

The IDB Group in the Central American Isthmus and the Dominican Republic

Activities Report 2019



Contents

Central America and the Dominican Republic in 2019	4
New projects Our portfolio	6
Poverty and inequity: a decade of progress and priorities toward 2030	8
Regional initiatives	14
IDB Group activities at the country level	18
Publications 2019 - 2020	50
Annexes	55

This document was coordinated and prepared by a team from the IDB's Country Department Central America, Haiti, Mexico, Panama and the Dominican Republic, with contributions from IDB Invest and IDB Lab.

As of the publication date of this report, the data on IDB Invest operations are preliminary and might be subject to change.

The IDB Group in the Central American Isthmus and the Dominican Republic

Activities Report 2019

Report prepared for the

**XXXIV Meeting of Governors of the Central American
Isthmus and the Dominican Republic**

San Salvador, El Salvador
February 19 - 21, 2020

Central America and the Dominican Republic

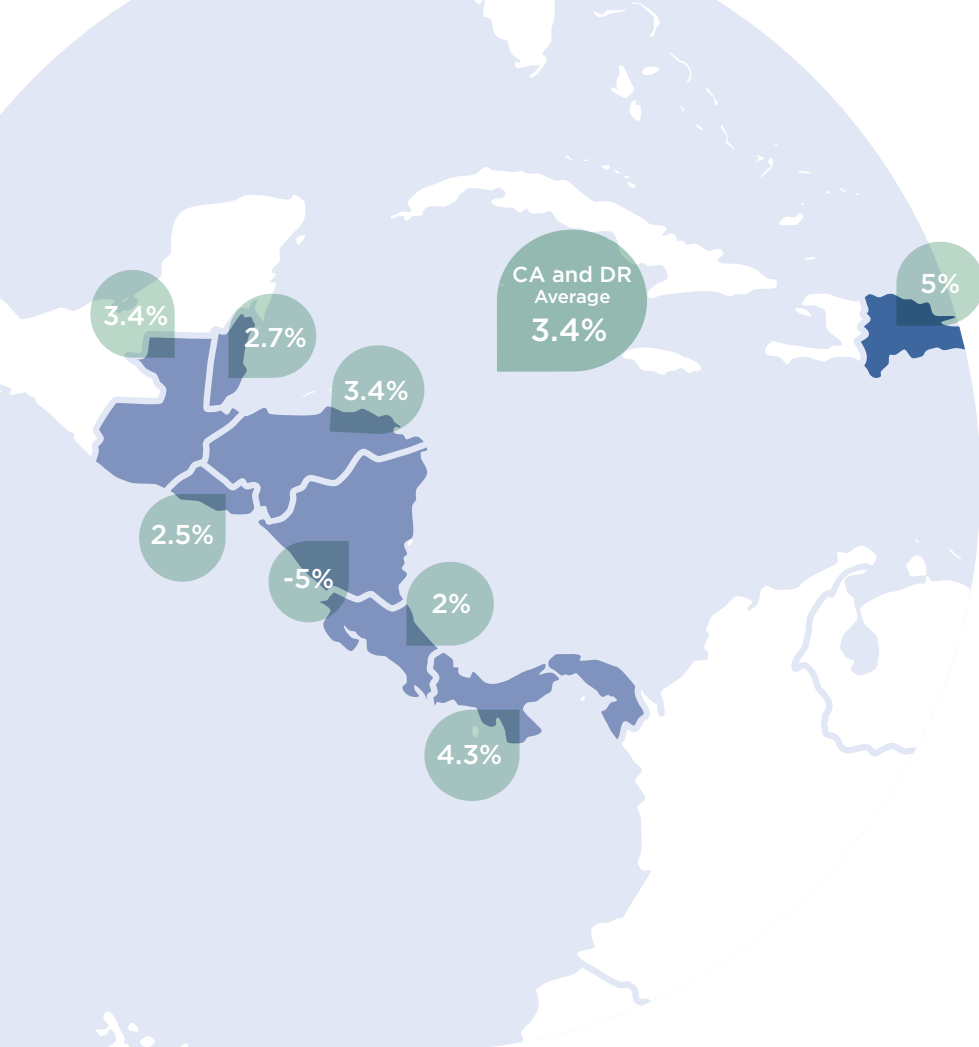
in 2019

In 2019, Central America and the Dominican Republic (hereafter, the region) achieved GDP growth of 3.4 percent, higher than the 0.2 percent average for Latin America and the Caribbean (LAC) and the global average of 3 percent, at a time when the world experienced its lowest growth rate of the decade. Despite comparing favorably, the region has undergone an economic slowdown since 2009 and recorded its lowest growth since then. That said, performance has been mixed. While Panama and the Dominican Republic grew by 4.3 percent and 5 percent, respectively, Nicaragua suffered a 5 percent decline.

The main determinants of the region's relatively good performance in 2019 were growth in the United States (2.4 percent), which favored exports and remittances, and

higher domestic consumption as a result of low inflation and cuts in domestic interest rates. At the same time, while growth of foreign direct investment and low oil prices (the region is a net oil importer) favored the external position relative to 2018, several countries still face the challenge of reducing the fiscal deficit and public debt, given that the latter has grown over the past decade. In recent years, some countries have responded to this priority by adopting significant measures (see, for example, the section on Costa Rica).





GDP growth rate

2019

Source: World Economic Outlook (WEO), October, 2019. IMF

The region is expected to enjoy more robust growth of 3.9 percent in 2020, and therefore will continue to outpace LAC (1.8 percent) and the global economy (3.4 percent). Nonetheless, it is vulnerable to global risks. A deterioration in the terms of trade, a downturn in the United States, or changes in US immigration policies could affect the region's growth prospects.

It is important to note that the 2019 growth rate is similar to the average recorded since 1980 (3.5 percent a year), which has proved insufficient to close persistent development gaps.

Poverty and inequality rates in the region remain among the highest in the continent. More than 20 million people live below the poverty line, and about 4 million suffer from extreme poverty.

The IDB Group supports the countries' growth and poverty reduction strategies through improvements in productivity, innovation and social inclusion, and by promoting regional integration to take advantage of economies of scale, efficiency gains and competitiveness. This report highlights the IDB's main activities in the region of Central America and the Dominican Republic during 2019.

The IDB Group includes three multilateral institutions: the IDB, IDB Invest and IDB Lab. The IDB supports the development of public sector projects; IDB Invest finances private sector initiatives; and IDB Lab supports innovative undertakings that create scalable opportunities for poor and vulnerable populations in the region.

New projects

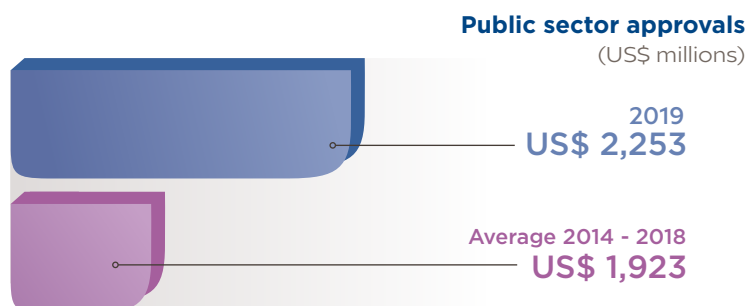
In 2019, the IDB Group approved

US\$ 2,715 million

for the countries of Central America and the Dominican Republic

- The IDB financed 23 new **public sector** loans totaling US\$ 2,253 million, and provided technical assistance through 92 grants totaling US\$ 70.5 million

- 27.5 percent of the approved amount supports **climate change mitigation and adaptation** actions



- Seven loans in Costa Rica, the Dominican Republic, Honduras and Panama received **complementary financing** from seven cooperation agencies (South Korea-KIF, Spain-FONPRODE, France-AFD, Japan-JICA, European Union-LAIF, the Green Climate Fund, and the Latin American Development Bank-CAF) totaling US\$ 817 million, which is equivalent to 36 percent of the IDB's lending program.

With the new projects, the Bank aims to have the following development impacts:

- Improved logistics performance in Costa Rica and Guatemala through the expansion and/or upgrading of road infrastructure
- Reducing extreme poverty in Honduras and Panama through improvements in the efficiency of social spending
- Strengthening the quality of basic education and health services in Belize and Guatemala
- Digital transformation, private sector development and boosting competitiveness in Honduras and Panama
- Improved management of public finances in Belize, Costa Rica and El Salvador
- Expanded access to electricity in rural areas in Panama and greater energy efficiency in the Dominican Republic
- Enhanced climate resilience and forest restoration in El Salvador, Honduras and the Dominican Republic
- Improved access to productive financing in Honduras, and financial inclusion of indigenous populations in Panama

IDB Invest the IDB Group's private sector investment arm financed 14 operations totaling US\$ 370.2 million in 2019



IDB Lab the IDB Group's innovation laboratory financed 19 projects during 2019. These totaled US\$ 21.8 million and support:

- Social and workforce inclusion of migrants and at-risk youths in Honduras and Panama
- Improved resilience to the climate crisis in agriculture, fisheries, and nature conservation in Belize, Guatemala and Nicaragua
- Energy model innovation in urban and rural areas of Costa Rica and the Dominican Republic
- Development of the orange economy in El Salvador and Panama

Our portfolio

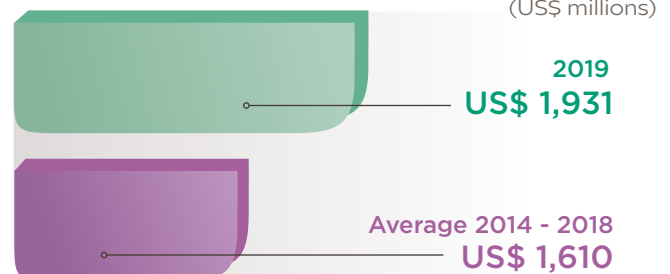
Public sector

The IDB has an active portfolio of 105 projects in the region totaling US\$ 8,081 million, with US\$ 5,220 million available

Disbursements in 2019 were close to US\$ 1,931 million and helped to:

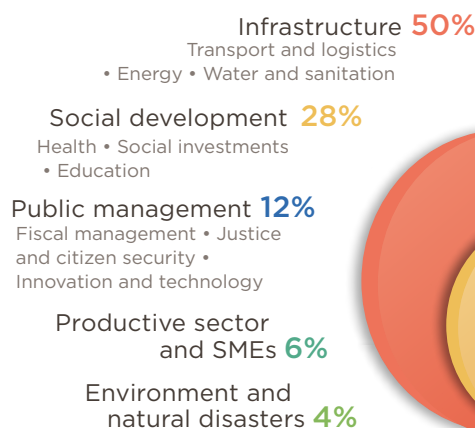
- Consolidate the IDB as the main source of multilateral financing
- Provide 21 percent of public investment
- Cover 13 percent of the region's financing needs

Public sector disbursements (US\$ millions)



Composition of the portfolio

(% of amount approved)



Some results of our portfolio between 2016 and 2018

- 2.9 million beneficiaries of anti-poverty programs
- 12.6 million beneficiaries receiving health services
- 4.3 million students benefiting from education projects
- 41,843 households with new or improved access to sanitation
- More than 40,000 micro, small and medium enterprises financed
- 798 kilometers of road built or upgraded
- 163,902 households with new or improved access to drinking water
- More than 560 MW of new electricity generation using renewable energy sources financed

Private sector

IDB Invest has a portfolio of 107 operations and an exposure of US\$ 1,810 million

In 2019, moreover, through its Trade Finance Facilitation Program (TFFP), IDB Invest provided US\$ 521.5 million in loans and guarantees to export and import companies through 25 financial institutions in the region.



IDB Lab has 98 operations totaling US\$ 114 million in the active portfolio, with transformative results:

- Leveraging natural capital, creating a biomaterials hub in Costa Rica
- Urban revitalization with social inclusion and incentives for the orange economy in El Salvador, Honduras and Panama
- Improving the quality of life of the low-income rural population in Guatemala and the Dominican Republic through innovations in financial inclusion and clean technologies, creating systems for sustainable rural development
- Improving agricultural and livestock production and adapting it to climate change, and sustainable land management throughout the region

IDB Lab also manages an active portfolio of the Social Entrepreneurship Program (SEP), which is geared to lower-income and marginalized populations, comprising 23 operations totaling US\$ 1.7 million.

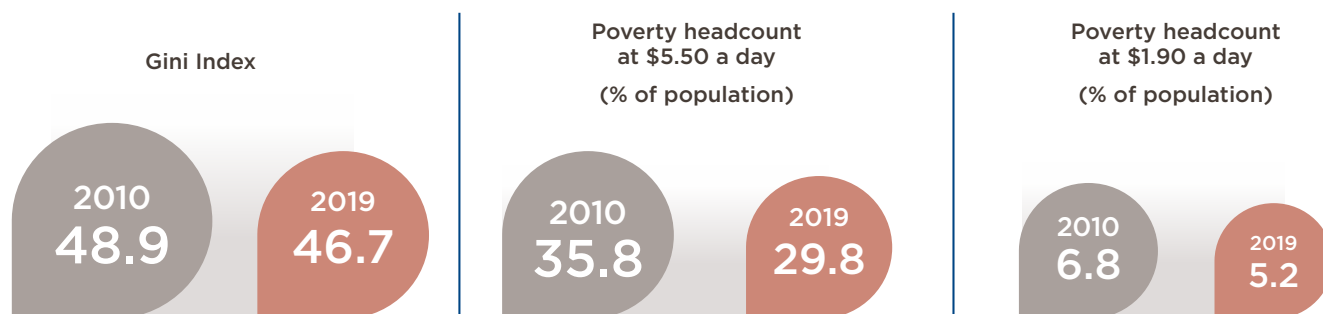
Poverty and inequity:

A decade of progress and priorities toward 2030

The region has made progress in reducing poverty and inequality over the past decade. The proportion of people living below the US\$ 5.5-a-day line declined from 36 percent to 30 percent and the Gini index, which measures inequality, fell by an average of 4.5 percent. These indicators, however, improved at a lower rate than in LAC. While one in every five people in the other LAC countries is now living in poverty, in the region the figure is one in three. Moreover, the proportion of people living in extreme poverty (with less than US\$ 1.9 a day) is double that of the rest of LAC (5.2 percent against 2.6 percent).

The region's per capita income, which has grown above that of LAC in the past decade, has not converged towards levels in the United States. Additionally, for the three economies that have been able to narrow this gap (Costa Rica, the Dominican Republic and Panama), the gains have not translated into substantial improvements in their ranking on the human development index (HDI)—an indicator that takes account of other dimensions in addition to income, such as life expectancy and education—nor into a significant reduction of inequality. For example, Panama rose one place on the HDI between 2010 and 2018; but if this is adjusted for inequality (IHDI), the country fell eight places in the same period.

Inequality, like poverty, includes other dimensions in addition to income, and can be understood as multiple deprivations at the household level in the areas of health, education, work, social security, housing and living standards. In the framework of the Millennium Development Goals (MDGs) of 1990–2015 and the United Nations Post-2015 Development Agenda, the region has made significant progress in these areas during the decade. Challenges persist, however, and in the face of the new and more ambitious Sustainable Development Goals (SDGs) for 2030, compliance becomes more urgent and commitment more pressing.



