle/11319/6821>

Partners or Creditors? Attracting Foreign Investment and Productive Development to Central America and the Dominican Republic

Promoting foreign direct investment (FDI) has been a priority policy objective in the last twenty years and has thus led to the implementation of fiscal incentives, among other measures, to attract such investment. This book analyzes the importance of FDI in the region and presents the prospects for attracting FDI after the decline of strategies centered on offering fiscal incentives. It argues that a new strategy must be based on creating new skills and capacities.

For more information: <https://publications.iadb.org/handle/11319/6820>



Entendiendo las causas de la emigración indocumentada en hogares de bajos ingresos en Honduras

This study analyzes the causes of undocumented migration from Honduras using survey instruments, including focus groups, in-depth surveys and a representative survey at the national level. This analysis puts forward an empirical model in which the propensity to emigrate is a function of a set of factors associated with capacities to emigrate and the expectations of emigration.

For more information: <https://publications.iadb.org/handle/11319/6964>

Dualidad Productiva y Espacio de Crecimiento para las PYMES en Costa Rica

This publication brings together a series of research studies that reveal the low productivity of small and medium enterprises in the country. The low productivity associated with these kinds of enterprises contrasts with the situation of the bulk of firms in free zones, the large majority of which compete at the global level. This productive duality stems largely from the lack of investment in innovation, and in research and development.

For more information: <https://publications.iadb.org/handle/11319/7201>



Prominent events and conferences organized in the region in 2015

MARCH

II Presidential Summit of the Alliance for the Prosperity of the Northern Triangle.

Participants at the summit included the presidents of Guatemala, El Salvador, and Honduras, the vice-president of the United States and the president of the IDB, who discussed the Plan and strategic actions to create opportunities and mitigate the migration of unaccompanied minors (March 2-3, Guatemala City, Guatemala).

APRIL

II Business Summit of the Americas

This brought together the heads of state and business leaders of the Americas to analyze the opportunities for trade and investment, as well as for the economic and social development of the region (April 8–10, Panama City, Panama).

II Regional Forum on Child and Adolescent Migration

This event discussed issues of irregular migration, humanitarian approaches, and initiatives implemented as a response to the issue of returning migrant minors (April 15, Washington, D.C.).

JULY

Forum on “Transformation: Skills for Productivity”

This forum discussed the challenges and opportunities facing El Salvador in its system to develop human capital, raising productivity and economic growth over the medium and long terms (July 13, San Salvador, El Salvador).

Central American Forum on Housing and the City

Participants at this event presented and analyzed Latin American experiences of policies and strategies to foster financing and the construction of social housing (July 27–28, Managua, Nicaragua).

AUGUST

V Lac Flavors

Organized by the IDB, ProNicaragua and COSEP, and attended by 52 international buyers, 182 regional suppliers, and which involved more than 1,500 business roundtables (August 5–9, Granada, Nicaragua).

OCTOBER

Congress of Public-Private Partnerships: An alternative for infrastructure development in Costa Rica

Included the presentation of the panorama of PPPs and their design, examples of successful and unsuccessful projects, and lessons learned (October 21, San José, Costa Rica).

NOVEMBER

XV Meeting, IDB-Civil Society of Latin America and the Caribbean

About 300 representatives of civil society discussed issues of social innovation and the participation of civil society in healthcare, open data, education and other matters (November 4–5, Tegucigalpa, Honduras).

First Hackathon of Citizen Innovation

Fostered the participation of young entrepreneurs, communicators and developers in decision-making and in designing solutions to improve the quality of urban living (November 6–8, Tegucigalpa, Honduras).

Three women who are changing the region: “Ciudad Mujer,” a transformative model

Dialogue with El Salvador’s Secretary for Social Inclusion, Vanda Pignato; the First Lady of Honduras, Ana García de Hernández; and the Vice President of the Dominican Republic, Margarita María Cedeño, on the role played by this model of offering high-quality integrated care services in the empowerment of the women of the region (November 9, Washington, D.C.).

Regional Forum on Financial Inclusion

Organized by the National Commission on Banking and Insurance and the IDB; this offered a space for reflection on a financial inclusion strategy and how to close the gap, especially for those who lack the service (November 14–15, Tegucigalpa, Honduras).

Conference on “Drought in the dry corridor: challenges and opportunities”

Identified the challenges in the agricultural sector in the context of the climate risks that the region faces. A work program was proposed and discussion focused on alternative financial instruments and the allocation of water rights as important issues (November 30, Washington, D.C.).

DECEMBER

Regional Technical Workshop on Tourism as an engine of growth in Central America

The event analyzed trends in the sector, private investment and government policies to develop tourism (December 7, Washington, D.C.).



Photo: IDB El Salvador/ Nadia Martínez

II. Bank Activities at the Country Level in 2015



The IDB in Belize in 2015

In a context of moderate growth and general elections in Belize, the Bank's work in 2015 focused on improving the conditions needed to secure sustainable growth through approval of a new program in the tourism sector, and the implementation of existing projects in education, transport, disaster mitigation, and violence prevention.

Country strategy, 2013–2017

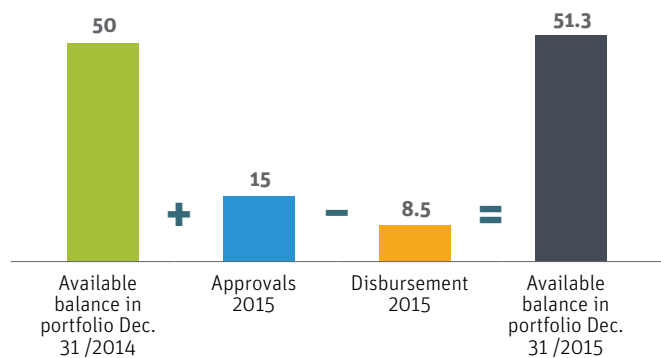
The IDB's strategic areas with the country are:

- Education
- Tourism
- Transport
- Trade and tax policy



Support for the public sector

FIGURE 1. Operational Results, Public Sector Projects, 2015 (US\$ millions)



Note: does not include loan cancellations.

Approvals

In 2015 the Bank approved a loan of US\$15 million in:

- Tourism:** support for the diversification of destinations and products, and improved sector management.

Disbursements

In 2015 the Bank disbursed US\$8.5 million in projects in the areas of transport, education, public safety, and solid waste management.

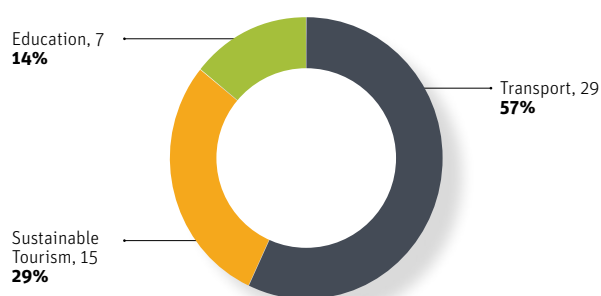
Loan portfolio and available balance

By December 31, 2015, the Bank's portfolio of projects with the public sector included:

- Four approved lending operations totaling US\$62 million: improving the quality of education, highway upgrading, flood mitigation in Belize City, and sustainable tourism.

- An available balance of US\$51.3 million was concentrated on transport, education, and tourism.
- Two programs completed implementation in 2015, achieving: (i) introduction of a modern, solid waste management system in central Belize; and (ii) improvements in agricultural services, as well as in animal and plant health controls.

FIGURE 2. Sectoral Distribution of Available Balance of Public Sector Loan Portfolio on December 31, 2015 (US\$ millions)



Private sector

MIF: to foster support for microenterprises and small producers, the MIF approved US\$1.4 million to improve:

- Productivity in the sugar sector:** creation of a sustainable sugar cane industry in northern Belize by expanding extension services and access to new technologies for more than 5,000 small-scale sugar cane producers. The main goal is to increase sugar productivity in the north of the country so as to support its sustainability in the face of significant changes in the international sugar market.

BOX 1. Sustainable Tourism Program II

This operation will support the sustainable development of the country's tourism sector by diversifying destinations and products, with a view to increasing per visitor spending and reducing the environmental footprint. The program includes: (i) improving services and the tourist experience in emerging destinations such as Corozal in the north, Punta Gorda in the south, and the Chiquibul-Caracol complex in the west—these are areas with high poverty levels that could be reduced through tourism development; (ii) fostering the resilience of tourist destinations in the face of climate change and natural disasters; and (iii) improving the management of the sector in line with Belize's Sustainable Tourism Master Plan. By financing this program the Bank continues a long history of supporting the development of tourism in Belize.

Box 2. Some results in Belize achieved with the support of the loan portfolio

SECURITY AND VIOLENCE PREVENTION: construction of the Gateway Youth Center on the southside of Belize City, an area marked by high levels of violence and poverty; new dormitories for males in the Mile 21 Youth Hostel Facility; and the provision of grants and internships for 236 youths. The aim of these initiatives is to offer an integrated view of how to deal with crime and violence.

EDUCATION: 370 school teachers and principals from 25 schools have been trained in best teaching practices in mathematics, science, and language arts (MSLA).

FLOOD MITIGATION: four canals were built in Belize City for the purposes of flood mitigation, and these building projects created 300 jobs.

○ **Access to financing:** to widen access to business development financing and services.

FIGURE 3. Private Sector Approvals and Other Instruments
(US\$ millions)



Technical cooperation and grants

Support through eight technical cooperation projects totaling US\$3.2 million in:

- **Transport:** preparation of a national transport plan and preparatory studies for the upgrading of the Caracol Road.
- **Development and urban housing:** implementation of the Emerging and Sustainable Cities initiative in Belize City.
- **Agriculture and rural development:** continuation of technical support to strengthen agricultural trade and food security.
- **Sustainable tourism:** exchange of experiences between Belize, Panama and Jamaica for best practices in tourism.

The Bank's technical assistance in 2015 included a broad diagnostic analysis of the country's tax system, which made recommendations for reforms to direct and indirect taxation. In the shrimp industry, moreover, through the Compete

Caribbean program (a joint initiative of the Bank, Canada and the United Kingdom), about 95 percent of Belizean shrimp exporters achieved the ASC environmental certification, thereby gaining the possibility of expanding their export markets.

Regional projects pertinent to Belize

As part of the US\$1.2 in regional projects approved by the Bank, Belize benefited from:

- **Renewable energy:** support for the cofinancing of renewable energy and energy efficiency projects (CORE).
- **Cacao:** to create an innovative system for the environmentally friendly agroforestry cultivation of cacao.

Knowledge products

Creating knowledge through studies and publications analyzing:

- **Economic growth in Belize:** the document analyzes the constraints on economic growth in Belize and indicates the need to overcome the obstacles posed by high financing costs, low levels of savings, inequalities and inequities in tax policy, the transport infrastructure gap, and crime.
- **Sugar:** impact on Belize's sugar industry of the change in market conditions.

The IDB in Costa Rica in 2015

In 2015 the Bank approved a new country strategy with Costa Rica, the aim of which is to support government activities geared to achieving higher, inclusive and sustainable growth. Costa Rica's growth was lower than in recent years, and in 2015 the government took various steps to address fiscal challenges. The IDB supported the technical dialogue on tax reforms and helped the country move forward with its infrastructure investments, especially in energy and transport.

Country strategy, 2015–2018

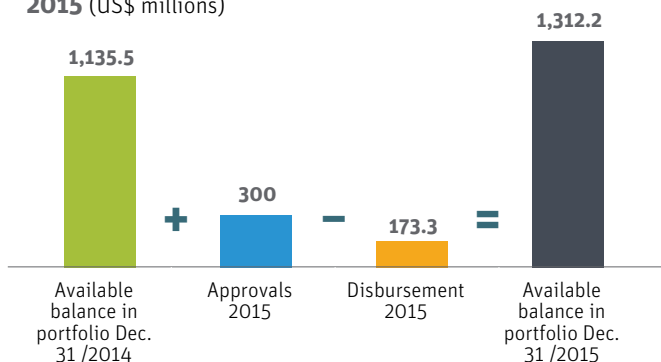
The priority areas of the new strategy approved in 2015 are:

- Fiscal sustainability and spending efficiency
- Production infrastructure
- SME competitiveness
- Human capital accumulation



Support for the public sector

FIGURE 1. Operational Results, Public Sector Projects, 2015 (US\$ millions)



Note: does not include loan cancellations.

Approvals

In 2015 the Bank approved two loans totaling US\$300 million in:

- Energy:** financing to increase the supply of electricity based on renewable energies, by building geothermic energy plants and other electricity infrastructure with an investment of US\$200 million.
- Border integration:** strengthening competitiveness by modernizing border management and trade facilitation (US\$100 million).

Disbursements

Some US\$173.4 million were disbursed in 2015, mainly in transport and energy projects.

These disbursements allowed Costa Rica to secure a positive net loan flow of US\$134.3 million with the IDB.

BOX 1. Border Integration Program (US\$100 million)

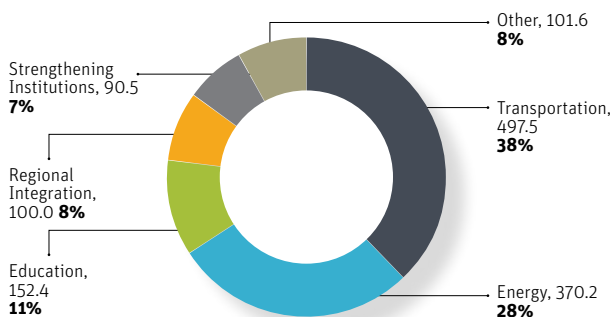
The aim of this program is to strengthen Costa Rica’s competitiveness by modernizing border infrastructure and systems with a view to ensuring efficient and effective coordination of border controls on the part of the institutions with responsibility in that field. The project plans to: (i) institute a physical and regulatory system of effective border control processes and instruments; and (ii) give Costa Rica’s border crossings the necessary infrastructure and equipment to effectively control the movement of cargo and people. This goal is consistent with the efforts being made by the Central American countries to consolidate their regional integration process.

Loan portfolio and available balance

By December 31, 2015, the Bank’s portfolio of projects with the public sector included:

- 13 approved lending operations totaling US\$2.0 billion. Aside from the financing for road infrastructure, border integration and energy, the portfolio includes projects in education, tourism, violence prevention, and water and sanitation.
- An available balance of US\$1.3 billion was concentrated in the areas of transport, energy, education, and regional integration.

FIGURE 2. Sectoral Distribution of Available Balance of Public Sector Loan Portfolio on December 31, 2015 (US\$ millions)



Support to the private sector

To foster the private sector’s role as an engine of growth, the IDB Group approved:

- Loans:** five programs totaling US\$87.2 million to boost:
 - Financing of MSMEs:** through a partnership with the Banco BAC San José for access to financing.

BOX 2. Some results in Costa Rica achieved with the loan portfolio

TRANSPORT: improving the connectivity of the cantonal road network through the intervention of 106 km on 38 roads, including four bridges.

CITIZEN SECURITY: more than 65,000 beneficiaries of the construction and equipping of a new, 3,900 square meter police precinct in Liberia.

CARING FOR THE VULNERABLE AND INDIGENOUS POPULATION: implementation of the Sustainable Development of the Rio Sixaloa Binational Basin Program was completed in 2015, with 1,836 direct beneficiaries and 16,699 indirect beneficiaries. Drinking water was provided to 887 indigenous households through five new or expanded systems; six bridges were built; and the training of 791 producers in production diversification was completed.

ENERGY: work started on filling the Reventazón hydroelectric reservoir, and work was finished on repowering five generation units at the Río Macho hydroelectric dam. Respectively, these add 305.5 MW and 20 MW of renewable energy to the national electricity system.

- **Renewable energy:** biomass cogeneration plant for the TicoFrut citrus business.
- **Trade facilitation:** support for foreign trade and exports through the Lafise SA bank.
- **Financial markets:** partnership with Banco Davivienda for green financing lines and credit for environmental purposes.

TFFP line—foreign trade: to promote trade financing through Scotiabank Costa Rica (US\$10 million).

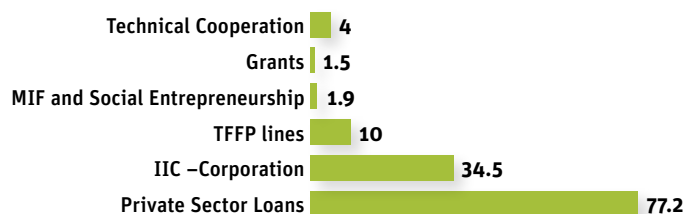
MIF: US\$1.9 million to support microenterprises and small producers with:

- **Entrepreneurship:** support for the growth of enterprises headed by women.
- **Logistics:** access to logistics information services by exporting SMEs.
- **Territorial development:** upscaling Territorial Economic Development models in public policies.