Note: Averages of the countries of Central America and the Dominican Republic for 2010 and 2019, or the last data available for each year. The poverty rate uses as a basis the purchasing power parity in 2011. The Gini index is a number between 0 and 100, where 0 corresponds to a perfect level of equality and 100 to an absolute level of inequality. Source: World Development Indicators (WDI). World Bank

Health and nutrition

In the area of health and nutrition, infant mortality per 1,000 live births met the MDG target of a two-thirds reduction, from 51 in 1990 to 18 most recently. The percentage of the population that is malnourished has fallen by 43 percent since the baseline was established in 2000 (the goal was to halve it); and maternal mortality per 100,000 live births has fallen by 34 percent in the same period (the goal was to reduce it by three quarters).

The region has invested in strengthening primary care and has taken a preventive approach. This has made it possible to provide greater access to rural populations and to relieve congestion in units providing secondary care, such as hospitals, by improving the efficiency and quality of the system. On the supply side, there has been investment to build and equip health centers and hospitals, and to train staff so as to improve the quality of care. On the demand side,

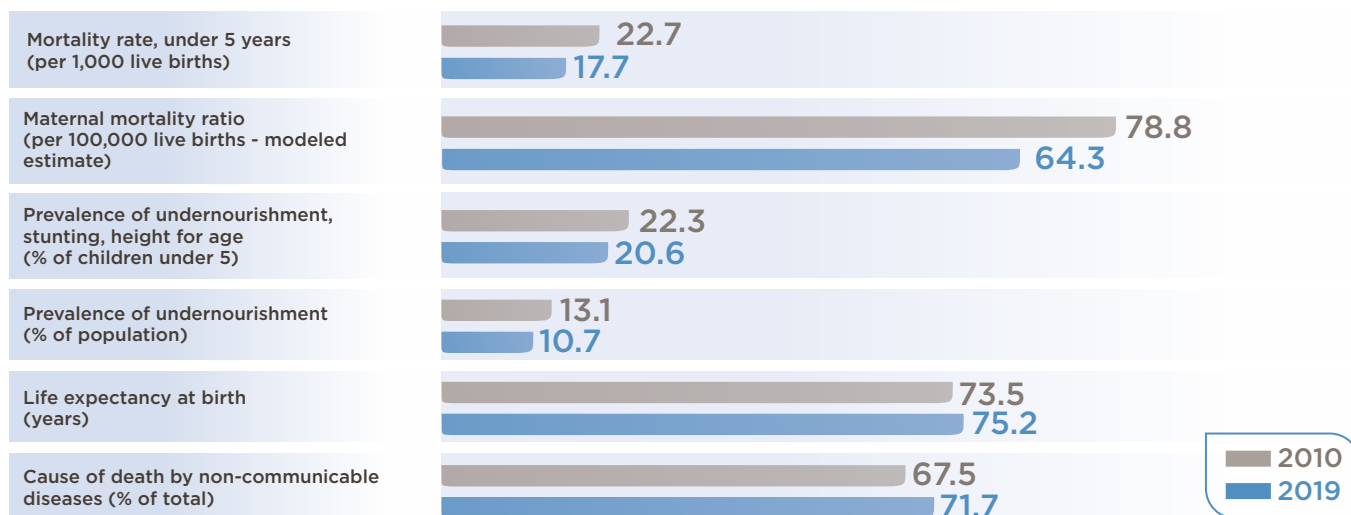
priority has been given to actions designed to eliminate economic and cultural barriers to access for the most vulnerable population. At the regional level, the IDB has actively promoted the Mesoamerican Health Initiative, a results-based model that has been key to achieving the MDGs (for more information, see the chapter on regional initiatives).

Despite the efforts made, significant intraregional disparities persist, and thus it is urgent to continue investing in maternal and child health. For example, the Dominican Republic, Guatemala and Nicaragua still have maternal mortality indicators above 95 (the SDG target is 70); the teenage pregnancy rate for the region is 75 per 1,000 women aged 15–19, while for the rest of LAC it is 58; and malnutrition in children under five is at 21 percent, 6 percentage points above the LAC average. The region also faces challenges related to the demographic and epidemiological transitions. Life expectancy has risen to 75 years, increasing the relative weight of the



Honduras: Social Protection System Integrated Support Program. Measuring a child's height

older adult group and the prevalence of chronic diseases. Deaths caused by non-communicable diseases have increased in the region from 68 percent of the total to 72 percent in the past decade. The ageing of society will bring new challenges for health services, especially in the area of long-term care.



Note: Averages of the countries of Central America and the Dominican Republic for 2010 and 2019, or the last data available for each year.
Source: World Development Indicators (WDI). World Bank

Water and sanitation

One sector with direct impacts on health and school performance is water and sanitation. Six of every 10 cases of child mortality worldwide stem from diarrheal episodes caused by intestinal parasites, which can be tackled by a continuous supply of piped water and the disposal of excreta by sewerage.

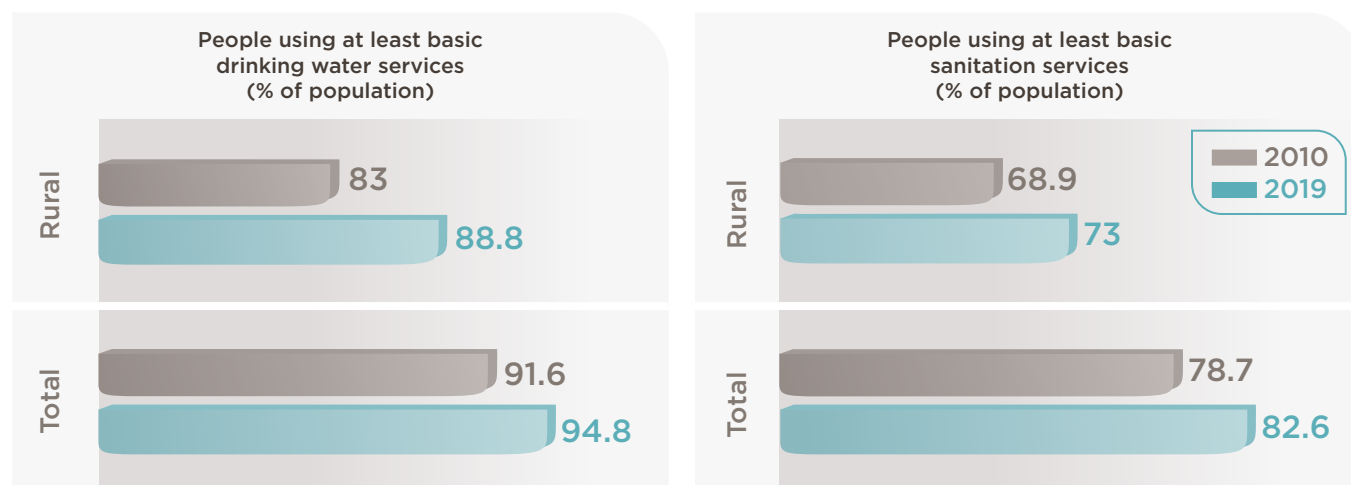
The region made progress during the decade, with a level of basic access to water for 95 percent of the population by 2017, and to basic sanitation for 83 percent—an increase of 3 and 4 percentage points since 2010, respectively. The biggest progress during the decade was made in rural areas. Notable in this regard are the expansion of water coverage in El Salvador and sanitation improvements in Guatemala, Honduras, Nicaragua and Panama (see the Guatemala section of the country chapter).

Goal 6 of the SDGs establishes the target of universal access



to safe water, which implies guaranteeing water's continuity and purity, as well as the safe disposal of excreta. The inclusion of these service quality variables makes the situation much more critical. In 2017, basic water coverage in Guatemala was at 94 percent, but safe water coverage was at

only 56 percent; in Nicaragua the corresponding figures were 82 percent and 52 percent. In view of the 2030 commitment, there is a need for further action on investment, governance and the sector's sustainable operational management.



Note: Averages of the countries of Central America and the Dominican Republic for 2010 and 2019, or the last data available for each year.
Source: World Development Indicators (WDI). World Bank

Education

In education, the region has made significant progress in access for all levels over the past two decades, maintaining a universal gross enrollment rate in primary education and significantly increasing coverage in early, secondary and tertiary education.

Belize: Education Quality Improvement Program



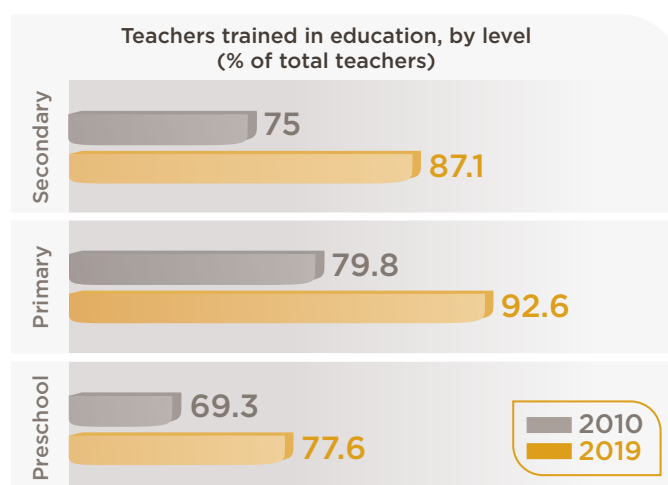
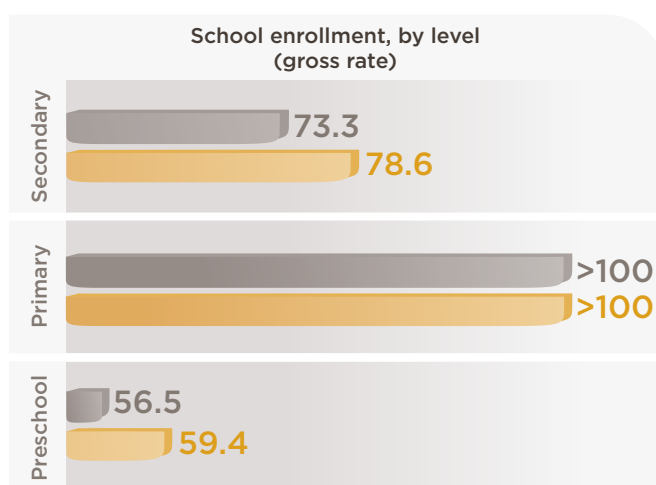
Access to preschool, however, is still low (59 percent, compared to 76 percent in the rest of LAC) and the regional figure masks variations among countries, ranging from 41 percent coverage in Honduras to 98 percent in Costa Rica. Only 79 percent of children are enrolled in secondary education, compared to 97 percent in the rest of LAC. There are also challenges in ensuring that students stay in and graduate from the education system, particularly in secondary education (seven of every 10 young people who enroll finish basic secondary education).

With regard to quality, student learning and skills remain limited, unequal and not particularly relevant to the labor market. The results of a UNESCO comparative regional study, using standardized

tests in primary school, show that the region is below the Latin American average in reading, mathematics and science. Nonetheless, progress was made in terms of teacher quality at both the primary and secondary levels. The proportion of the region's primary school teachers who are trained rose from 80 percent in 2010 to 93 percent in 2018 (for an example of this, see the Belize section of the country chapter).

There remains the challenge of universal coverage and school completion at all levels, with quality standards that will enable all children and youths in the region to acquire skills and knowledge that are relevant and effective for life and the world of work. There is a consensus that the emphasis

on early childhood (0–6 years) is critical to child development. Moreover, the evidence shows that development in the early years of life is a significant predictor of a person's long-term path. Supporting the most vulnerable populations through childcare services at this critical development stage not only increases the prospects of success in childhood and later stages, but also facilitates women's participation in the labor market. At the same time, access to **social protection** programs, such as conditional cash transfers (CCTs), has an impact on household poverty reduction, improving nutrition and enhancing access to health and education services (for an example of CCTs, see the Honduras section of the country chapter).



Note: Averages of the countries of Central America and the Dominican Republic for 2010 and 2019, or the last data available for each year. The gross rate of enrollment refers to students enrolled in a given level of education, regardless of age, expressed as a percentage of the official school-age population corresponding to the same level of education. For this reason, it might exceed 100%. Source: World Development Indicators (WDI). World Bank



Nicaragua: National Sustainable Electrification and Renewable Energy Program (PNESER)

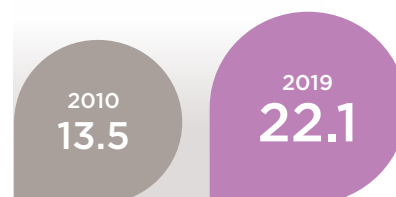
Electricity service

With respect to electricity service, the region has made substantial progress in reducing the access gap. During the past decade (2010–2017) it was able to converge to the LAC average in coverage (96 percent of the population), and five of the countries are very close to achieving universal coverage.

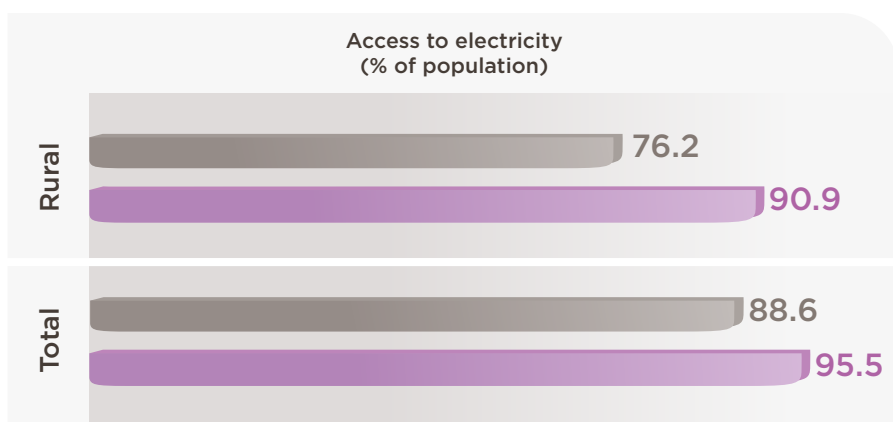
The greatest progress was made in increasing rural access, which rose from 76 percent to 91 percent. Only Honduras, Nicaragua, and Guatemala have coverage below 95 percent for the entire population. These three countries also lag in terms of access to clean cooking fuels (less than 55 percent of the population, whereas the average for the other countries is 89 percent).

Historically, the renewable sources of the region's energy matrix have exceeded those of thermal energies, which use fossil fuels to produce power. These, however, still comprise a significant share of the matrix, and to produce them the region needs hydrocarbons imports—the cost of which is susceptible to the volatility of international oil prices.