IIC: US\$34.5 million approved in nine operations to support medium enterprises, especially in the financial services and transport and logistics sectors. Of note:

- **Airport infrastructure:** New financing for Coriport SA, a Costa Rican company that built a new international passenger terminal in 2010 in the Liberia international airport, a project that received IIC financing. The new loan will be used to expand the departure lounges and upgrade existing installations, which will allow Coriport to receive more flights in peak periods.

FIGURE 3. Private Sector Approvals and Other Instruments (US\$ millions)



Technical cooperation and grants

Support through 11 technical cooperation projects and a grant totaling US\$5.5 million, prominently including:

- **Education:** improving the management of educational infrastructure and the use of logical-mathematical thinking and technology in preschool.
- **Social investment and health:** support for the implementation of a poverty reduction strategy.
- **State modernization:** technical support for the Ministry of the Presidency.
- **Health:** second phase of the Salud Mesoamérica 2015 initiative and assessment of health technologies.

Knowledge products

In drawing up the country strategy, the Bank prepared several policy notes on critical development issues in the country, such as studies on:

- Productive duality and space for growth for SMEs.
- A study on export services.
- The effectiveness of fiscal incentives: the case of free zones in Costa Rica.

El IDB in El Salvador en 2015

In 2015 the Bank approved a new country strategy with El Salvador. Its goal is to support the government's efforts to create conditions conducive to broad-based economic growth, building on the progress made in reducing poverty and inequality in recent years. El Salvador had moderate economic growth in 2015, accompanied by an increase in remittances, and fiscal consolidation measures. The Bank supported the country with new programs in the areas of health and female empowerment, which joined the existing portfolio of operations in the social area, logistics infrastructure, production development and public safety.

Country strategy, 2015–2019

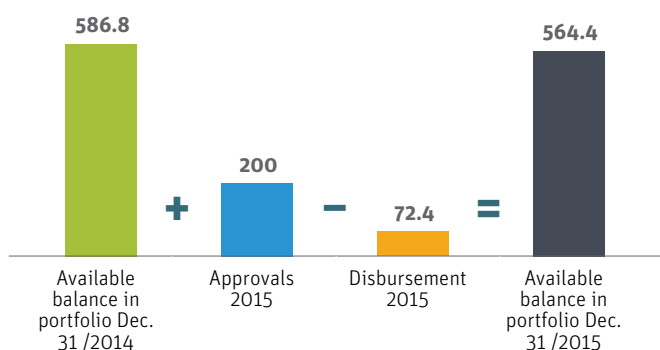
The strategic areas with the country are:

- Enhancing the quality of human capital spending
- Improving logistics infrastructure
- Strengthening public finances



Support for the public sector

FIGURE 1. Operational Results, Public Sector Projects, 2015 (US\$ millions)



Note: does not include loan cancellations.

Approvals

In 2015, two loans totaling US\$200 million were approved in:

- Health:** strengthening the provision of healthcare services in all levels of the care network (US\$170 million).
- Ciudad Mujer Phase II:** improving the living conditions of women aged 15 or more in terms of employment, sexual and reproductive health, and preventing and dealing with violence, in the context of the Alliance for the Prosperity of the Northern Triangle (US\$30 million).

Disbursements

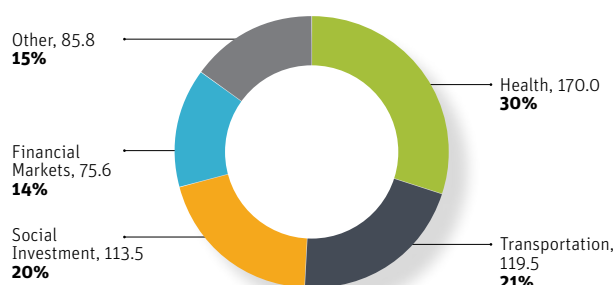
In 2015 the Bank disbursed US\$72.4 million, mainly for projects in the areas of production financing, social investment and transport.

Loan portfolio and available balance

By December 31, 2015, the Bank's portfolio of projects with the public sector included:

- 15 approved lending operations totaling US\$800 million.
- An available balance of US\$564.4 million, concentrated in the areas of health, transport, social investment, and financial markets.

FIGURE 2. Sectoral Distribution of Available Balance of Public Sector Loan Portfolio on December 31, 2015 (US\$ millions)



BOX 1. Ciudad Mujer II (US\$30 millions)

This project will finance the construction of four new centers for comprehensive women's assistance services, and institutional strengthening for the Ciudad Mujer program. The aim is to offer services that foster economic autonomy, prevent and address violence against women, and offer comprehensive care in the area of sexual and reproductive health. The innovative aspect of this project lies in its focus on adolescents and youths through the Ciudad Mujer Joven program, which brings together and integrates strategic and specialist services for teenagers. The goal is to devise educational products that foster the acquisition of life skills and socio-emotional capacities, and offer vocational guidance, technical training, and individual counseling. The Ciudad Mujer program also aims to improve the social and economic opportunities of young women who are at risk of engaging in irregular migration, through activities geared to preventing violence against women and developing their skills so as to make them more employable. The Ciudad Mujer model brings together 15 public institutions that will seek to offer organized and coordinated services in the interest of ensuring greater impact.

BOX 2. Some results in El Salvador achieved with the 2015 active loan portfolio

HEALTH: 700,000 beneficiaries of the Integrated Health Program I, which has reduced maternal mortality from 57.7 per 100,000 live births in 2008 to 52 in 2015.

SALUD MESOAMÉRICA SM2015: 250,000 people in 14 of the country's poorest municipalities have benefited from primary healthcare services.

INTEGRATED SERVICES FOR WOMEN: 950,000 women have received support, and there have been 2.6 million cases of service provision during Ciudad Mujer's four years of operation, with the building of six care centers and the coordination of 15 public institutions that offer services to women.

Support to the private sector

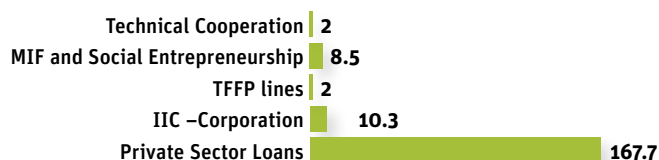
To foster the private sector's role as an engine of growth, in 2015 the IDB Group approved:

Loans: US\$167.7 million to support projects in:

- **Financing SMEs:** support to the financing of SMEs through Banco Davivienda (US\$80 million).
- **Renewable energy:** support for the Providencia Solar PV solar self-sufficiency project (US\$87.7 million).
- Trade facilitation (TFFP):** US\$2 million to support exports and foreign trade through Banco G&T El Salvador.
- MIF and social entrepreneurship:** US\$8.5 million to support microenterprises, small-scale female producers and youths with:
 - **Youth employment:** youth training and job-search assistance.
 - **Rural financing:** credit access mechanisms for rural initiatives in the eastern region, and expansion of rural financial services to communities with young leaders.
 - **Remittances:** expansion of products, financial services and savings for channeling remittances.
 - **Female entrepreneurship and credit:** expansion of rural and peri-urban credit to Salvadoran women.

IIC: US\$10.3 million approved in the areas of renewable energy, agribusiness and commercial distribution to support medium enterprises. Of note is the loan to the Cangrejera Solar Park to finance the development, construction, and start-up of a photovoltaic solar energy plant with a capacity of 1.48 MWp.

FIGURE 3. Private Sector Approvals and Other Instruments (US\$ millions)



Technical cooperation and grants

Support through eight technical cooperation projects totaling US\$2 million and a US\$0.2 million grant, mostly targeting:

- **Violence prevention:** integrated care for those suffering trauma from intra-family violence and support for the “Healing Wounds” program.
- **Empowerment:** support for Ciudad Mujer Joven and the empowerment of adolescents.
- **Education:** support to create an information system in the education and census sector.
- **Public spending:** support to improve the management of public spending.

Knowledge products

Knowledge creation in El Salvador emerged from the preparation of several policy notes as part of the country strategy 2015–2019, as well as other studies on:

- Road map for the recovery of the coffee sector.
- Mobilizing resources for productive investment.

The IDB in Guatemala in 2015

Guatemala enjoyed a good economic performance in 2015, with a growth rate of 4.1 percent thanks to greater dynamism in private consumption underpinned by remittances and lower oil prices. All of this took place in a political context marked by general elections and a change in government. In 2015 the IDB embarked on the design of a new country strategy for 2016-2020, and supported the country by implementing the Bank's portfolio and making a new intervention in the education sector.