Electricity production from renewable sources, excluding hydroelectric (% of total)



Given this, in the past decade the region has renewed its efforts to expand the supply of renewable energies, foster energy efficiency and strengthen regional integration (with the Central American Electrical Interconnection System, SIEPAC, and the Regional Electricity Market, MER), promoting long-term contracts that make it possible to stabilize energy prices. Together, these factors can lead to wider coverage and better service reliability, at lower prices for the end user. Substantial progress has been made, but much remains to be done in the future to go further in these areas.



Note: Averages of the countries of Central America and the Dominican Republic for 2010 and 2019, or the last data available for each year.
Source: World Development Indicators (WDI). World Bank

2010
2019



El Salvador: Vulnerability Reduction Program in Informal Urban Neighborhoods in San Salvador. Construction of detention basin in the Arenal Montserrat basin

If the SDGs are to be achieved by 2030, it is urgent that the region make a more ambitious and consistent commitment over the next decade, including partnerships with the private sector, civil society and academia. Multilateral banks play a key role in mobilizing resources, from donors as well as the private sector, and in financing investments that are aligned with the SDGs, as well as in knowledge management for effective development solutions. The priorities established in the IDB Group's Institutional Strategy, updated in 2019, are fully aligned with each of the 17 SDGs.

The IDB Group has supported the countries of the region with more than US\$ 22.5 billion in new financing during the decade, mainly in the areas of infrastructure (energy, transportation, and water and sanitation), social development (social protection, health and education), public management and financial markets. The following chapters of this report provide an overview of the Bank's support in 2019.

Regional initiatives

In 2019 the Bank, in its role as a strategic partner and facilitator, continued to support regional integration and cooperation in Central America and Mesoamerica. Significant progress was made in three areas: health, logistics and trade facilitation, and migration.



Honduras: Mesoamerican Health Initiative. Prenatal care check-up

Health

Two initiatives have led the way, and have become benchmarks for cooperation in the region: the Mesoamerican Health Initiative and the Regional Initiative for the Elimination of Malaria.

The unique and effective approach of both initiatives is based on five central elements: (i) a results-based financing model; (ii) setting concrete targets and external assessment; (iii) creating an environment of learning and innovation; (iv) targeting the poorest 20 percent of the population; and (v) ongoing technical assistance. This model has introduced changes in public health policies so as to scale up the results and ensure the long-term continuity of the efforts made.

Mesoamerican Health Initiative

Since its inception, the Mesoamerican Health Initiative has been aligned with the 2015 MDGs, specifically with goals 4 and 5 on improving maternal and child health. A 2018 evaluation of the initiative yielded encouraging results:

In **El Salvador**, it was shown that preventive visits doubled in health centers with results-based funding, as against those with conventional funding. Moreover, there was a 39 percent increase in the proportion of children aged 12–23

months who are vaccinated against measles, mumps and rubella.

In **Honduras**, the percentage of women in vulnerable areas who have had access to institutional delivery increased from 69 percent to 85 percent, and proper treatment of neonatal complications increased by 33 percentage points.

In **Belize**, the percentage of women receiving prenatal care before 12 weeks of pregnancy increased from 20 percent to 50 percent among the target group, and

postpartum checks increased by almost 80 percent.

Because of the successes achieved in the first and second operations of the initiative, financing was begun for the third operations in Belize, Honduras, El Salvador and Nicaragua. These total US\$ 7.8 million and aim to continue improving the quality of and access to public health systems, as well as reducing maternal, neonatal and child mortality.

Regional Initiative for the Elimination of Malaria in Mesoamerica and the Dominican Republic

It is estimated that about 18 million people are at risk of malaria in Mesoamerica, a circumstance that could be exacerbated by migration.

In 2019 the Bank, with the support of key public and private partners, began operations in all the countries of the region to achieve the complete eradication of malaria by 2022. To that end, the countries have drawn up stratification maps identifying more

than 200 active malaria hotspots and areas where new hotspots could occur. Strategy planning also began at the local level to identify and treat new cases early,

thus breaking the transmission cycle. Total financing exceeds US\$ 100 million for this group of countries.



Dominican Republic: Support for the Social Protection Program - Second Phase. Vaccination campaign



Dominican Republic: Support for the Social Protection Program - Third Phase. Young woman at a medical appointment

On the basis of the successful model of incentives in the Mesoamerican Health Initiative, in 2019 the IDB and UNICEF began designing a new initiative called **Education Mesoamerica**. This will take up the good practices used in the health sector to foster the transformation of education management. Through new teaching methods, as well as virtual and face-to-face learning platforms, young people will be provided with knowledge, digital skills and socio-emotional aptitudes that aid their successful placement in an increasingly competitive labor market.

Logistics and trade facilitation



Nicaragua: Border Integration Program. Peña Blanca border post

Central America's economic development and competitiveness are severely affected by inadequate road infrastructure and inefficient management at border crossings.

These factors, among others, are estimated to increase the price of goods traded in the region by up to 50 percent. In this regard, the IDB supports key initiatives of the countries, such as renovation of the main regional logistics corridors, starting with the **Pacific Corridor**, as well as **trade facilitation**, focusing on modernizing the management and infrastructure of border crossings.

Pacific Corridor

With an investment of US\$ 4 billion, including US\$ 948 million in IDB financing, 73 percent of the corridor has been brought into compliance with regional technical standards.

Apart from providing physical investment, the IDB has also been a key partner in designing strategic frameworks at the national level, such as national cargo logistics plans, and at the regional level with the regional mobility and logistics framework policy, as well as in creating tools to monitor progress.

In **2019**, the Bank developed a plan that proposes investments for the expansion, conservation and upgrading of 1,124 km of the corridor, using a public-private management model.

Trade facilitation

In 2015, the countries approved the Central American Strategy for Trade Facilitation and Competitiveness, which identifies short, medium and long-term measures for adoption of the coordinated border management model.

Since then, the Bank has approved technical cooperation and loan resources to support border reforms in Nicaragua, Costa Rica and Panama, with a total investment of US\$ 233 million. These investments will not only modernize physical infrastructure but will also involve new technologies and computer systems to streamline procedures at border posts.

Additionally, with the financial support of the European Union, the Bank is developing the second phase of the Central American Digital Trade Platform

to ensure interoperability between border control agencies at the regional level.

Important milestones in this process were reached in **2019**, including completion of infrastructure works at the Peña Blanca border crossing in Nicaragua, Central America's first border post to be modernized under the coordinated border management model. As a result of the post's modernization, cargo truck crossing time was reduced by almost 95 percent from 36 to two hours on average (see Nicaragua section of the country chapter). Moreover, the installation of a registration system for transport units with radio frequency devices was completed at the main land border crossings. This will make it possible to measure border management performance in real time.

Migration

Migration in Central America involves various patterns at the intraregional and extraregional levels. The region consists of countries that take part in the sending, transit and receipt of migrants. The Bank provides support through technical and financial assistance initiatives that seek to reduce irregular migration, create knowledge that is relevant for decision-making, and promote the reintegration of returned migrants into their countries of origin.



Honduras: Closing the Generation Gap between Youth and Adults in Rural Communities

In **2019**, the Bank produced a study that characterizes migrants from El Salvador, Guatemala and Honduras by means of a survey of immigrants from these countries in three US cities (Washington, DC, Los Angeles and New York). The survey uses an innovative sampling methodology to investigate the reasons why they decided to migrate, their living conditions in the United States, and their prospects of returning to their home countries. It is hoped that this information will be useful in the design of public policies for the countries involved (see the publications section).

The Bank also continues to support the implementation of the **Plan of the Alliance for the Prosperity of the Northern Triangle**. This initiative seeks to reduce irregular migration flows by creating economic opportunities and improving the population's quality of life in El Salvador, Guatemala and Honduras.

The IDB's support for this initiative has been provided through: (i) aligning its lending and technical cooperation portfolio with the Plan's strategic pillars in the three countries (to date there are 32 loans and 80 technical cooperation projects linked to the Plan, totaling US\$ 2,189 million); and (ii) helping with the planning, coordination, monitoring and communication of the Plan in the Bank's role as the Technical Secretariat for the initiative.

The Bank has also supported national-level initiatives for the reintegration of returned migrants. These are scalable and can be replicated in other countries of the region. In **2019**, with support from IDB Lab, work began on establishing the first Opportunities Center for Young Migrants in Honduras, with additional resources from UNICEF, the Italian Episcopal Conference and the Vatican

Bank. This initiative aims to integrate more than 600 young returnees into the labor market by providing quality education and job training, as well as improving the information available on migration flows in the country.

In 2019, the Bank also approved a **new grant facility to support countries receiving sudden and large-scale intraregional migration flows**. This program seeks to increase the responsiveness of social services in the main migrant-receiving cities. In its first phase, the eligible countries in Central America are Belize and Costa Rica, since their cross-border immigrant inflows have exceeded 0.5 percent of their total population in the past three years.

Belize

US\$ 38 million in financing approved by the IDB Group in 2019, mainly in education, fiscal management and adaptation to climate change

New projects

Education Quality Improvement Program (EQIP) II

(US\$ 10 million). Continuing the efforts of a previous Bank program (EQIP I) that focused on primary education, this operation seeks to expand interventions at the primary level and also to improve the quality of education at the secondary level, emphasizing educational programs in science, technology, engineering, art and mathematics (STEAM). To these ends, the Bank will finance (i) improvements in the training of primary school teachers, expanding the inquiry-based learning and problem-solving approach to schools not covered by EQIP I; and (ii) the adoption of best teaching practices at the secondary level, fostering a student-centered and gender-sensitive approach to learning science and mathematics. This operation will benefit more than 27,000 students and 1,500 teachers.

Strengthening Tax Administration

(US\$ 14 million). This project supports the government's fiscal consolidation efforts by improving

the efficiency and effectiveness of tax collection. This will be achieved through measures to strengthen the governance and operational processes of the tax administration, and modernization of the technological infrastructure.

Contingent Loan for Emergencies Caused by Natural Disasters

(US\$ 10 million). This type of loan offers resources to cover a country's immediate costs in re-establishing basic services for the population after a natural disaster. It seeks to alleviate the impact of a severe or catastrophic disaster on a country's finances by increasing the availability, stability and efficiency of contingency financing to deal with emergencies.

Market Incentives for Responsible Fishing

(US\$ 300,000). Through market-based incentives and with the support of the "Fish Right, Eat Right" program (established three years ago by Oceana Belize), this IDB Lab project will promote purchases from 80 fisherfolk who harvest responsibly, in at

least 100 restaurants willing to pay higher prices for fish from sustainable fishing. Using a virtual marketplace based on a mobile app, licensed fisherfolk will be connected to authorized buyers, including restaurants and hotels in the country.

Enhancing Conservation in Belize's Protected Areas through Disruptive Technologies

(US\$ 574,000). To increase the income potential of farmers, women and youths from indigenous communities, and to preserve the natural capital of the Maya Golden Landscape, IDB Lab will support the Ya'axché Conservation Trust with climate-smart agricultural initiatives, benefiting 100 cacao producers and 30 beekeepers. Additionally, drone technology and aerial imagery will be used to track changes in land use.



Belize: Rehabilitation of the George Price Highway

IDB Group approvals

US\$ millions

	2015	2016	2017	2018	2019
Public sector					
Loans	15.0	10.0	10.0	7.0	34.0
Technical cooperation	3.1	1.5	2.6	1.5	2.1
Investment grants	-	-	-	0.3	0.3
Private sector					
IDB Invest	-	-	-	15.0	-
TFFP Loans and guarantees	-	-	-	-	1.1
IDB Lab	1.5	-	0.6	0.6	1.2

*From 2019, IDB Lab data include projects with external funds and funds from the Social Entrepreneurship Program (SEP).

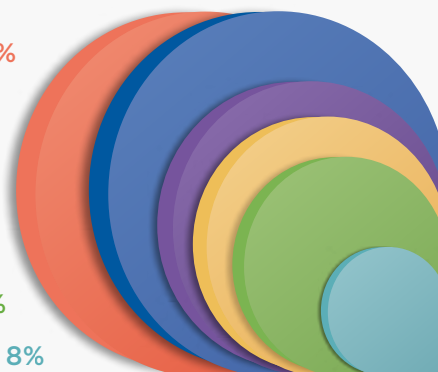
Projects in execution

Sectoral distribution of the public sector portfolio
(% of available balance)

Public sector

- 8 operations totaling US\$ 93 million, with an available balance of US\$ 63 million
- The IDB disbursed US\$ 13.2 million in 2019

Transport and logistics	22%
Fiscal management	22%
Tourism	18%
Education	16%
Environment and natural disasters	14%
Water and sanitation	8%



Private sector

IDB Invest

1 operation with an exposure of US\$ 7.5 million in the corporate (agribusiness) sector

IDB Lab

6 operations totaling US\$ 2.6 million, focusing on innovation, climate change, fisheries and agriculture



Belize: Education Quality Improvement Program

Transforming classrooms in Belize

On a typical school day in Belize, seventh-grade students might find themselves using nails, paper clips, small batteries and wires to answer questions such as: why does a magnet attract iron and not aluminum, or how can a magnetic field penetrate solid barriers like wood and plastic? In these classrooms, students are no longer sitting in rows, keeping quiet and copying what the teacher dictates. Now they are creating their own electromagnets.



Belize: Education Quality Improvement Program

The teachers have the tools to guide active learning and lead their students to draw their own conclusions. Instead of simply replacing the values in a formula, students now experiment and apply fundamental mathematical concepts to their environment, through geometric shapes and the use of materials. And instead of spending hours trying to learn cursive writing, students learn to structure arguments.

These students are the direct beneficiaries of the *Education Quality Improvement Program (EQIP)*. Through this initiative, Belize's Ministry of Education, Science and Culture, with the support of the IDB, seeks to replace the teacher-centered paradigm of teaching science, mathematics and language with one in which students are actively involved in tasks that improve their critical reasoning and scientific thinking skills. With the inquiry and problem-based pedagogy (IPP) approach, classrooms have been created in which students learn by collaboratively solving actual,

real-life problems, devising explanations and communicating ideas. This has led to a substantial improvement in children's learning, particularly in the problem-solving and critical thinking skills needed to succeed in their lives and in the job market.

When the program began in 2014, standardized test results showed that only 69 percent of teachers had mastered the subjects they taught. Many of them, therefore, were unable to answer difficult questions or stimulate their students' curiosity. The teachers benefiting from the program have not only improved their teaching practices, but have also increased their own knowledge of the subjects they teach. This is reflected in improved performance on assessment tests, which at the end of 2018 yielded satisfactory results for 80 percent of teachers.

Implementation of the new teaching approach has already been shown to have positive effects in the schools. Standardized tests in mathematics have given results equivalent to nine additional

weeks of teaching in the third year of primary school, while in science the gain is equivalent to 16 extra weeks of teaching. Just by changing the methodology, without adding more time to the school calendar, students learn more. This nationwide program has benefited 50 percent of the country's primary schools, 60 percent of teachers, 48 percent of principals, and 37 percent of primary school students.

Given these encouraging results, and the enthusiasm of the preschool and school community, the government of Belize, with IDB support, will launch the second phase of the EQIP project in 2020, expanding the methodology to all primary and secondary schools in the country. This second phase will include STEAM (science, technology, engineering, arts and mathematics) lab schools that will operate in partnership with learning institutions such as universities, and that aim to train teachers or experiment with educational practices that promote innovation, while providing high-quality education to their students.

Costa Rica

US\$ 606 million in financing approved by the IDB Group in 2019, mainly in fiscal management, transportation and citizen security

New projects

Support for Fiscal Sustainability (US\$ 350 million). This program and related technical assistance grants have supported the design and implementation of the Law on Strengthening Public Finances, approved in 2018, which includes measures to control spending and modernize the tax system. With these measures, the country is expected to adjust the formulation of the general budget to the guidelines of the fiscal rule, increase personal income tax for the upper income quintile, raise tax pressure from 13.2 percent in 2018 to 14.9 percent in 2023, and make savings by rationalizing public wage incentives and controlling current transfers to public sector institutions.

Road Infrastructure and the Promotion of Public-Private Partnerships (US\$ 125 million). This program seeks to facilitate access to long-term financing for projects to improve and expand the road network and enhance urban mobility in the Greater Metropolitan Area (GAM). To that end, the High Capacity Road Network (RVAC) in the GAM will be improved in an environmentally sustainable manner, and support will be given to the development of public-private

partnership models to finance future road infrastructure projects. Road works will give priority to clean public transportation over private transport, through dedicated lanes and urban projects that facilitate intermodality with non-motorized forms of transportation. These investments are expected to help reduce costs, travel times and emissions from vehicle traffic in the RVAC.

Citizen Security and Violence Prevention (US\$ 100 million). The IDB will finance the continuation of interventions initiated with the Violence Prevention and Social Inclusion Promotion Program of 2011, with a view to improving police effectiveness and preventing criminal behavior among vulnerable teenagers and youths in socially disadvantaged districts. The program will support the building of police stations and civic peace centers, meeting the latest standards for climate resilience and emissions, and will advance police training on relevant issues such as gender violence, masculinity, and inclusion and diversity.

Costa Rica Biomaterials Hub (US\$ 800,000). With this program, and in partnership with CINDE

(the Costa Rican Coalition of Development Initiatives), IDB Lab aims to foster Costa Rica's competitiveness by creating a research, development and innovation hub that will be a pioneer in biomaterials. Initially the hub will provide technology services to Costa Rican companies, with the potential to expand to other LAC countries, and will focus on high-value segments such as pharmaceuticals and medical devices.

Financing for Sustainable Oil Recycling in Costa Rica (US\$ 3 million). IDB Lab will cofinance the start-up of the first oil recovery plant in Central America, which will process used lubricating oils and oil filters safely and sustainably.

Banco Promerica: SME financing partnership (US\$ 20 million). This IDB Invest operation will provide long-term financing to 2,700 SMEs and support the development of Banco Promerica de Costa Rica's portfolio of climate-sustainable projects in the areas of housing, transportation and agribusiness.



Costa Rica: Guararí
Civic Center for Peace

IDB Group approvals

US\$ millions

	2015	2016	2017	2018	2019
Public sector					
Loans	300.0	-	20.0	144.0	575.0
Technical cooperation	4.0	1.4	2.6	1.6	6.8
Investment grants	1.5	-	-	1.5	-
Private sector					
IDB Invest	114.5	45.9	-	36.1	20.0
TFFP Loans and guarantees	5.4	17.9	13.0	5.0	5.1
IDB Lab	2.0	1.9	-	4.3	3.9

*From 2019, IDB Lab data include projects with external funds and funds from the Social Entrepreneurship Program (SEP).

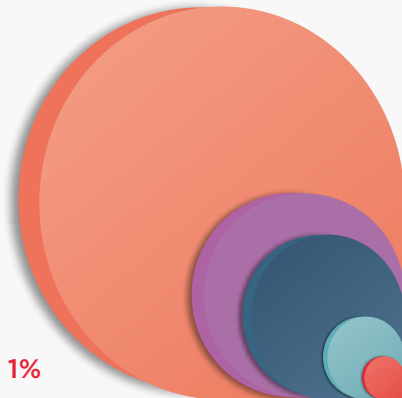
Projects in execution

Sectoral distribution of the public sector portfolio
(% of available balance)

Public sector

- ▶ 10 operations totaling US\$ 1,579 million, with an available balance of US\$ 919 million
- ▶ The IDB disbursed US\$ 484.2 million in 2019

Transport and logistics	69%
Energy	13%
Justice and citizen security	11%
Water and sanitation	6%
Innovation and technology	1%



Private sector

IDB Invest

27 projects with an exposure of US\$ 461.4 million in the infrastructure and energy, financial institutions and corporate sectors

IDB Lab

8 operations totaling US\$ 7.8 million, focused on social development, human capital, gender equality and climate change



Costa Rica: Legislative Assembly building
Photograph: Jacqueline Centeno Morales

After two decades of trying: Costa Rica approves fiscal reform

Costa Rica has a high level of economic, social and institutional development that has yielded improvements in the wellbeing of its population, stability, and the attraction of investment. The vulnerability of public finances, however, introduced a significant risk factor to the sustainability of this positive performance. In 2018, therefore, the country took an important step forward by passing the Law on Strengthening Public Finances. The aim was to improve tax collection and contain public spending, both of which had deteriorated since the international financial crisis of 2008–2009, resulting in a doubling of the public debt in the past decade to 54 percent of GDP in 2018.



Costa Rica: Fiscal Sustainability Support Program

Fully implemented, the law will make it possible to stabilize public finances and strengthen fiscal institutions. On the revenue side, its main components include converting the general sales tax into a value added tax (VAT) and improving the progressiveness of personal income tax. Notable on the expenditure side is the introduction of measures to limit wage growth and current transfers. At the institutional level, a fiscal rule was introduced to control the growth of current spending.

The IDB has been supporting the government in the analysis, design and implementation of this reform. In 2019, it approved

a US\$ 350 million programmatic policy-based loan aimed at strengthening fiscal sustainability by controlling spending and modernizing the tax system. The loan was ratified by the Legislative Assembly in the same year. This was a historic milestone and reflected the country's commitment to move toward fiscal sustainability.

Although it was implemented only recently, some results of this reform are becoming apparent. First, there is evidence of growth in the collection of VAT and income tax. Second, the growth of spending on public sector wages is slowing, and the national budget for 2020 was drawn up

in line with the new fiscal rule. Finally, approval of the reform sent positive signals to the financial markets, which improved the government's financing conditions in 2019 both domestically and internationally.

The IDB will continue to support national efforts geared to fiscal sustainability, which promotes inclusive growth and improves the quality of life of all citizens.

Dominican Republic

US\$ 384 million in financing approved by the IDB Group in 2019, mainly in transportation, agricultural development and energy efficiency

New projects

Support for Mobility, Land Transport and Road Safety

(US\$ 250 million). This program is a milestone in the transformation and consolidation of safe and efficient land transportation. It addresses the critical situation of road accidents and includes reforms to tackle inefficiencies in public transportation and road freight, with a view to improving the country's productivity and competitiveness indicators.

Agricultural Health and Innovation

(US\$ 50 million). This project aims to improve food security and competitiveness in the agricultural sector, enhancing productivity, food safety and market access. It will continue the work carried out under the Food Health and Safety Program that was completed in 2018. The new project will boost productivity in products such as avocado, bananas and cacao by reducing the number of containers rejected due to contamination. The project will finance a digital platform to simplify and automate agricultural health and innovation processes, and will support the preparation and publication of the National Agricultural Census.

Energy Efficiency Program

(US\$ 75 million, including US\$ 36 million in cofinancing from Japan). This project will support the implementation of energy efficiency measures and the replacement of about 190,000 streetlamps, as well as the installation of 52,200 luminaires in priority areas to support citizen security and tourism. This will support the aim of reducing CO2 emissions and energy consumption in the country's public sector.

Banco Santa Cruz (US\$ 20 million).

IDB Invest will provide financing to support the expansion of Banco Santa Cruz's portfolio for 1,860 SMEs, as well as advisory services to develop a green loan portfolio.

Nature Village: Innovation and Clean Technologies for Sustainable Rural Development (US\$ 500,000).

IDB Lab, together with the Nature Power Foundation, is supporting the country's first sustainable community, "Nature Village" in the Sabana Yegua area of Azua province, which will operate entirely with solar power. The financing will make it possible to demonstrate the viability of an

integrated sustainable solution for access to basic services in remote locations, using alternative sources. The initiative is expected to directly benefit 50 households below the poverty line, and another 200 households indirectly.

Production Process of Coffee Growers on the Dominican-Haitian Border (US\$ 500,000).

IDB Lab and the Dominican Agribusiness Board are joining forces to address the issues facing coffee farms (about 400 families) and producer organizations in the border area. The project addresses matters such as productivity and market linkages, as well as adaptation to climate change, by fostering the use of new technologies and building capacities among producers.

ADOPEM Gender Bond

(US\$ 18 million). This operation will support the placement of a local-currency bond by Banco de Ahorro y Crédito (Adopem S.A.) to fund more than 76,000 microloans, focusing wholly on support for women entrepreneurs.



Dominican Republic:
Tourism Development
Program - Colonial
City of Santo Domingo.
Museum long nights

IDB Group approvals

US\$ millions

	2015	2016	2017	2018	2019
Public sector					
Loans	325.0	590.0	366.0	795.0	339.0
Technical cooperation	1.5	2.2	2.7	4.6	4.1
Investment grants					1.5
Private sector					
IDB Invest	5.0	4.1	90.0	-	38.0
TFFP Loans and guarantees	5.0	70.0	2.0	72.0	100.0
IDB Lab	1.2	1.5	2.8	1.8	1.0

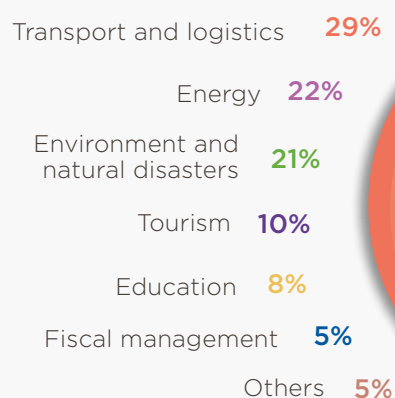
*From 2019, IDB Lab data include projects with external funds and funds from the Social Entrepreneurship Program (SEP).

Projects in execution

Sectoral distribution of the public sector portfolio
(% of available balance)

Public sector

- 17 operations totaling US\$ 1,445 million, with an available balance of US\$ 869 million
- The IDB disbursed US\$ 464.1 million in 2019



Private sector

IDB Invest

4 projects with an exposure of US\$ 36.4 million in the infrastructure and energy, financial institutions and corporate sectors

IDB Lab

10 operations totaling US\$ 6.2 million, focusing on financial services, human capital and climate change



Dominican Republic: Water and Sanitation Investment Program

Solid waste: the Duquesa case

The Duquesa landfill in the north of Santo Domingo is one of the 352 open dumps in the Dominican Republic, and one of the largest in Latin America and the Caribbean. It is estimated that about 5,000 of the approximately 14,000 tons of urban solid waste produced daily in the country are deposited in the dump. Poor management and minimal waste recovery have led to surface water and groundwater pollution, as well as episodes of uncontrolled burning.



Dominican Republic: Duquesa landfill aerial view

In a recent survey, 52 percent of households located less than two kilometers from the Duquesa landfill said they had been affected by respiratory, allergic and viral diseases resulting from activities at the dumpsite. This outlook worsens if we take account of the dump's proximity to the Isabela and Ozama rivers, the metropolitan area's main basins, which are home to large blocks of water lilies and hyacinths that serve as the main indication of stagnant and polluted water. The pollution load stored in the rivers can cause bacteriological diseases among the population, quite apart from the effect on ecosystems, biodiversity and agricultural activity.

Given this problem, the IDB and the Japanese International

Development Agency are supporting the authorities by updating the **Solid Waste Master Plan for Greater Santo Domingo**. The plan includes short-term investments to improve the management of the landfill and to ensure its closure over ten years, as well as medium and long-term actions to create a modern sanitary landfill in an alternative location.

A permanent solution requires institutional reform of the country's solid waste management model, as well as a legal framework that allows for its sustainability over the long term. In this regard the Bank is supporting the authorities in developing a proposal for regulations that will make it possible to improve provision of these services, and to define

institutional responsibilities so as to ensure the services are properly maintained. In September 2019, the IDB presented the results of the assessment to national authorities and the municipal authorities of Greater Santo Domingo, along with a general proposal for the management of solid waste nationwide, launching a technical dialogue for decision-making.

Dominican citizens are increasingly calling for comprehensive and sustainable solutions to a problem that affects their quality of life, the solution to which depends on broad national engagement and the commitment of all sectors.

El Salvador

US\$ 341 million in financing approved by the IDB Group in 2019, mainly in fiscal management, productive development and energy

New projects

Fiscal Strengthening for Inclusive Growth II (US\$ 200 million).

To continue supporting improvements to the country's fiscal management, the IDB approved this second loan in a programmatic series that began in 2018. This second operation will support the implementation of legal reforms in fiscal responsibility and pensions that started with the first, and will help consolidate improvements in the areas of public procurement and budget reform.

Strengthening the Climate Resilience of Coffee Forests (US\$ 45 million).

Coffee, grown under shade or in coffee forests, is El Salvador's most important agricultural product, accounting for 30 percent of agricultural employment and 20 percent of the country's forests. This project seeks to maintain the ecosystem services and biodiversity provided by the coffee forest and to improve the food security of small producers, increasing their resilience to climate change. By fostering the adoption of climate-smart agricultural technologies, the project will promote the implementation of diversified agroforestry systems based on the area's climatic suitability. In areas less favorable for coffee, this will enable a transition to new crops that provide similar environmental services, such as cacao.

Digital Services for SMEs (US\$ 25 million).

With support from

IDB Invest, long-term financing will be provided to 1,880 small and medium-size companies that are Scotiabank clients. Additionally, through the "Let's PYME - Fabrica Digital" project (US\$ 750,000), IDB Lab will provide technical advice for the design and implementation of a digital platform managed by Scotiabank. This platform will create a dynamic menu of financial and non-financial services for 6,900 SMEs, 40 percent of which will be led by women, to boost their competitiveness and sales.

Energía del Pacífico - Liquefied Natural Gas Thermolectric Project (US\$ 60 million).

In partnership with the Salvadoran company Energía del Pacífico, IDB Invest supports the building of a 384 MW liquefied natural gas thermal power plant in the Port of Acajutla, a marine terminal for the delivery, storage and regasification of the gas, and the construction of a 44 km transmission line to connect the plant to the country's transmission network. The project, which is cofinanced by the World Bank Group (IFC), the United States Development Finance Corporation (DFC, formerly OPIC) and the German development bank KfW, is expected to support the country's efforts to diversify its energy matrix toward cleaner sources. It is estimated that this operation will increase the country's installed electricity generation capacity by 20 percent.

Soy Vida: Urban Art (US\$ 750,000).