Country strategy, 2012-2016

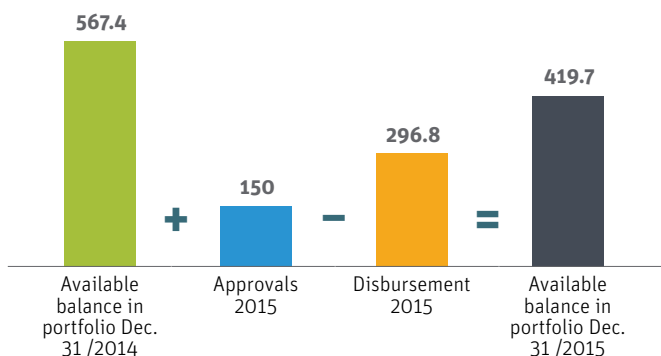
The IDB's strategic areas with the country are:

- Fiscal and municipal management
- Social protection
- Peaceful coexistence and citizen security
- Productive development
- Health
- Transport



Support for the public sector

FIGURE 1. Operational Results, Public Sector Projects, 2015 (US\$ millions)



Note: does not include loan cancellations.

Approvals

In 2015, a loan of US\$150 million was approved in:

- Education:** improving nation-wide coverage and quality of education at pre-primary and primary levels—US\$150 million.

Disbursements

In 2015 the IDB disbursed US\$296.8 million, mainly for projects in the sectors of social protection, energy, and health.

These disbursements covered 16.4 percent of the country’s financing needs¹ and gave rise to a US\$149.6 million positive net loan inflow.

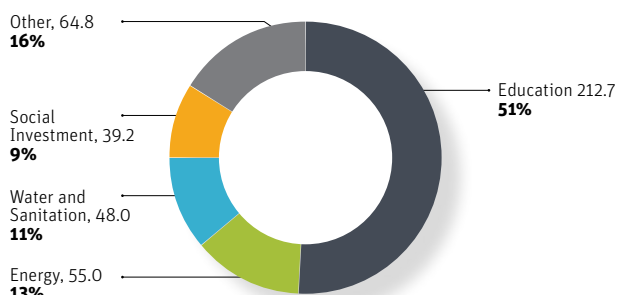
¹ Financing needs are defined as the deficit after grants plus amortization payments on the public debt.

Loan portfolio and available balance

By December 31, 2015, the Bank’s public sector operations portfolio included:

- 12 approved lending operations totaling US\$604.2 million.
- An available balance of US\$419.7 million concentrated in education, energy, and water and sanitation.

FIGURE 2. Sectoral Distribution of Available Balance of Public Sector Loan Portfolio on December 31, 2015 (US\$ millions)



Support to the private sector

The IDB and IIC approved operations in the financial sector:

Loans: five loans approved totaling US\$83 million to foster:

- Trade facilitation:** financing foreign trade activities through the Banco Industrial de Guatemala using the TFFP program (US\$80 million).
- Access to financing** for working capital and investments for small coffee producers through Financiera de Occidente, S.A. (FIDOSA) (US\$3 million).

BOX 1. Program to Improve the Coverage and Quality of Education (US\$150 million)

This program seeks to increase high-quality coverage of preprimary education and help improve the quality of preprimary and primary education. To meet these goals the program proposes to: i) expand preprimary school infrastructure and upgrade existing infrastructure; ii) improve teacher quality; and iii) promote reading, mathematics, and values.

BOX 2. Some results in Guatemala achieved with the active loan portfolio

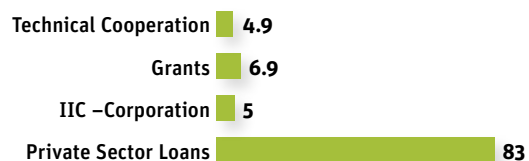
EDUCATION: 350,000 children have benefited from the improvement and upgrading of 3,200 primary and preprimary schools, almost 80 percent of them being in rural and bilingual establishments.

2.8 million students and 27,800 schools have benefited from the production and distribution of more than 7 million books in Spanish and 11 Mayan languages.

MAYAN BIOSPHERE: construction finished on a joint operations center in San Miguel Palotada in San Andres, Petén, making it possible to lower the risk of habitat loss, ensure greater vigilance of protected areas, and reduce CO2 emissions. Work was also completed on the visitors' center in the Yaxhá-nakum national park, conservation of Petén Izá lake, and the regional Maya museum.

IIC: US\$5 million approved in an operation with the Banco Internacional Guatemala to finance small and medium enterprises. Banco Internacional, S.A. (InterBanco).

FIGURE 3. Private Sector Approvals and Other Instruments (US\$ millions)



Technical cooperation and grants

Support through 13 technical cooperation projects totaling US\$4.9 million in:

- **Health:** improving access to and use of care services.
- **Nutrition:** support to address the challenge of malnutrition and obesity in Guatemala, and to revitalize native plants and nutrition to ensure food security.
- **Social investment:** support to develop participative and culturally appropriate projects in Mayan communities, with a territorial focus on the communities affected by the Chixoy hydroelectric plant.
- **Efficiency in social spending:** consolidation of a series of government measures to improve government activities in nutrition, health, education, and social development.
- **Climate change:** reducing vulnerabilities through early climate warnings and attending to emergencies.

- **Urban development:** developing capacities in the Guatemala Municipality with the “Smart City” approach of technological integration.

- **Energy:** institutional strengthening for the management of hydroelectric energy resources.

US\$6.9 million in support through the Salud Mesoamérica 2015 initiative for its second operation in Guatemala to reduce maternal, neonatal and child morbidity and mortality through an integrated healthcare strategy.

Knowledge products

In 2015, knowledge products focused on preparing the country strategy 2016–2020, notably:

- Integrated social diagnostic analysis to update the Bank’s knowledge of human capital in Guatemala, which is lagging and thus poses the country’s main development challenge.
- Study on the internal mobility of the labor force. This is a very important input for the preparation of the country strategy and for the implementation of the Plan of the Northern Triangle, since it seeks to identify internal migration patterns and promote development poles in Guatemala.

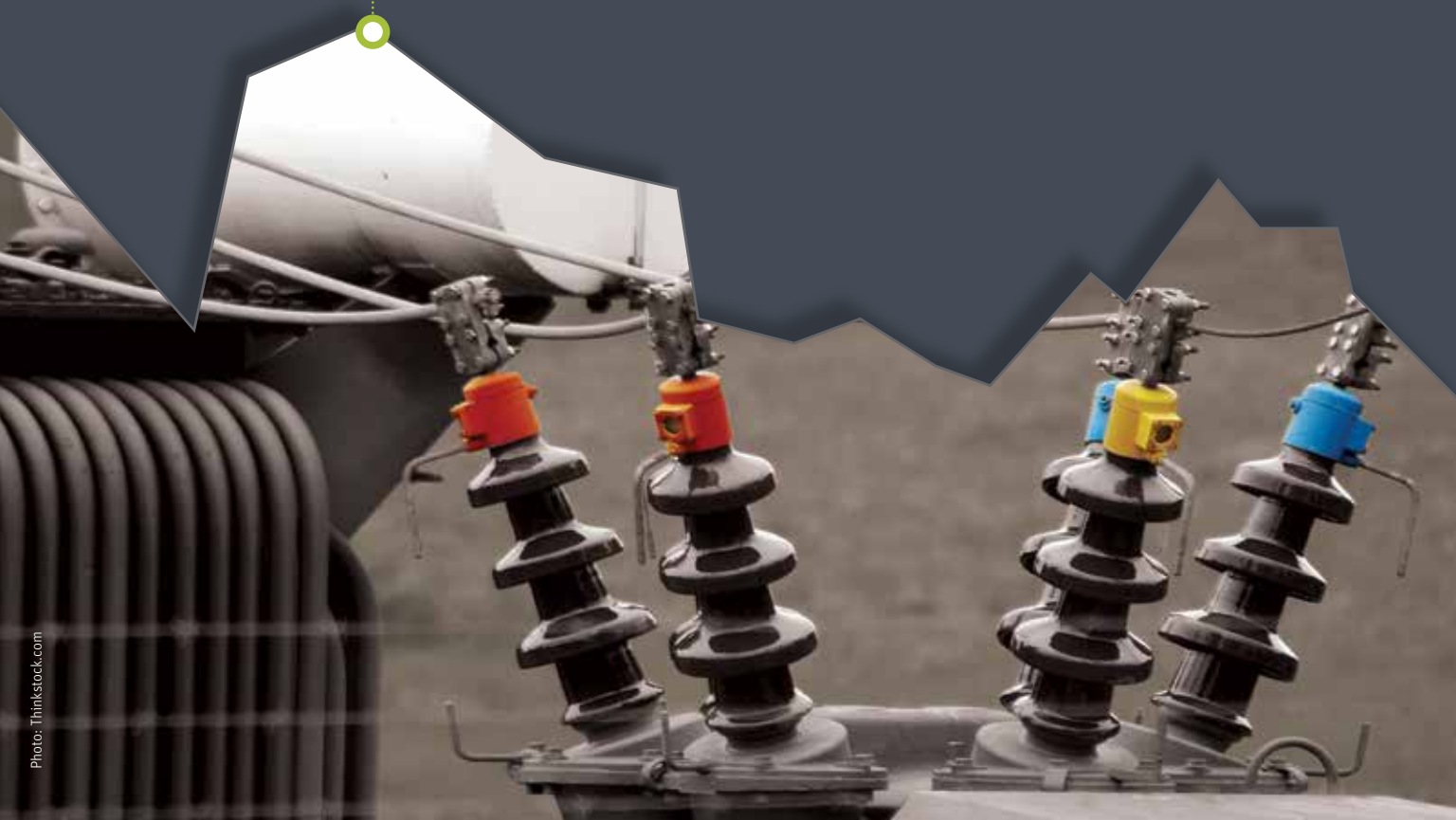
El IDB in Honduras in 2015

Honduras took advantage of a favorable external environment and ended the year with a real GDP growth rate of 3.5 percent, while simultaneously moving forward with fiscal consolidation. In this context the IDB supported the country with new projects to strengthen the tax administration and maintain the investments needed to encourage growth, especially in road and energy infrastructure. These projects were in addition to a wide portfolio of existing programs in these fields and in the social area, where Bank support focused on the health and social protection sectors.

Country strategy, 2015–2018

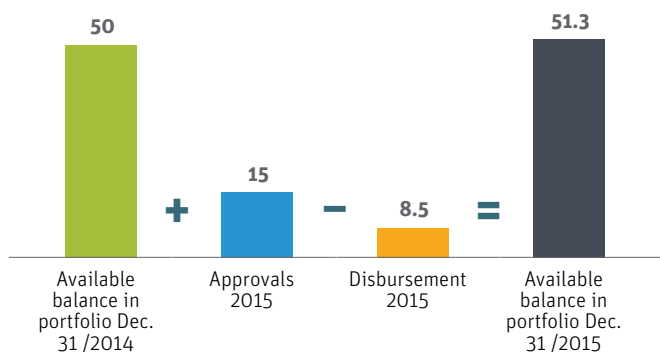
The IDB's strategic areas with the country are:

- Fiscal consolidation
- The sustainability and competitiveness of the energy sector
- Road infrastructure for regional integration
- Social inclusion
- Sustainable development in the Central District



Support for the public sector

FIGURE 1. Operational Results, Public Sector Projects, 2015 (US\$ millions)



Note: does not include loan cancellations.

Approvals

Honduras is one of the countries that receives concessional resources from the IDB. Its biennial allocation of US\$340 million for 2015/2016 comes from Ordinary Capital resources (OC, 60 percent) and the Fund for Special Operations (FSO, 40 percent).

In 2015 the Bank approved five loans totaling US\$170 million in:

- Energy:** a policy reform program to improve the financial sustainability and efficiency of the electricity sector at US\$40 million, and an investment program to upgrade the Cañaveral and Rio Lindo Hydroelectric Plant at US\$23 million.
- Fiscal management:** a US\$27 million investment program to strengthen the tax administration, and a US\$60 million reform program in tax collection, public spending, and transparency.

- Transport:** upgrading three stretches of the Mesoamerican Pacific Corridor at US\$20 million. The program received additional resources of US\$134 million through the reformulation of the Puerto Cortes project, now being implemented by a public-private partnership.

Disbursements

In 2015 the Bank disbursed US\$216 million in projects centered on social investment, health, transport, support for fiscal reforms, and energy.

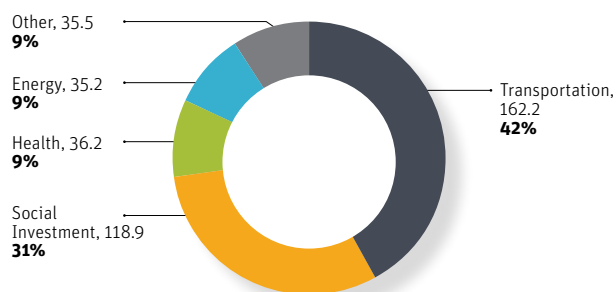
These disbursements covered 41.6 percent of the country's financing needs and allowed Honduras to secure a positive net loan flow of US\$199.2 million with the IDB.

Loan portfolio and available balance

By December 31, 2015, the Bank's portfolio of projects with the public sector included:

- 17 approved lending operations totaling US\$677.4 million, covering all the priority areas of the country strategy.
- An available balance of US\$386 million concentrated in transport, social investment, and energy.

FIGURE 2. Sectoral Distribution of Available Balance of SG Loan Portfolio on December 31, 2015 (US\$ millions)



BOX 1. Institutional and Operational Strengthening of the Tax Administration (US\$27 million)

This program seeks to help increase tax revenue to finance priority spending and support the re-engineering of tax processes, as well as to modernize systems and technological infrastructure to facilitate the production of reliable and timely information to oversee taxpayers and levy taxes efficiently. The program includes the creation of the Revenue Administration Service and the professionalization of human resources.

BOX 2. Some results in Honduras achieved with the loan portfolio

FISCAL REFORM: Honduras moved ahead with the fiscal program, reducing its public sector deficit from 4.3 percent of GDP in 2014 to 2.4 percent in 2015.

ENERGY: reduction of the electricity company's fiscal deficit from 1.8 percent of GDP in 2013 to 0.8 percent in 2015 by targeting subsidies, updating tariffs, downsizing in the ENEE, and cutting arrears by 15 percent.

TRANSPORT: more than 200 km of roadworks for integration, covering sections of the CA-5 North, the agricultural corridor, and the San Pedro Sula second ring logistics corridor.

SOCIAL PROTECTION: 200,000 beneficiaries of conditional transfer programs, with an improvement in school enrollment in the first and second cycles; better school attendance in rural areas; and improved health in children under one.

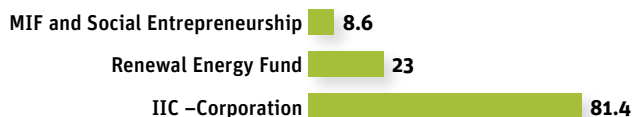
Support to the private sector

To boost the private sector's role as an engine of growth and to maximize development outcomes, in 2015 the IDB Group approved:

Loans: US\$81.4 million in nine loans to foster:

- **Renewable energy:** solar self-sufficiency project, Invema, and commercial-scale photovoltaic development, Smartsolar.
- **Trade facilitation:** support for foreign trade transactions through the banks Ficohsa, Ficensa and Banco del País.

FIGURE 3. Private Sector Approvals and Other Instruments (US\$ millions)



MIF and social entrepreneurship: US\$8.6 million to support microenterprises and small producers with:

- **Employment:** training for enterprises headed by women in rural areas.
- **Energy:** financing for small projects fostering energy generation and a reduction in carbon dioxide.
- **Rural financing:** second-tier mechanisms for rural financing.
- **Productive diversification:** productive consolidation of small producers in the north of the country.

Support to the Renewable Energy Fund: a US\$4 million capital investment by the MIF in the Honduras Financial Fund for Renewable Energy made it possible to leverage additional financing of US\$23 million from the Scaling Up of Renewable Energy Program in Low-Income Countries and the World Environment Fund.

Technical cooperation and grants

Support through 20 technical cooperation projects and four grants totaling US\$9.7 million in:

- **Institutional strengthening:** support to the presidential directorate on transparency, fighting corruption; and budgetary planning, macrofiscal planning and tax administration.
- **Renewable energy:** renewable energy transmission program in the western and northern zones; and solar self-sufficiency and energy efficiency.
- **Water and sanitation:** intervention models in water and sanitation in rural areas.

Knowledge products

The Bank supported the creation of knowledge through studies analyzing:

- The causes of undocumented migration.
- The trade impact on the Northern Triangle of the weakening of tariff preferences.
- A diagnostic analysis for the modernization of monetary policy.
- Special trade regimes.
- Sliding real exchange rate.