IDB Lab, in collaboration with the film and television company Kino Glaz and the CUSCAMBIA Foundation, is supporting this project to create jobs and business opportunities for young people in vulnerable communities. The intervention will restore public spaces and the social fabric in high-risk neighborhoods of San Salvador through urban art, so as to offer young people opportunities for artistic expression, vocational training and employment.

Improving the Productivity of El Salvador's MSME Freight Carriers (US\$ 150,000).

With support from IDB Lab, the El Salvador Corporation of Exporters (COEXPORT) will introduce cost-effective technology to monitor the location and weight of cargo vehicles in real time. It is estimated that up to 50 cargo transport MSMEs will benefit from the initiative, which will increase the firms' productivity and entail savings for the public sector.

American Industrial Park (US\$ 8 million).

This operation will expand 35 percent of the area available for storage and logistics in the industrial park, and will finance the installation of an 8.3 megawatt-peak photovoltaic park for energy self-sufficiency from renewable sources.



El Salvador: Ciudad Mujer. Agricultural Training School

IDB Group approvals

US\$ millions

	2015	2016	2017	2018	2019
Public sector					
Loans	200.0	30.0	-	370.0	245.0
Technical cooperation	2.0	2.3	3.3	4.7	1.6
Investment grants	-	-	-	1.8	-
Private sector					
IDB Invest	148.9	0.5	28.0	45.0	93.0
TFFP Loans and guarantees	-	24.0	13.4	36.7	31.6
IDB Lab	7.2	0.1	3.3	1.0	1.7

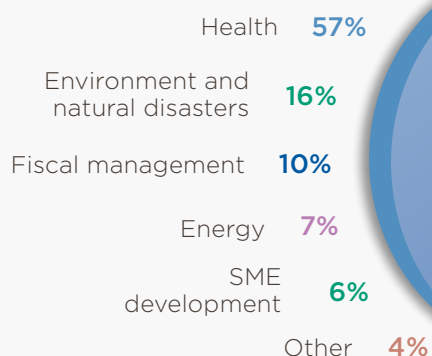
*From 2019, IDB Lab data include projects with external funds and funds from the Social Entrepreneurship Program (SEP).

Projects in execution

Sectoral distribution of the public sector portfolio
(% of available balance)

Public sector

- 8 operations totaling US\$ 425 million, with an available balance of US\$ 284 million
- The IDB disbursed US\$ 238.2 million in 2019



Private sector

IDB Invest

18 projects with an exposure of US\$ 151.8 million in the infrastructure and energy, financial institutions and corporate sectors

IDB Lab

17 operations totaling US\$ 15.5 million, focusing on financial services, human capital, MSMEs and innovation



El Salvador: Support for the
Violence Prevention Strategy

Safer citizens in El Salvador

Organized crime and violence have taken a heavy toll on El Salvador. While the worldwide homicide rate in 2016 was 6 per 100,000 inhabitants, in El Salvador it was 81. Apart from the obvious social cost, which disproportionately affects those with limited resources, violence also affects the business climate, particularly for smaller enterprises, and spurs high rates of emigration. The economic cost represents between 12 and 18 percent of GDP.



El Salvador: Support for the Violence Prevention Strategy

To address this situation, since 2015 the country has committed itself to an intervention strategy that strengthens the presence of the state across the national territory, supporting local governments in managing violence prevention through better deployment of human, technical and financial resources. Partly as a result, the homicide rate has fallen significantly since 2016, and by 2019 stood at 36 per 100,000 inhabitants.

By financing the Integrated Support *Program for the Violence Prevention Strategy*, which began in 2015, the IDB supported the Ministry of Justice and Public Security and the Social Investment Fund for Local Development in preventing juvenile crime. The program focused on improving coordination of prevention services at the central and

municipal levels, social and workforce reintegration, and reducing recidivism among youths. Targeting five of the 14 municipalities in the San Salvador metropolitan area, chosen for their higher crime and poverty rates, the initiative covered 10 percent of the entire vulnerable population aged 15 to 29 in each municipality.

The program has financed investment in the restoration and enhancement of public spaces for recreation (Coexistence Parks), training in job skills, and care for at-risk populations and victims of violence. It has also helped improve prison security, strengthening the information system on detainees, and modernizing prison farms under the “Yo Cambio” program. The latter includes alternatives for social reintegration outside

of prisons for those charged with minor crimes.

The IDB has also supported the introduction of technology tools for improved citizen security in El Salvador. Examples of such support include the expansion of the urban video surveillance network and the connectivity of information systems by strengthening the fiber optic network.

Given the positive signs of crime and violence reduction, and in association with the relevant authorities in El Salvador, the IDB will continue to consolidate a space for joint efforts to create sustainable alternatives to the various problems of insecurity, helping to strengthen the results-based management of the system in the interests of all Salvadorans.

Guatemala

US\$ 279 million in financing approved by the IDB Group in 2019, mainly in transportation and healthcare

New projects

Road Infrastructure Development (US\$ 150 million). With this transportation program, the IDB repositions its financing in a sector that is critical for the Guatemala economy. The program will make it possible to connect productive areas and provincial capitals to the main road network by upgrading strategic sections that allow greater access to markets and basic social services. The project will also promote gender parity in road work contracting, and will involve climate change-resilient infrastructure. These investments will reduce travel times to health and education centers, as well as vehicle operating times and costs. This will directly benefit seven municipalities with a total of 200,000 inhabitants.

Strengthening the Health Services Network (US\$ 100 million). To support the national goals for reducing maternal and infant mortality, this program will implement a strategy of essential neonatal obstetric care aimed at improving the quality of health

care for mothers and babies in priority rural areas. It will also help put in place a grid to coordinate medical emergencies and provide supplies of blood products, while also setting up digital information systems and investments in equipment and infrastructure works that incorporate climate change adaptation and mitigation measures.

Génesis Empresarial (US\$ 24.3 million). This operation is a joint initiative between IDB Lab and IDB Invest to support financial inclusion in rural areas through innovative activities with the Fundación Génesis Empresarial. Specifically, IDB Lab resources (US\$ 4.3 million) will support nano-credits for SMEs to make purchases and sales through smart phones in a system of affiliated businesses. It will also support implementation of an electronic wallet to facilitate multiple transactions through cell phones and smart ATMs. IDB Invest's resources (US\$ 20 million) will boost the growth of the Foundation's

microfinance portfolio and foster improvements in its environmental and social policies and management, thanks to the development of a climate risk management system. The initiative is expected to benefit more than 130,000 clients by expanding access to financing and facilitating payments and transactions ecosystems.

Green Guarantee for Competitive Landscapes (US\$ 1.75 million). This IDB Lab project, in conjunction with the Copanch'orti' Commonwealth (a non-profit organization that brings together the municipalities of eastern Guatemala), will create a green guarantee pilot fund that will test two forms of guarantee, partial and total risk coverage. The aim is to facilitate access to financing for forestry and agroforestry MSMEs and community-based businesses, for the purposes of sustainable land use that is geared to reducing emissions from deforestation and forest degradation.



Guatemala: MSME Agricultural work through the project Learning from Business Alliances

IDB Group approvals

US\$ millions

	2015	2016	2017	2018	2019
Public sector					
Loans	150.0	310.0	-	-	250.0
Technical cooperation	4.0	1.5	7.6	1.5	1.3
Investment grants	0.7	-	-	-	-
Private sector					
IDB Invest	8.0	5.0	-	200.0	20.0
TFFP Loans and guarantees	80.0	125.0	170.9	102.4	139.0
IDB Lab	-	3.1	1.2	-	7.6

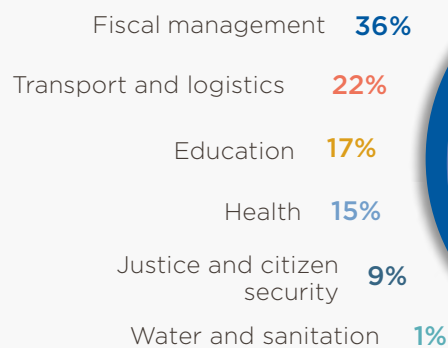
*From 2019, IDB Lab data include projects with external funds and funds from the Social Entrepreneurship Program (SEP).

Projects in execution

Sectoral distribution of the public sector portfolio
(% of available balance)

Public sector

- 6 operations totaling US\$ 760 million, with an available balance of US\$ 688 million
- The IDB disbursed US\$ 42 million in 2019



Private sector

IDB Invest

14 projects with an exposure of US\$ 349 million in the infrastructure and energy, financial institutions and corporate sectors

IDB Lab

15 operations totaling US\$ 15.7 million, focusing on financial services, human capital, MSMEs and climate change



Guatemala: Water and Sanitation
Program for Human Development

There's water at home!

In 2015, 22 percent of Guatemalan households lacked a connection to drinking water systems. Conditions were worse in rural and indigenous areas, where the figure reached 40 percent. This, coupled with the lack of sanitation services (they covered only 45 percent of the population), has had consequences for food security, educational opportunities and health conditions among poor and vulnerable populations.

Lack of safe water and adequate sanitation facilities in schools contributes to absenteeism and high dropout rates, especially among girls. These circumstances also have a direct impact on levels of chronic child malnutrition. In Guatemala, almost half of children under five (45.6 percent) were not receiving adequate nutrients for their development in 2015, compared to 15.5 percent in Latin America.

In the department of Quiché, where 84 percent of the population is indigenous, chronic malnutrition affected 69 percent of this age group, making it the second most affected department in the country. Collecting water from rivers, and running the risks of walking long mountain trails to bring water home, were part of the daily routine for many families in Chicamán, a municipality in Quiché. Low levels of public investment, together with the effects of climate change, are among the factors that have constrained

access to sources of drinking water and basic sanitation services in that area.

The IDB, through the US\$ 50 million *Water and Sanitation Program for Human Development-Phase I*, complemented by a US\$ 50 million grant from the Spanish Agency for International Development Cooperation, has been supporting the government efforts to improve and expand access to drinking water and sanitation services in rural, peri-urban and urban areas. This project has targeted the departments of Quiché, Chiquimula, Alta Verapaz, Huehuetenango, San Marcos, Quetzaltenango, Jutiapa and Sololá, and has strengthened the sector's institutional capacities to ensure the sustainability of service provision.

To date, rural drinking water systems have been built to benefit about 4,000 homes, as well as basic rural sanitation systems for



Guatemala: Water and Sanitation Program for Human Development

more than 5,000 homes, thus helping to narrow the inequality gaps. As well as having direct access to these services, families benefit from the reduction of water-related diseases, improvements in mother and child health, savings of more than four hours previously spent on collecting water, and the benefit derived from not having to make long trips to rivers to collect water and bring it home.

This program's investments directly support national efforts to close the gaps in access to water and sanitation services, foster inclusive growth, and help improve Guatemalans' quality of life.

Honduras

US\$ 277 million in financing approved by the IDB Group in 2019, mainly in rural development, digital transformation and public services reforms

New projects

Integrated Rural Development and Productivity Project

(US\$ 90 million, including US\$ 35 million cofinancing from FONPRODE). This project seeks to raise the incomes of 30,000 rural households in the Dry Corridor, the location of 77 percent of the country's poverty. To that end, agricultural producers in seven priority value chains will be supported through the provision of technology, technical assistance and access to credit. This program takes a market-access approach that emphasizes greater crop diversification and improvements in quality, value added and product differentiation.

Restoration of Climate-Resilient Forests and Forestry for Sustainable Ecosystem Services

(US\$ 34.9 million from the Green Climate Fund, including a US\$ 24.2 million grant). This is the second part of an IDB-supported program to increase the climate resilience of forests in critical water supply areas. It will finance adaptive forest management and forest cover restoration activities across more than 500,000 hectares, and will strengthen governance in the forest sector.

Digital Transformation for Greater Competitiveness (US\$ 44.7 million).

This funding will expand the coverage and use of broadband, and will develop e-government

tools that reduce transaction costs for citizens, businesses and public agencies. The project will prioritize the connection of more than 700 schools. It will also support San Pedro Sula's mayor's office in establishing a Digital District. This will bring together centers of innovation, digital training and venues related to the orange economy, under a public-private governance model. The aim is to trigger development of a nationwide digital ecosystem.

Support for Social Protection Reforms II (US\$ 59.5 million).

Continuing the Bank's long track record of support to strengthen social services in Honduras in order to tackle extreme poverty, this program fosters the adoption of policies to improve the financial sustainability and efficiency of social protection spending. It includes reforms to ensure that the Bono Vida Mejor is adequately funded, better targeted, and does not duplicate other programs. It also provides support to consolidate the supply of basic health and education services and their complementarity with redistributive programs.

Water and Sanitation Services Reform in the Central District

(US\$ 60 million, including US\$ 30 million in cofinancing from South Korea). This program aims to improve the quality of water and sanitation services in the Central

District, and to increase access to them, through reforms that consolidate the municipalization of the services, thereby improving their sectoral governance and management. Currently, only 72 percent of the area's residents have drinking water coverage and just 47 percent have access to the sewerage system. This program's support will help complete the transfer of authority from the central government's National Water and Sewerage Service to the municipal government, with a view to securing greater efficiency, improved quality, and the service's financial sustainability.

Kattan Group (US\$ 5 million). IDB Invest will support one of Honduras's main free zones in producing solar energy for self-consumption and cost savings, financing the generation of 4 MW of clean energy and a 35,880-ton decline in CO2 emissions.

First Opportunities Center for Young Migrants (US\$ 1 million).

In partnership with the Fundación Alivio de Sufrimiento, IDB Lab will facilitate the social reintegration into their communities of 630 youths who are returned migrants or have been internally displaced. This initiative will create a center that offers education and job training, and that produces data on migration for public policymaking.



Honduras: Program to Support the Comprehensive Civic Coexistence and Public Safety Policy

IDB Group approvals

US\$ millions

	2015	2016	2017	2018	2019
Public sector					
Loans	170.0	170.0	160.0	477.6	229.9
Technical cooperation	7.6	4.1	4.6	7.4	8.4
Investment grants	0.5	2.2	6.1	15.3	29.9
Private sector					
IDB Invest	5.9	12.0	8.0	-	5.0
TFFP Loans and guarantees	71.6	38.8	43.1	121.7	132.8
IDB Lab	8.6	3.2	2.1	3.6	3.3

*From 2019, IDB Lab data include projects with external funds and funds from the Social Entrepreneurship Program (SEP).