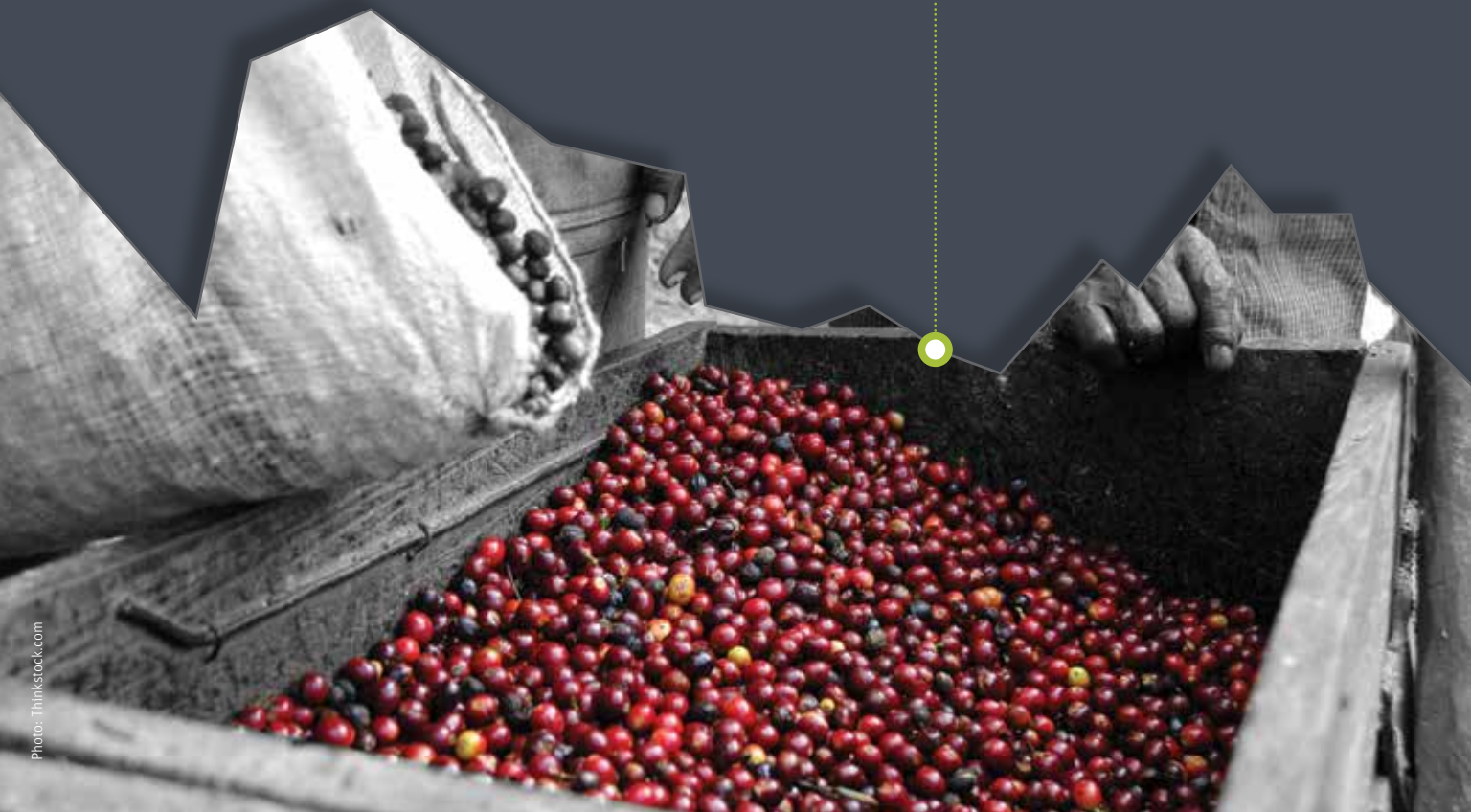
The IDB in Nicaragua in 2015

Nicaragua enjoyed a favorable and stable macroeconomic performance accompanied by growth above the Central American average. In this context the IDB continued to support the country's economic and social development, focusing on improving infrastructure for competitiveness and narrowing urban-rural gaps in poverty and access to services. In 2015, interventions in transport, energy and border integration were added to the Bank's portfolio in Nicaragua.

Country strategy, 2012-2017

The IDB's strategic areas with the country are:

- Energy
- Transport
- Health
- Early childhood care
- Value chains, housing, water and sanitation (Dialogue areas)



BOX 2. Some results in Nicaragua achieved with the support of the 2015 active loan portfolio

HEALTH: 15,000 women received emergency obstetric care in health centers, and 17,000 children under the age of one received their third dose of pentavalent vaccine.

7,000 women in their final month of pregnancy received care in maternity waiting homes in the country's northern and Caribbean regions.

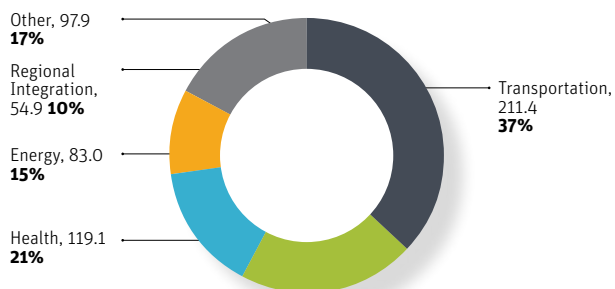
EARLY CHILDHOOD: 32,500 under-threes and their parents received home visits to strengthen early stimulation.

31,500 under-sixes were monitored for growth, received vaccines, and were given nutritional advice.

ENERGY: 65,000 homes connected to an electricity supply since 2002 and 10,000 homes connected in 2015.

230 MV capacity in substations with the upgrading of the transmission system.

FIGURE 2. Sectoral Distribution of Available Balance of Public Sector Loan Portfolio on December 31, 2015
(US\$ millions)



Support for the private sector: MIF and IIC

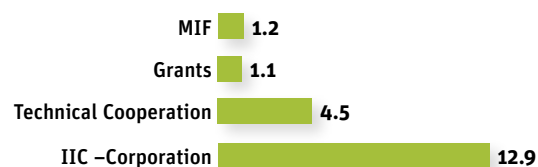
To foster the role of micro, small and medium enterprises, as well as small producers, the following were approved in 2015:

MIF: US\$1.2 million through two operations in:

- **Productive sector:** support for innovative, long-term financing models to renew coffee farms affected by coffee rust, and to strengthen the value chain; and support for cacao producers to build resilience to climate change.

IIC: US\$12.9 million approved in six operations to support medium-sized businesses in the financial services, agricultural products and medical services sectors.

FIGURE 3. Private Sector Approvals and Other Instruments
(US\$ millions)



Technical cooperation and grants

Support through 13 technical cooperation projects and two grants, for:

- **Rural development:** design of a national irrigation strategy that considers the impact of climate change on the agricultural sector.
- **Health:** strengthening of interventions to reduce malnutrition and provide renal health services.
- **Violence prevention:** social and community integration related to artistic-musical issues and practices, and work with at-risk youths.
- **Tourism:** strategy for the development of the country's tourism sector.

Knowledge products

Creating knowledge through studies and publications analyzing:

- The current state and potential of irrigation.
- Diagnostic analysis of the productive potential of the Caribbean coast.
- Diagnostic analysis of productive development policies.

The IDB in Panama in 2015

In 2015 Panama had one of the highest growth rates in Latin America and the Caribbean thanks to a strong services sector and construction, as well as activities linked to the expansion of the Panama Canal. For the future, Panama is planning to ensure that the fruits of this growth reach those living in poverty, who are mostly concentrated in rural areas. The IDB will support Panama in this process, and to that end in 2015 the Bank approved a new country strategy geared to increasing productivity and reducing poverty.

Country strategy, 2015–2019

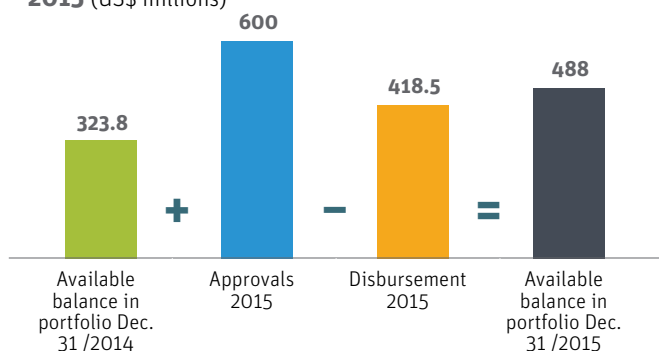
The strategic goals agreed with the country are:

- Improving the provision of basic services to those living in poverty
- Strengthening the population's educational profile
- Enhancing logistics services, as well as the efficiency and connectivity of production infrastructure



Support for the public sector

FIGURE 1. Operational Results, Public Sector Projects, 2015 (US\$ millions)



Note: does not include loan cancellations.