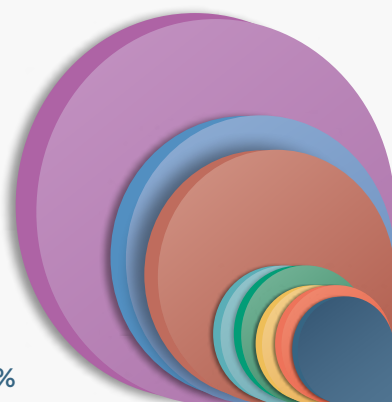
Projects in execution

Sectoral distribution of the public sector portfolio
(% of available balance)

Public sector

- 20 operations totaling US\$ 1,075 million, with an available balance of US\$ 645 million
- The IDB disbursed US\$ 163.5 million in 2019

Energy	25%
Health	18%
Others	16%
Water and sanitation	9%
SME development	9%
Education	8%
Transport and logistics	8%
Justice and citizen security	7%



Private sector

IDB Invest

13 projects with an exposure of US\$ 131.2 million in the financial institutions and corporate sectors

IDB Lab

22 operations totaling US\$ 52.4 million, focusing on support for MSMEs, financial services, climate change, fisheries, agriculture and renewable energies



Honduras: Bono Vida Mejor Program

Evidence-based social policy: how is Honduras doing it?

Yimy Cruz, a 15-year-old aspiring industrial engineer, has reached the third cycle of education at his school. Aminta Trejo, a mother of five, took a financial education workshop and received seed capital to start her own business. These are just two testimonies from the more than 300,000 households that have benefited from the Bono Vida Mejor conditional cash transfer program, which has increased its participants' income by 18 percent and has closed the extreme poverty gap by 23 percent. This happened in a context in which 62 percent of Hondurans were living below the poverty line in 2018, and 39 percent were in extreme poverty.

The program consists of giving a cash bonus to families in extreme poverty, on the condition that school-age children have at least an 80 percent record of school attendance, and that under-fives complete their health checks.

The final aim is to break the intergenerational transmission of poverty by investing in the human capital of the next generation, but also that of the present generation, through financial education and access to seed capital and financial services, such as a bank account.

Bono Vida Mejor currently covers a third of the households in extreme poverty throughout the country, and 53 percent of extreme rural poverty. The IDB has been providing technical and financial support to this program for a decade, consolidating

its institutional arrangements and territorial targeting, as well as prioritizing investments related to the transfer.

In 2011, the IDB supported the creation of the National Center of Social Sector Information as the body responsible for gathering information on, choosing, monitoring and assessing social protection programs, including Bono Vida Mejor. This made it possible to adjust the interventions in order to reach target groups. The cornerstone of choosing beneficiaries is the information gathered in the Single Socioeconomic Record. An algorithm is applied to this in order to produce a household wellbeing index so that they can be classified by poverty level, thus allowing for objective prioritization and minimizing leakage.



Honduras: Bono Vida Mejor Program

To date, the Bono Vida Mejor program, which began as Bono 10 mil, has not only reduced extreme poverty among participating families but has also increased school enrollment and attendance by 5 percentage points, reduced child labor among children of age to attend the third cycle by 4.5 percentage points, increased attendance at height and weight checks by 11 percentage points, and cut the prevalence of anemia or acute diarrheal and respiratory diseases by 4 percentage points.

Bono Vida Mejor is the only social program in Honduras that has had two impact assessments since 2010, and there is robust evidence of its effectiveness and its capacity to increase investment in human capital in beneficiary households, as well as to alleviate extreme poverty.

Nicaragua

US\$ 92 million in private sector financing and technical assistance from the IDB Group in 2019, mainly in agro-industry and environmental services

New projects

Smart Cacao Production in Nicaragua (US\$ 1.5 million). IDB Lab, together with Ritter Sport S.A, a company that processes chocolate derived from 100 percent sustainable/fine cacao, aims to help raise incomes, improve resilience and stimulate innovation among 3,725 small-scale cacao-producing families. To that end, this initiative will foster the use of technologies related to precision agriculture, production and marketing of cacao agroforestry systems. It will also strengthen the governance of producers' cooperatives and their market relations with this export company.

Banpro DPR – Support for Small and Medium Agro-Industrial Producers (US\$ 27 million). Banco de la Producción S.A., with support from IDB Invest, will increase access to financing for SMEs and agro-industrial producers by issuing debt instruments with multiple sources. For 2019–2024, the aim is to promote access to credit for 2,650 SMEs and 690 agricultural producers, as well as to increase the agro-industrial portfolio by US\$ 224 million.

Nicaragua Sugar (US\$ 25 million). Sugar is one of Nicaragua's leading export products, accounting for 8 percent of total exports and more than 35,000 direct jobs. This IDB Invest loan will support the efforts of Nicaragua Sugar Estates Ltd., one of Central America's main sugar mills, to optimize its supply chain, reduce its water and diesel consumption, and cut its use of fertilizers, among other investments to improve its productivity.

Compañía Recicladora de Nicaragua S.A. – Compañía Cervecera de Nicaragua S.A. (US\$ 30 million). This operation will enable both companies to grow, so as to increase their output and productivity by taking advantage of synergies from greater use of recycled materials. It will also support development of the integrated value chain between the collectors (MSMEs) and the recycling-brewing company, creating 450 new jobs and reducing informality.

Geothermal Exploration and Transmission Improvements for SIEPAC (US\$ 700,000). This technical cooperation initiative will help improve capacity to devise

geothermal projects using new tools that allow for more precise identification of geothermal reservoirs. Additionally, the project will involve studies and a quantification of the investments needed to strengthen the national grid, so as to enable the Central American Electrical Interconnection System (SIEPAC) to reach its 300 megawatt design transfer level.

Using Cellular Telephony in the Provision of Basic Social Services (US\$ 200,000). On the basis of an analysis of gaps in the use of cellular telephony services among poor populations, this project will design innovative mechanisms for the provision of social services in health and agricultural development.

Facilitating Access to Drinking Water in Rural Areas (US\$ 300,000). This technical cooperation initiative will finance pre-investment studies for drinking water and sanitation projects in Nicaragua's rural areas, where water coverage stands at 63 percent of the population and only 30 percent have quality service in terms of water continuity, accessibility and potability.



Nicaragua: Water and Sanitation Investment Program

IDB Group approvals

US\$ millions

	2015	2016	2017	2018	2019
Public sector					
Loans	300.7	208.4	335.0	-	-
Technical cooperation	4.5	9.4	3.9	3.0	2.9
Investment grants	-	17.0	23.6	1.3	5.2
Private sector					
IDB Invest	14.5	-	17.4	20.0	82.0
TFFP Loans and guarantees	-	14.6	42.8	52.8	68.0
IDB Lab	1.3	5.2	0.8	-	1.5

*From 2019, IDB Lab data include projects with external funds and funds from the Social Entrepreneurship Program (SEP).

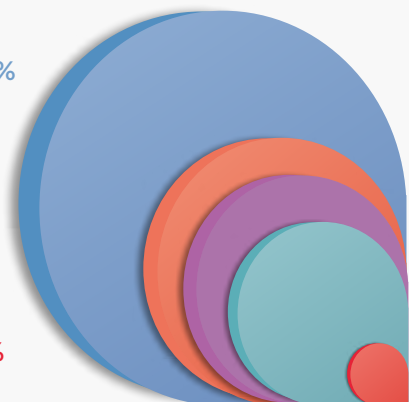
Projects in execution

Sectoral distribution of the public sector portfolio
(% of available balance)

Public sector

- 13 operations totaling US\$ 826 million, with an available balance of US\$ 438 million
- The IDB disbursed US\$ 131.2 million in 2019

Health **45%**
Transport and logistics **21%**
Energy **17%**
Water and sanitation **14%**
Innovation and technology **3%**



Private sector

IDB Invest

20 projects with an exposure of US\$ 135.4 million in the financial institutions, infrastructure and energy, and corporate sectors

IDB Lab

14 operations totaling US\$ 10.8 million, focusing on human capital, MSMEs and climate change



Nicaragua: Border Integration Program

A new generation of border crossings in Nicaragua

Some 38 percent of Nicaragua's exports are transported overland to Puerto Cortés in Honduras and Puerto Limón in Costa Rica for subsequent shipment to their target markets. Moreover, 30 percent of Central America's exports are intraregional and, because of Nicaragua's geographic position, goods transit through the country is key. This is why transport infrastructure, customs procedures and border crossings play a crucial role in the competitiveness of Nicaragua and the region.



Nicaragua: Border Integration Program

In 2015, fruits and vegetables coming from Costa Rica to Nicaragua were delayed for up to one and a half days, just awaiting the physical inspection of cargo at the border post. This is in addition to the time on the road. Worldwide, an estimated 25 percent of delays in international trade are caused by bad roads or ports, and the remaining 75 percent stem from inefficient procedures. In Nicaragua, it is estimated that deficiencies in infrastructure and in the management of border crossings increase trade costs by up to 9 percent. Long waiting times cause user dissatisfaction in both tourism and commercial activities, multiplying logistics costs across the rest of the national and regional economy.

To address these gaps, the IDB has supported Nicaragua's efforts to modernize its border crossings by providing technical assistance and financing the

necessary investments. The *Border Integration Program*, approved in 2015, also included resources from the European Union and was geared to Nicaragua's adoption of the coordinated border management model. This includes modernization of infrastructure, control procedures and technology at three of the country's five border crossings (Peña Blanca and San Pancho on the border with Costa Rica, and El Guasaule on the border with Honduras). The goal is to ensure the efficient and effective coordination of fiscal and parafiscal controls by the institutions involved.

In 2019 the new border post facilities were inaugurated in Peña Blanca, the first to implement the model. Work was carried out to modernize the infrastructure for cargo and passengers, coordinate border control processes among the 11 public institutions involved, and install non-intrusive inspection technologies to speed

up procedures. This physical and procedural reengineering at the border post made it possible to reduce processing times for tourist buses from three hours to 20 minutes, cut the time for physical checks on cargo from 36 hours to 89 minutes, and ensure that 80 percent of drivers crossing the border do not have to stop or get out of their vehicles. All this was done without compromising the quality of the controls or revenue collection.

Through the portfolio in execution, the Bank will continue to support implementation of the coordinated management model in the country's other two border posts, El Espino and Las Manos, both on the border with Honduras. The expected efficiency savings in time and costs will help revitalize Nicaraguan and Central American trade.

Panama

US\$ 701 million in financing approved by the IDB Group in 2019, mainly in gender equality, rural and productive development, and economic diversification

New projects

Gender and diversity: To help close the gender inequality and poverty gaps, the IDB approved the *Financial Inclusion and Indigenous Entrepreneurship Program* (US\$ 40 million), which will aim to raise the incomes of indigenous entrepreneurs by providing access to financing, productive infrastructure and technical assistance. The Bank also approved *Support for Gender Equality Policies* (US\$ 150 million), which aims to promote gender equality through policies to foster women's physical and economic autonomy and decision-making. Moreover, IDB Invest supported Banistmo in structuring the *First Gender-Focused Social Bond in Latin America* (US\$ 50 million) and bought 100 percent of the bond issue. This will serve as a demonstration example to mobilize private resources for gender equality. The resources are expected to fund almost 9,000 loans for women-led SMEs, so as to generate a portfolio of more than US\$ 700 million.

Rural electrification: Continuing the Bank's long track record of support to expand Panama's electricity coverage in rural and unserved areas, the *Universal Energy Access Program* was approved (US\$ 90 million from the IDB; cofinancing of US\$ 20 million from FONPRODE

and € 10 million from LAIF). This operation will increase electricity coverage to more than 20,000 homes, 279 schools and 95 health centers nationwide, in a way that is technically, economically and environmentally sustainable.

Urban development and tourism:

To support the urban and socioeconomic development of small and intermediate cities with a capacity for tourism, the IDB approved the *Program of Integrated Urban Development for Cities with Tourism Potential* (US\$ 100 million). The direct beneficiaries will be people living in the municipalities of Bocas del Toro, Pedasi, Boquete, Volcán, Taboga and Santa Catalina, who will gain from the program's integrated interventions to improve quality of life and promote tourism development. For its part, IDB Invest approved financing for *West Resort* (US\$ 37 million). The aim is to boost the growth of tourism in Bocas del Toro, where poverty stands at 48 percent, creating new jobs and stimulating partnerships with local value chains.

Economic Diversification:

The program *Promoting Competitiveness and Economic Diversification* (US\$ 200 million) aims to improve business competitiveness, especially among SMEs, of which more than 40,000 are formally registered in the

country. It will also boost emerging sectors with high growth potential such as tourism, information and communications technologies (ICTs), and creative industries (about 4,600 such companies are registered). In similar vein, IDB Lab approved two technical cooperation projects: the *Latin American Cinema of Panama, Central America and the Caribbean* (US\$ 1 million), which is geared to creating new exhibition/distribution channels with the aid of new technologies and partnerships, and which will benefit 291 filmmakers (30 percent of them women) and 5,000 young program participants; and *Information Technology Careers for Youths* (US\$ 650,000) to enhance the employability of 340 vulnerable and low-income youths in ICT careers.

St. Georges Financing Partnership for SMEs (US\$ 25 million).

This operation will boost the capitalization of St. Georges Bank & Co., whose business model supports financing SMEs for origination of sustainable investments. IDB Invest's participation will make it possible to provide advisory services geared to strengthening the bank's capacity to identify green investments in the SME segment, as well as to improve its social and environmental risk policies, among other services. More than 1,700 SMEs are expected to benefit, creating a portfolio of US\$ 142 million.



Panama: Comprehensive Development Plan of the Kuna Yala and Ngobe-Bugle Comarcas. Ngobe-Bugle women entrepreneurship

IDB Group approvals

US\$ millions

	2015	2016	2017	2018	2019
Public sector					
Loans	600.0	602.0	757.0	682.0	580.0
Technical cooperation	1.9	4.1	5.7	5.3	3.8
Investment grants	2.0	-	-	-	2.8
Private sector					
IDB Invest	61.0	105.0	20.0	106.1	112.3
TFFP Loans and guarantees	16.0	14.0	35.4	27.7	43.9
IDB Lab	0.4	0.7	0.7	0.8	1.7

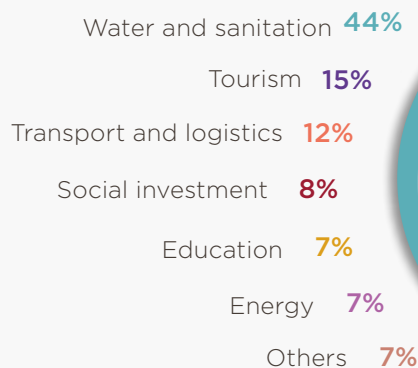
*From 2019, IDB Lab data include projects with external funds and funds from the Social Entrepreneurship Program (SEP).

Projects in execution

Sectoral distribution of the public sector portfolio
(% of available balance)

Public sector

- 21 operations totaling US\$ 1,878 million, with an available balance of US\$ 1,317 million
- The IDB disbursed US\$ 394.9 million in 2019



Private sector

IDB Invest

10 projects with an exposure of US\$ 537.2 million in the infrastructure and energy, financial institutions and corporate sectors

IDB Lab

6 operations totaling US\$ 3.6 million, focusing on innovation, human capital, gender equality and climate change



Panama: Canal Expansion Program

Water: the paradox of scarcity in abundance

Should a country where it rains nine months a year be concerned about its water security?

There is no doubt that water is a vital resource, but in a country like Panama it is also of paramount importance for one of its most important assets: the Canal. And, although the country has abundant water resources, it is also vulnerable to water insecurity and is repeatedly affected by water availability.