Approvals

In 2015, five loans totaling US\$600 million were approved in:

- Social protection:** two programs were approved, one to strengthen the country's social protection policy framework so as to make it more transparent, equitable and efficient (US\$150 million); and a second, complementary investment operation to strengthen the steering role of the Social Development Ministry, target conditional transfer programs, and expand the coverage of childcare services (US\$50 million).
- Logistics:** the country implemented institutional reforms to improve logistics performance, including integrated planning processes and trade facilitation processes and regulations, with the support of a US\$150 million policy reform program.

- Water and sanitation:** expansion of the Juan Díaz water treatment plant is intended to improve sanitary conditions in the Bay and the Panama City metropolitan area (US\$110 million, including US\$50 million from the China Cofinancing Fund).
- Health:** improvement of the health and nutrition of those in poverty and extreme poverty (US\$140 million).

Disbursements

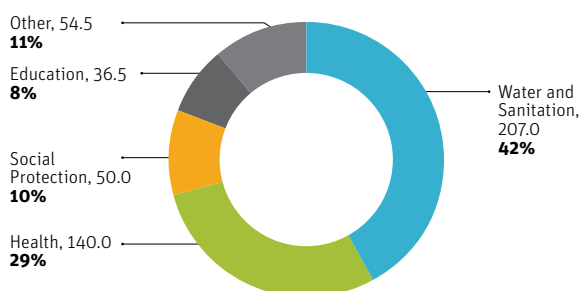
In 2015 the Bank disbursed US\$418.5 million in the areas of social protection, logistics, education, health, transport, and water and sanitation. These disbursements covered 18.7 percent of the country's financing needs.

Loan portfolio and available balance

By December 31, 2015, the Bank's public sector operations portfolio included:

- 13 lending operations totaling US\$783 million.
- An available balance of US\$488 million concentrated in the areas of water and sanitation, health, and social protection.

FIGURE 2. Sectoral Distribution of Available Balance of Public Sector Loan Portfolio on December 31, 2015 (US\$ millions)



BOX 1. Program to Strengthen Integrated Health Services

The program supports the consolidation of the Integrated Healthcare Networks, as well as improvement in access to and the use and quality of healthcare services in indigenous communities and dispersed rural areas. By strengthening primary care, the Priority Services Portfolio and the adaptation of healthcare networks, the program is intended to reduce maternal and child mortality rates, tackle chronic malnutrition among under-fives, and improve the health of the country's poorest population.

BOX 2. Some results in Panama achieved with the support of the active loan portfolio

HEALTH: 352,000 Panamanians have primary healthcare coverage as a result of the approval of cost-effective strategies to improve maternal and child health services.

An increase in the proportion of women receiving care from 62 percent to 67 percent.

EDUCATION: the construction and equipping of the El Peñón school in the Ngabe-Buglé community was completed, and 22 other schools are being expanded.

WATER AND SANITATION: the updating of the Panama City sewage master plan was completed.

Support to the private sector

The Bank took part in the direct financing of the private sector through:

Loans: US\$16 million approved through two (TFFP) loans to support:

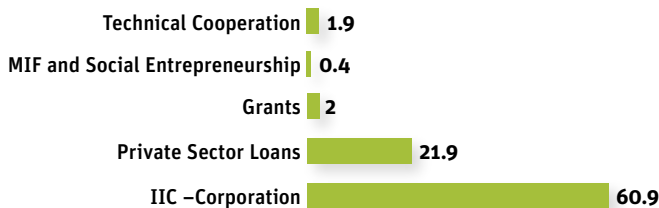
- **Foreign trade:** financing of foreign trade transactions through the Banco Internacional de Costa Rica, S.A. and Multibank Inc.

MIF: a US\$0.4 million operation approved in:

- **Entrepreneurship:** support and value proposition for the creation of SMEs headed by women entrepreneurs.

IIC: US\$60.9 million approved in four operations, three of them for financial institutions to boost their capacity to offer financing to SMEs, and a loan to Divisa Solar 10MW S.A., which will finance the construction, development and start-up of a photovoltaic solar energy plant in Coclé province.

FIGURE 3. Operational Results in the Public Sector, 2015 (US\$ millions)



Technical cooperation and grants

Support through 10 technical cooperation projects and a grant for:

- **Urban development:** diagnostic analysis and action plan for Panama City.
- **Transport:** strengthening the institutional, legal, and regulatory logistics and transport framework.
- **Education:** design and implementation of the Education Ministry’s program to develop learning skills, “Aprende al Máximo.”
- **Health:** second phase of the Salud Mesoamérica 2015 initiative.

BOX 3. Emerging and Sustainable Cities Initiative in Panama City

Through a technical cooperation project, the Bank delivered an Action Plan to Panama Municipality, “Metropolitan Panama: Sustainable, Human and Global.” This has three pillars:

1. Mobility and transport, urban inequality and land use, and vulnerability to natural disasters.
2. Water, sanitation and drainage, and solid waste management.
3. Modernization of municipal management.

Knowledge products

Creating knowledge through studies and publications analyzing:

- Extractive industries in Panama.
- Diagnostic analysis of the efficiency of the gas subsidy, and status of the Open Access regulation for the natural gas market.
- Study on the cruise ship industry.

The IDB in the Dominican Republic in 2015

Against the backdrop of a favorable external environment, the Dominican Republic experienced another year of high growth in 2015, far above the regional average. In this context, the Bank continued its support in the priority sectors of the current country strategy, paying particular attention to support for reforms in the health sector and social security in the 2015 program, while the analytical work began to prepare a new country strategy covering 2017–2020.

Country strategy, 2013–2016

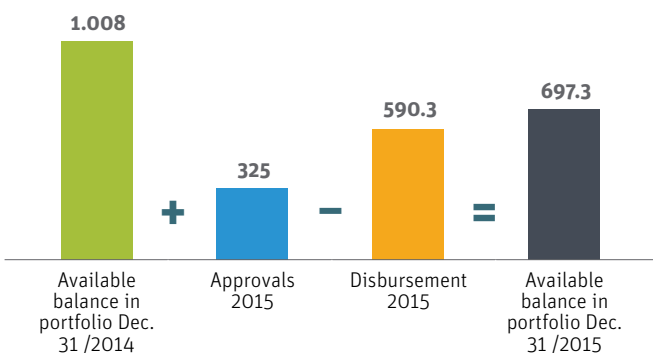
The strategic goals agreed with the country are:

- Fiscal management
- Energy
- Social protection
- Education
- Health
- Productive development



Support for the public sector

FIGURE 1. Operational Results, Public Sector Projects, 2015 (US\$ millions)



Note: does not include loan cancellations.

Approvals

In 2015 the Bank approved two loans totaling US\$325 million in:

- Health and social security:** the second operation to support policy measures geared to the consolidation of the health sector and social security (US\$300 million).
- Public finances:** Modernization of the central government's financial and budgetary management (US\$25 million).

Disbursements

In 2015 the Bank disbursed US\$590.4 million, mainly for projects that support policy measures in the areas of productivity, health and social security, as well as for

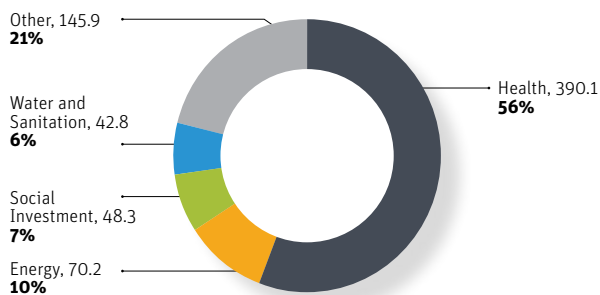
investments in education, health and social protection. These disbursements covered close to 15 percent of the country's financing needs, and allowed the Dominican Republic to secure a positive net loan flow of US\$471.8 million with the IDB.