The World Health Organization predicts that by 2025, half of the world's population will be living in countries with high water stress, and Panama will be no exception. In 2019 Panama was affected by El Niño, suffering droughts that impacted the water supply. Because of the low levels in lakes and rivers, service for the main water treatment plants in the metropolitan area was cut or temporarily suspended. In the provinces of Herrera and Los Santos, meanwhile, 30 percent of the wells in the network were dry.

The lack of water also has substantial repercussions for the Canal. From March to July 2019, the Canal imposed staggered draft restrictions on ships transiting the waterway because of low levels in the lakes, causing losses of about US\$ 15 million. The Canal watershed itself, moreover, supplies water to half the country's population. But because of the poor state of the networks and infrastructure, 48 percent of the treated water is lost before it

reaches the consumer. This means that an average of 700 liters a day is produced for every person living in the metropolitan area, 2.5 times more than the regional average. Furthermore, water sources are threatened by deforestation, since 20,000 hectares of forest are cut down each year, weakening their capacity to capture and store water.

Given these challenges, the IDB is supporting Panama's government in the efficient and sustainable management of water in the country's watersheds, providing infrastructure investments of more than US\$ 600 million to achieve results across the whole water cycle, from watershed conservation to wastewater treatment.

The IDB moreover supports the Panama Canal with studies from non-reimbursable technical cooperation initiatives that are geared to increasing the water supply. To improve the quality of drinking water in the



Panama: Rehabilitation and expansion of water storage and distribution system. Algarrobo Plant, David

metropolitan area, the Bank also supports the strengthening of the National Institute of Aqueducts and Sewerage to improve its operational management and optimize the production and distribution of drinking water, reducing losses and promoting responsible use.

The Bank also fosters dialogue, bringing together experts, representatives of civil society and responsible parties, and furthering discussion of successful experiences of efficient water management in the face of the challenges posed by climate change. The aim is to move forward resolutely on Green Route 2050, the global strategy for reducing emissions in the maritime industry.

Publications 2019 | 2020



Digital economy and technology in the service of the region's development. Economic report on Central America and the Dominican Republic

The report describes the situation facing the region in 2020 and the challenges arising from the external environment, especially for public sector revenues and spending, as well as for remittances. In the context of the global economic slowdown it analyzes opportunities for efficiency gains, in which technology plays a key role. One example is the use of satellite imagery and cell phone calls that can help improve the efficiency of public spending and service provision. It also presents a characterization of the digital economy in the region, and the challenges and opportunities from the fiscal standpoint. Finally, it examines how a remittance payments system can reduce commissions, maximize the resources received by beneficiaries, and aid the proper functioning of the local exchange market.

[Go to the publication →](#)



El futuro de Centroamérica: Retos para un desarrollo sostenible

In the past 30 years, the region has undergone a period of stability and economic progress in which it has committed to trade integration, attracting foreign direct investment, and consolidating its democracies. The external conditions, however, which were favorable during this period, could become more complicated in a context of simultaneous factors that the region has not experienced before. This book brings together a series of studies produced by the IDB and INCAE on the trade situation, financial integration, commodity prices, investment, migration flows, management of natural capital, and institutional arrangements in the countries of the region, offering policy options for decision-makers in a challenging international environment.

[Go to the publication →](#)



Tras los pasos del migrante: Perspectivas y experiencias de los migrantes del Triángulo Norte de Centroamérica en Estados Unidos

In its efforts to understand migration systems in the region, the IDB has conducted a series of empirical studies to create information for public policy design. These studies include the gathering of primary data on the characteristics of migrants living in the United States. This report summarizes the main findings, and analyzes: (i) the characteristics of migrants; (ii) their motivations and perspectives; (iii) their migration experiences; (iv) their life in the United States; (v) remittances and connections with the country of origin; and (vi) return migration.

[Go to the publication →](#)

To access these publications, go to: <https://publications.iadb.org/en>



BIDeconomics. Esencial Costa Rica: Más próspera, más inclusiva, más sostenible

Costa Rica has had a relatively successful economic, social and institutional development for LAC, allowing it to attain high levels of wellbeing. Although its development model has had positive outcomes, persistent structural challenges have constrained productivity and hampered Costa Rica's convergence with higher-income countries, while at the same time leading to persistent poverty and an increase in inequality. Costa Rica should focus on the following areas: (i) strengthening public finances; (ii) developing high-quality and resilient infrastructure; (iii) improving productivity and narrowing production gaps; and (iv) accumulating human capital for inclusion and competitiveness.

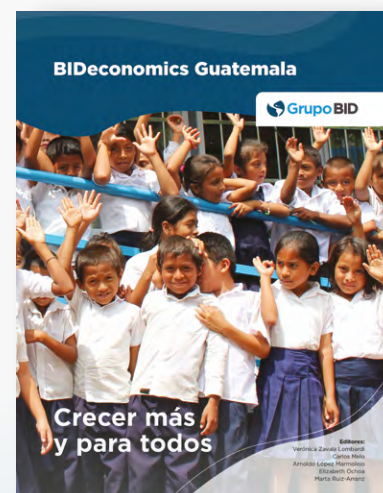
[Go to the publication →](#)



BIDeconomics El Salvador: Impulsando el crecimiento inclusivo y sostenible

El Salvador's economic growth has been undynamic in recent decades. The challenge of attaining faster and more sustained growth requires a process that leads to an increase in and further consolidation of the middle class. Tensions that are hard to change continue to arise, between creating formal jobs and workers' skills, the size of the middle class and social cohesion, violence and migration, and remittances and workforce participation. El Salvador should focus on the following challenges: (i) maintaining and furthering progress on human capital; (ii) improving strategic infrastructure; (iii) institution building; and (iv) expanding productive opportunities.

[Go to the publication →](#)



BIDeconomics Guatemala: Crecer más y para todos

Thanks to many years of effort, Guatemala has consolidated the stability of its economy and has a diversified and open productive structure. Not all Guatemalans, however, have benefited from the economic growth attained in recent years, and many of them remain in poverty and suffer from significant social deprivations. To keep moving forward, Guatemala should focus on five areas and address them simultaneously and across sectors: (i) increase human capital; (ii) boost productive opportunities; (iii) consolidate public finances; (iv) build transparency and confidence in institutions; and (v) develop infrastructure for productivity.

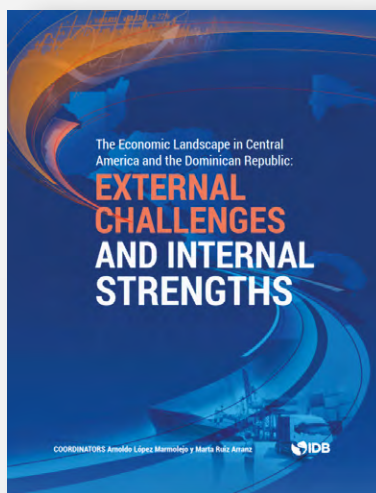
[Go to the publication →](#)



BIDeconomics Panamá: Desafíos para consolidar su desarrollo

The strong dynamism of Panama's economy in recent years, driven by the development of some advanced sectors such as the logistics cluster, has entailed a substantial increase in the country's income level. But its great challenge is to consolidate its development and to do so more inclusively. The productive transformation the country needs in order to make competitiveness gains and maintain its growth requires the stimulation of other sectors and a more balanced investment structure. Specifically, progress should be made in four areas: (i) competitiveness; (ii) education; (iii) institutional quality; and (iv) social cohesion. Additionally, the challenge of water resources and climate change must be adequately addressed in a comprehensive and balanced manner.

[Go to the publication →](#)



The economic landscape in Central America and the Dominican Republic: external challenges and internal strengths

This 2019 macroeconomic report describes in detail, using national and global data, the situation of the region at the end of 2018 and its outlook for 2019. It highlights the internal resilience of the Central American countries in the face of an uncertain international economic environment. The report analyzes the recent fall in food prices and how that relates to higher projected international prices and local production. Finally, it examines the channels through which the reduction in global liquidity could be transmitted to the region: specifically, through the banking system, foreign direct investment, and financial markets.

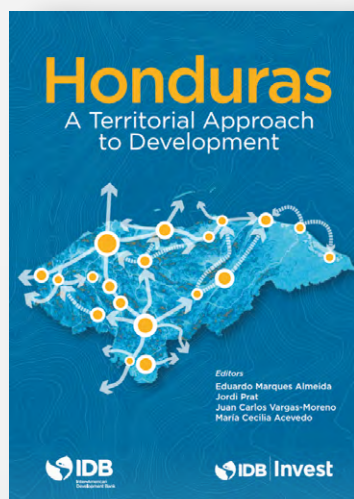
[Go to the publication →](#)



FINTECH en Costa Rica: Hacia una evolución de los servicios financieros

This study analyzes the current state of Costa Rica's financial ecosystem, from the traditional industry to the upsurge of new business models among fintech startups. It identifies the main challenges facing this ecosystem, as well as the strengths and opportunities that the country should exploit in order to ride the wave of financial innovation. With this analysis, the first to map and analyze Costa Rica's fintech sector, the IDB hopes to contribute to the discussion on fintech's role and the importance of the digital transformation of the traditional financial system in the interests of greater financial inclusion.

[Go to the publication →](#)



Honduras: a territorial approach to development

This book offers a different approach to addressing development challenges in Honduras. It opens with the main challenges to inclusive development in the country, leading to a proposal for a spatial economic strategy. The strategy covers the entire national territory, taking advantage of sectoral synergies to increase productivity and break the cycles of poverty and inequality, adopting an innovative geographical approach. This seeks to expand the traditional production model to more geographic areas, which would lead to a structural change in the opportunities available to the population. This new approach, which is based on the creation of value for the private sector, maximizes possible synergies with public-sector actions.

[Go to the publication →](#)



Inflación y distribución del ingreso en Panamá

This study analyzes the impact of inflation on Panama's income distribution through the composition of household expenditure between 2007 and 2017. The findings reveal that there are significant variations in the impact of inflation on different income groups, with two markedly distinct periods. On this basis the Gini index was re-estimated, deflating each group's income by its corresponding inflation rate. This adjustment shows that the fall in inequality that has taken place in Panama is smaller than indicated by the unadjusted Gini index. The analysis also shows that food prices largely determine inflation differentials against or in favor of the poorest.

[Go to the publication →](#)



La desigualdad de Panamá: Su carácter territorial y el papel de las inversiones públicas

Despite having one of the most dynamic economies in Latin America, Panama remains one of the most unequal countries. This inequality, which has been reduced at a much slower rate than in neighboring countries, is closely related to Panama's marked territorial imbalances. Using different estimates of the Gini index and the breakdown of the Theil index, this study reveals that inequality has been falling within provinces but has been increasing between them. It also finds no relationship between the high poverty rate in indigenous communities and high inequality in the country. Finally, it finds that territorial imbalances in the geographical allocation of public investment exacerbate territorial inequality.

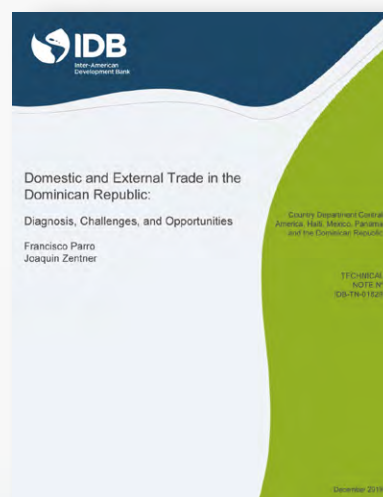
[Go to the publication →](#)



Infraestructura digital en República Dominicana: Diagnóstico, desafíos y oportunidades

This study discusses the current state of digital infrastructure in the Dominican Republic, emphasizing the challenges and opportunities for long-term economic growth. It shows that greater investment in human capital could facilitate technology inflows into the economy and more intensive use of some ICTs within households. Policies that encourage the use of ICTs could have a mixed effect on educational performance. That is, the success of a policy related to the use of a particular technology will depend on the context in which it is implemented and the state of all the complementary inputs to that technology. Evidence also suggests that policies that encourage early exposure to ICTs are more likely to generate improvements in educational attainment.

[Go to the publication →](#)



Domestic and external trade in the Dominican Republic: diagnosis, challenges and opportunities

This report analyzes the challenges and opportunities offered by a higher level of trade integration in the Dominican economy. It quantifies the internal distortions that explain the lesser attractiveness of domestic products. It also analyzes the impact of these distortions on aggregate GDP, relative to changes in external distortions or trade costs. It concludes that the elasticity of real GDP to changes in internal distortions is an order of magnitude greater than that of external distortions. Moreover, internal distortions in a given sector spread to the rest of the economy through input-output linkages, and are especially significant in non-tradable sectors. At the end of the analysis the discussion centers on some possible bottlenecks as a source of distortions in the economy.

[Go to the publication →](#)

Annex 1 | IDB Group Operational Data for the Region

Approvals	Average 2009 - 13		2014		2015		2016		2017		2018		2019	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
(Amount in US\$ millions)														
Sovereign Guaranteed Loans - IDB	26	1,749	17	1,811	23	2,061	18	1,685	16	1,648	21	2,476	23	2,253
Non Reimbursable Operations	99	81	113	95	143	69	104	65	105	89	92	50	92	71
Investment Grants	4	40	5	45	6	18	6	19	3	30	3	20	7	40
Technical Cooperations	95	41	108	50	137	51	98	46	102	59	89	30	85	31
Private Sector Approvals (Non Sovereign Guaranteed)														
IDB Invest ¹	27	351	30	194	39	358	10	163	10	168	22	417	14	370
IDB Lab ²	15	13	19	14	17	19	17	15	15	12	15	12	19	22
Trade Finance Facilitation Program (TFFP) loans and guarantees	54	173	26	153	20	178	43	304	51	321	75	427	89	521
Total Approvals, IDB Group (TFFP excluded)	2,194		2,114		2,507		1,928		1,917		2,955		2,715	

¹ In 2016 the private sector windows of the IDB group were merged into IDB Invest. The approval data for IDB Invest includes the legacy portfolio from the old IDB private sector windows, the former Inter-American Investment Corporation, and since 2016, IDB Invest.

² In 2018 the Multilateral Investment Fund (MIF) became IDB Lab.