Loan portfolio and available balance

By December 31, 2015, the Bank's portfolio of projects with the public sector included:

- 18 approved lending operations totaling US\$1,324 million, covering all the priority areas of the current country strategy.
- An available balance of US\$697.4 million, concentrated in the areas of health, energy, social protection, and water and sanitation.

FIGURE 2. Sectoral Distribution of Available Balance of Public Sector Loan Portfolio on December 31, 2015 (US\$ millions)



BOX 1. Support Program for the Consolidation of the Health Sector and Social Security II (US\$300 million)

Approved in 2015, this is the second and final operation in a programmatic series to support policy reforms that aim to improve (i) coverage of the social security system, ensuring its financial sustainability and fostering the system's comprehensiveness and efficiency; and (ii) efficiency of health spending through institutional reforms, reorganization of service provision with primary care as the entry point, implementation of a quality healthcare policy, and incentives for the equitable geographic distribution of human resources. The program supports the deepening of the reform that the government of the Dominican Republic has been implementing in both sectors.

BOX 2. Some results in Dominican Republic achieved with the support of the 2015 active loan portfolio

HEALTH: 74,000 people on low incomes have been included in national health insurance and 150 primary healthcare centers have been built and equipped.

EDUCATION: 10,000 teachers have been trained, support has been given to the Ministry of Education in adapting and expanding the schools for implementation of the extended school day, and the Quisqueya empieza contigo program has begun to foster child development.

SOCIAL PROTECTION: 240,000 families have benefited from the national conditional transfer program.

ENERGY: 400 km of distribution networks, improvements in corporate management in the electricity sector so as to reduce losses, and service upgrades for more than 100,000 customers.

Support to the private sector

To foster the private sector's role as an engine of growth, the IDB Group approved:

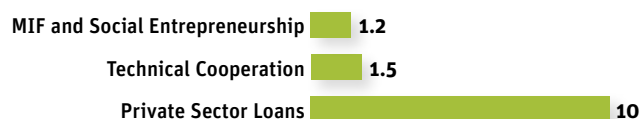
Loans: two operations totaling US\$10 million to support:

- **Foreign trade:** to promote trade financing through Banco Múltiple Santa Cruz S.A.
- **Housing:** access to financing to upgrade housing, mainly for poor families, through Banco Adami.

MIF: to support microentrepreneurs and small producers, the MIF approved two operations totaling US\$1.2 million geared to:

- **Competitiveness:** support for small-scale fisherfolk and rice growers to adopt best practices that seek more competitive production and a lesser environmental impact.
- **Urban development:** design and testing of an intervention model in the Colonial City of Santo Domingo, so as to ensure that micro and small enterprises can take advantage of the new market opportunities offered by the area's revitalization.

FIGURE 3. Private Sector Approvals and Other Instruments
(US\$ millions)



Technical cooperation

Support through six technical cooperation projects totaling US\$1.5 million, mainly for:

- **Education:** improving the quality of teaching and technical support for assessments in the education sector.
- **Energy:** support for the implementation of rural energy alternatives and best management practices in public energy companies.
- **Science and technology:** financial inclusion by strengthening information and communication technologies and broadband.

Knowledge products

Creating knowledge through studies on:

- Estimating pro-poor growth.
- Diagnostic analysis of potential impacts on the tourism sector.
- Impact of the opening up of Cuba on the economy of the Dominican Republic.
- Development Challenges in the Dominican Republic.
- Electricity and water services in Santo Domingo.
- Governability and public policies in the management of natural disaster risk.

**Opportunities for the region:
a favorable external environment**



III. Prospects for 2016



Market performance indicates that the external conditions that allowed the region to continue along a growth path in 2015 will persist in 2016 and, possibly, in 2017. Hence the region's expected growth will remain at about 4 percent in 2016. Internally, state institutions face greater pressure from civil society and the population to improve the effectiveness of and transparency in the use of public resources and accountability, a circumstance that has driven significant political change in some countries. This context offers opportunities to intensify efforts to foster more dynamic and inclusive growth.

The shared priorities of the regional agenda to meet these objectives include:

- Strengthening public finances in line with an improvement in the efficiency and equity of fiscal policy, as well as greater transparency and accountability
- Providing the population, especially families living in poverty, with the capacities that allow them to be integrated into and to contribute to development
- Improving logistical performance at the national and regional levels; this is crucial to expand the regional market, broaden the region's production base, and take full advantage of the benefits of the trade agreements in force

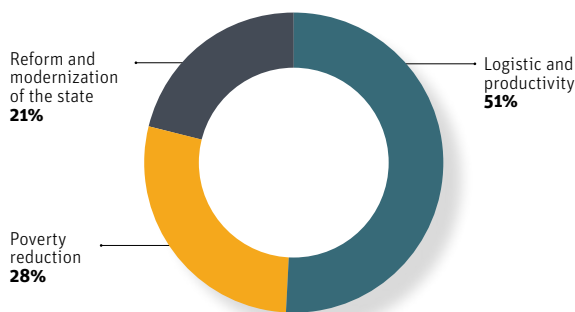
Approval of New Loans and Disbursements Expected in 2016

The Bank's portfolio of 112 projects, with a total of US\$4,485 million in available resources, is well positioned to meet these challenges. In 2016, disbursements of close to US\$1.5 billion are expected in the countries of Central America and the Dominican Republic. The approval of new, sovereign guaranteed loans is also estimated at about US\$1.5 billion.

For 2016 the private sector arm of the IDB Group, consolidated as of January 1, 2016 in the Inter-American Investment Corporation, has programmed approval of 41

operations totaling US\$650.9 million to support the financial services, energy, industry and manufacturing, foreign trade financing, agricultural and transport sectors, among others.

FIGURE 3.1 Distribution by Areas of the Estimated Approvals with Sovereign Guarantee in 2016



Towards More Effective Portfolio Management

In 2016 the Bank will continue to strengthen portfolio management activities to maintain the pace of disbursements and achieve results through: i) introduction of a single tool that integrates information for planning and monitoring products, targets, results, activities, procurement of works, goods and services, and financial management; and ii) supporting project start-up, and reviewing fiduciary process flows and execution mechanisms.

Policy dialogue, publications and country strategies

In 2016 the Bank will publish a macroeconomic report on the effects of the real exchange rate on the production structure and the impact of CAFTA's tariff reduction, which begins this year in the region's trade. There will also be a report on the efficiency of territorial social spending, focusing on education and health; this report will analyze spending efficiency, the quality of payroll spending, and decision-making mechanisms in these sectors.

In 2016 the Bank expects to produce country-specific studies to increase knowledge of various issues such as:

- Youth and the labor market in El Salvador
- Territorial productive development in Guatemala
- Public spending and fiscal risk in Honduras
- The private sector and public-private partnerships in Nicaragua
- The effects of the expansion of the Panama Canal


In 2016 the Bank moreover plans to produce preparatory studies for the policy dialogue with the governments of Guatemala and the Dominican Republic, with a view to drawing up new Country Strategies with those countries in 2016 and 2017, respectively.

Expected progress on regional initiatives in 2016

- **The Northern Triangle:** The Bank will continue to support the Plan in 2016, focusing on its implementation stage. Work will be undertaken to: i) offer advice and technical support for strategic decision-making; ii) provide technical and financial assistance in formulating projects in the Plan's strategic areas; iii) follow-up and reporting on the activities included in the Plan; and iv) fostering the support of and coordination with other cooperation

partners, the private sector and civil society to support the Plan's priority areas.

- **Logistics:** In 2016, in the field of transport, logistics and mobility, the Regional Framework Policy on Movement and Logistics is expected to be completed and a Regional Plan of Priority Investments will be developed. Additionally, the pilot projects for short-distance maritime transport will begin and the pending national logistics plans will be completed.
- **Pacific Corridor and trade facilitation:** The Bank will continue to support the implementation of the Central American Strategy of Trade Facilitation and Competitiveness, with emphasis on coordinated border management, both as regards short-term measures and approval of lending operations for the integrated reform of border crossings.
- **Energy integration:** The IDB will support the expansion of infrastructure (generation, transmission, distribution, interconnection) and the development, consolidation and completion of national, bilateral and regional electricity markets. In particular, the Bank will support the management of the necessary financing to allow the Central American countries to meet construction requirements and additional measures upgrades and improvements to the national transmission networks.



**A favorable external environment
offers opportunities to intensify
efforts to foster more dynamic
and inclusive growth**





1300 New York Avenue N.W.
Washington, D.C. 20577, USA

www.iadb.org

Country Department Central America, Mexico, Panama and Dominican Republic