Annex 2 | Sovereign Guaranteed Loan Approvals

Country	Project name	Amount (US\$)
Belize	Education Quality Improvement Program (EQIP) II	10,000,000
Belize	Strengthening of Tax Administration	14,000,000
Belize	Contingent Loan for Natural Disaster Emergencies	10,000,000
Costa Rica	Citizen Security and Violence Prevention Program	100,000,000
Costa Rica	Fiscal Sustainability Support Program	350,000,000
Costa Rica	Road Infrastructure Program and Promotion of Public-Private Partnerships (PPP)	125,000,000
Dominican Republic	Support Program for Mobility, Ground Transportation and Road Safety in the Dominican Republic	250,000,000
Dominican Republic	Agricultural Health and Innovation II Project	50,000,000
Dominican Republic	Implementation of the Energy Efficiency (EE) Program of the Dominican Republic	39,000,000
El Salvador	Fiscal Strengthening for Inclusive Growth II	200,000,000
El Salvador	Strengthening the Climate Change Resilience in El Salvador's Coffee Forests	45,000,000
Guatemala	Road Infrastructure Development Program	150,000,000
Guatemala	Program to Strengthen the Institutional Healthcare Service Network	100,000,000
Honduras	Program to Support Social Protection Reforms II	59,500,000
Honduras	Central District Water and Sanitation Services Reform Program (Includes US\$ 30 million from KIF)	60,000,000
Honduras	Program for the Restoration of Climate-resilient Forests and Forestry for Sustainable Water-related Ecosystem Services (Green Climate Fund)	10,740,000
Honduras	Comprehensive Rural Development and Productivity Project	55,000,000
Honduras	Digital Transformation for Increased Competitiveness	44,700,000
Panama	Universal Energy Access Program	90,000,000
Panama	Program to Support Gender Equality Policies	150,000,000
Panama	Indigenous Entrepreneurship and Financial Inclusion Program	40,000,000
Panama	Comprehensive Urban Development Program with Tourist Vocations	100,000,000
Panama	Economic Diversification and Competitiveness Promotion Program	200,000,000
23 operations		2,252,940,000

Annex 3 | Technical Cooperation Program Approvals

Country	Project name	Amount (US\$)
Belize	Action Plan C&D	315,923
Belize	Support Strengthening of Tax Administration	100,000
Belize	Strengthening of Public Procurement	100,000
Belize	Innovation in the Solid Waste Management Sector in Belize	500,000
Belize	Innovation Platforms for Social and Economic Impact in Belize	300,000
Belize	Support for the Implementation of Education Quality Improvement Program II (EQIP II)	150,000
Belize	Capacity Building for Public Transport Reform	600,000
Costa Rica	Action Plan C&D	324,081
Costa Rica	Knowledge Exchange on Digitization of the Construction Sector	19,740
Costa Rica	Support to the Process of Modernization of Urban Public Transport, Bus Modality	400,000
Costa Rica	Support for Fiscal Institutionalility	150,000
Costa Rica	Costa Rica - Regional Malaria Elimination Initiative (RMEI) in Mesoamerica and Dominican Republic	259,537
Costa Rica	Support for Costa Rica's Creative and Cultural Ecosystem	250,000
Costa Rica	Support to the Instituto Costarricense de Acueductos y Alcantarillados in the implementation of the Potable Water and Sanitation Program and of other Priority Initiatives	230,000
Costa Rica	Support for Citizen Security and Violence Prevention Program in Costa Rica	200,000
Costa Rica	Sustainable Management of Ecosystem Services	3,485,330
Costa Rica	Support for Financial Sustainability and Competitiveness of the Costa Rican Electricity Institute (ICE)	400,000
Costa Rica	Evaluation of Productive Opportunities and Public Investment Priorities in Least Developed Regions of Costa Rica	430,000
Costa Rica	Support for Digitization of the Construction Sector in Costa Rica	200,000
Costa Rica	Win Win Win: Public-Private Co-Responsibility to Improve the Quality of Early Childhood Development Services and Female Labor Participation	400,000
Dominican Republic	Action Plan C&D	415,688
Dominican Republic	Support in the Implementation of an Interoperable Electronic Collection System for the Dominican Republic	285,000
Dominican Republic	Support to Digitalization in the Dominican Republic	600,000
Dominican Republic	Support for Dialogue and Research in Education and Skill Development in Youth	200,000
Dominican Republic	Support for the Preparation of the Santiago Province Urban-Rural Water and Sanitation Integration Project	500,000
Dominican Republic	Technical Design of the Agricultural Health and Innovation Program	300,000

Annex 3 | Technical Cooperation Program Approvals

Country	Project name	Amount (US\$)
Dominican Republic	Support Evaluation of Projects to Reduce Losses and Strengthening the Governance of the Electricity Sector	400,000
Dominican Republic	Priority Sectors for Productive Transformation	350,000
Dominican Republic	Support for the Implementation and Innovation of the National Logistics Plan of the Dominican Republic	250,000
Dominican Republic	Strengthening of the National Disaster Risk Management System	750,000
El Salvador	Knowledge Exchange of the National Housing Policy in Colombia and the Programs of Social Housing and Integral Urban Projects Promoted from the City of Medellín	7,299
El Salvador	Exchange of Experiences on Strategic Infrastructure and Transport Models	18,900
El Salvador	Action Plan C&D	498,826
El Salvador	Knowledge Exchange for the Strengthening of BANDESAL Through Intra-Regional Experiences for the Scaling of Financing to the SMEs	17,535
El Salvador	Support for the Design and Implementation of a Property Tax	100,000
El Salvador	Abandoned Children in the Northern Triangle: Education Policy Responses. Phase II	600,000
El Salvador	Productive Business Financing from the Second Floor of BANDESAL	150,000
El Salvador	Support to the Development of an Electronic Medical Registry and to the Integrated Health Project	200,000
Guatemala	Knowledge Exchange in Water and Sanitation	15,295
Guatemala	Action Plan C&D	498,826
Guatemala	Employment And Online Education Programs To Reduce The Unemployment Gap And Provide Economic Empowerment To Women In Guatemala	250,000
Guatemala	Support on Broadband Connectivity and Enhanced Information and Communication Technology (ICT) Environment in Guatemala	550,000
Honduras	Action Plan C&D	600,359
Honduras	Knowledge Exchange with the Brazilian Support Service for Micro and Small Business	10,635
Honduras	Support for the Design of the Comprehensive Rural Development and Productivity Program	430,000
Honduras	Knowledge Exchange with Environmental Guards in Brazil	20,000
Honduras	Identification of Projects in Honduras to Promote Economic Development	481,062
Honduras	Knowledge Exchange in the Incorporation of Climate Change within the Education Sector	14,526
Honduras	Promotion of Competitiveness, Investment and Employment in Honduras	215,000
Honduras	Knowledge Exchange in Tools to Improve Public Spending Quality: Lessons from Peru and Implications for Honduras	12,776
Honduras	Support for the Transformation of the Public Health System	250,000
Honduras	Support for the Preparation of the Program for the Digital Transformation of Citizen Services and Promotion of a Digital Economy in Productive Sectors	430,000

Annex 3 | Technical Cooperation Program Approvals

Country	Project name	Amount (US\$)
Honduras	Comprehensive Management Plan of Lake Yojoa	450,000
Honduras	Strengthening Capacities to Support the Orange Economy	150,000
Honduras	Institutional Strengthening of Social Protection Policies in Honduras	150,000
Honduras	Support for the preparation of the National Health Benefits Plan (PNBS) in Honduras	200,000
Honduras	Support to the Design and Monitoring of the Integral Rural Productive Development Program	650,000
Honduras	Support to Improve Public Spending Quality	100,000
Honduras	Support to Upgrade and Increase the Installed Capacity in the Francisco Morazán Hydroelectric	249,644
Honduras	Support to Transport and Logistics Reform Program	288,844
Honduras	Support for the Preparation of the Reform Program for Water and Sanitation Services in Tegucigalpa	350,000
Honduras	Emergency Drought Relief	200,000
Honduras	Business Development Services and Favorable Environment for Women Entrepreneurs in Honduras	2,900,000
Honduras	Design and Implementation of the Management and Financing Model for Tegucigalpa Trauma Hospital	250,000
Nicaragua	Use of Mobile Services in the Provision of Social Services to Vulnerable Population	200,000
Nicaragua	Action Plan C&D	662,607
Nicaragua	Strengthening the Capacities of ENATREL and the Ministry of Energy in Nicaragua for the Portfolio of Energy Operations	700,000
Nicaragua	Methodology for the Identification of Land for Civil Works	300,000
Nicaragua	Strengthening Efficiency and Transparency in Public Procurement	200,000
Nicaragua	Support for the Preparation and Initial Execution of the Potable Water and Rural Sanitation Program	300,000
Nicaragua	Definition of Investments in the Bilwi - Prinzapolka Region of the North Caribbean Coast Autonomous Region	100,000
Nicaragua	Support for Investing in the Future: Program for Feeding Vulnerable Populations	206,062
Nicaragua	Improvement of Infrastructure and Health Management	200,000
Panama	Action Plan C&D	321,602
Panama	Knowledge Exchange about Consolidation of the National Education Assessment System	20,000
Panama	Knowledge Exchange on Public Policies and Comprehensive Early Childhood Care Programs	9,540
Panama	Support for the Consolidation of Prison Reform in Panama	250,000

Annex 3 | Technical Cooperation Program Approvals

Country	Project name	Amount (US\$)
Panama	Strengthening the Quality of Early Childhood Development Services in Panama	200,000
Panama	Support to the Implementation and Gathering of Alternate Data for the Evaluation of Contigo Program in the Ngöbe Buglé Territory	250,000
Panama	Integrated Management of Priority Watersheds for Adaptation to Climate Change	900,000
Panama	Diagnostic of Agricultural Innovation in Panama	200,000
Panama	Support to the Implementation of the Program to Support Gender Equality Policies - Phase I	200,000
Panama	Intercultural Bilingual Mathematics JADENKÄ	800,000
Panama	Support for the Promotion of Indigenous Entrepreneurship in Panama	500,000
Panama	Consolidation of the Modernization of Management in the Ministry of Foreign Affairs of Panama	100,000
	85 operations	30,794,637

Annex 4 | Investment Grant Approvals

Country	Project name	Amount (US\$)
Belize	Belize - Regional Malaria Elimination Initiative (RMEI) in Mesoamerica and Dominican Republic	260,000
Dominican Republic	Dominican Republic - Regional Malaria Elimination Initiative (RMEI) in Mesoamerica and Dominican Republic	1,460,000
Honduras	Civic Coexistence and Neighborhood Improvement Program	1,800,000
Honduras	Program for the Restoration of Climate-resilient Forests and Forestry for Sustainable Water-related Ecosystem Services	24,262,651
Honduras	Honduras-Regional Malaria Elimination Initiative (RMEI) in Mesoamerica and Dominican Republic	3,875,369
Nicaragua	Nicaragua - Regional Malaria Elimination Initiative (IREM) in Mesoamerica and Dominican Republic	5,200,000
Panama	Panama - Regional Malaria Elimination Initiative (RMEI) in Mesoamerica and Dominican Republic	2,849,989
7 operations		39,708,009

Annex 5 | IDB Invest Approvals

Country	Project name	Amount (US\$)
Costa Rica	Banco Promerica: SME Financing Partnership	20,000,000
Dominican Republic	ADOPEM Gender Bond	18,000,000
Dominican Republic	Banco Santa Cruz SME Partnership	20,000,000
El Salvador	Energia del Pacifico Liquefied Natural Gas (LNG) Thermo Power Project	60,000,000
El Salvador	American Industrial Park	8,000,000
El Salvador	Scotiabank Let's PYME - Digital Financial Services for SMEs	25,000,000
Guatemala	Genesis: Microfinance Partnership Alliance	20,000,000
Honduras	Kattan Group	5,000,000
Nicaragua	Nicaragua Sugar	25,000,000
Nicaragua	Banpro DPR - supporting middle-sized agro-industry producers	27,000,000
Nicaragua	CRN-CCN Recycling	30,000,000
Panama	Banistmo Gender Bond	50,000,000
Panama	West Resort	37,237,562
Panama	St. Georges Financing Partnership for SMEs	25,000,000
14 operations		370,237,562

Annex 6 | IDB Lab Approvals

Country	Project name	Amount (US\$)
Belize	Market-based Incentives for Responsible Fishing	300,000
Belize	Enhancing Conservation in Belize's Protected Areas through Disruptive Technologies	574,000
Belize	EcoMicro - Development Finance Corporation - Green Finance for Renewable Energy and Energy Efficiency for MSMEs	350,000
Costa Rica	Financing of Sustainable Oil Recycling in Costa Rica	3,000,000
Costa Rica	Leveraging Natural Capital: Costa Rica Biomaterials Hub	862,500
Dominican Republic	Nature Village: Innovation and Clean Technologies for Sustainable Rural Development	499,609
Dominican Republic	Technological Implementation for the Productive Process of Coffee Farmers in the Dominican-Haitian border	500,000
El Salvador	Soy Vida - Urban Art	750,000
El Salvador	Digital Transformation and New Financial Products for Salvadoran SMEs	750,000
El Salvador	Improving the Productivity of MSME Freight Carriers in El Salvador (Trucks on Diet)	150,000
Guatemala	Génesis Empresarial: Digital Technologies to Accelerate Rural Financial Inclusion	4,270,000
Guatemala	Green Guarantee for Competitive Landscapes	3,250,000
Guatemala*	Acceleration of Disruptive Ventures with Seed Capital	107,166
Honduras	First Center of Opportunities for Young Migrants	1,000,000
Honduras	TECH4DEV — Strengthening the Entrepreneurial Ecosystem to Improve Technology Solutions in the Health, Education, and Security Sectors	1,000,000
Honduras**	Producers of Traceable, Quality Specialty Coffee	1,250,000
Nicaragua	Smart Cocoa Production	1,500,000
Panama	Latin American Cinema from Panama, Central America, and the Caribbean	1,000,000
Panama	IT Careers for Youth	650,000
19 operations		21,763,275

* Increase in the amount of a previously approved project

** SEP Project

**CATALOGING-IN-PUBLICATION DATA PROVIDED BY THE
INTER-AMERICAN DEVELOPMENT BANK- FELIPE HERRERA LIBRARY**

The IDB Group in the Central American Isthmus and the Dominican Republic: activities report 2019
/ Inter-American Development Bank, IDB Invest, IDB Lab.
p. cm.

1. Development banks-Latin America. 2. Economic assistance-Central America. 3. Economic assistance-Dominican Republic. 4. Economic development projects-Central America-Finance. 5. Economic development projects-Dominican Republic-Finance. I. Inter-American Development Bank. Country Department Central America, Haiti, Mexico, Panama and the Dominican Republic. II. IDB Invest. III. IDB Lab.

IDB-AN-211

JEL Classification: F63

Key words: Central America, Dominican Republic, economic development, poverty and inequity

Copyright © 2020 Inter-American Development Bank. This work is licensed under a Creative Commons IGO 3.0 Attribution-NonCommercial-NoDerivatives (CC-IGO BY-NC-ND 3.0 IGO) license (<http://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>) and may be reproduced with attribution to the IDB and for any non-commercial purpose. No derivative work is allowed.

Any dispute related to the use of the works of the IDB that cannot be settled amicably shall be submitted to arbitration pursuant to the UNCITRAL rules. The use of the IDB's name for any purpose other than for attribution, and the use of IDB's logo shall be subject to a separate written license agreement between the IDB and the user and is not authorized as part of this CC-IGO license.

Note that link provided above includes additional terms and conditions of the license.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Directors, or the countries they represent.



**The IDB Group in the Central
American Isthmus and the
Dominican Republic**

Activities Report 2019

