

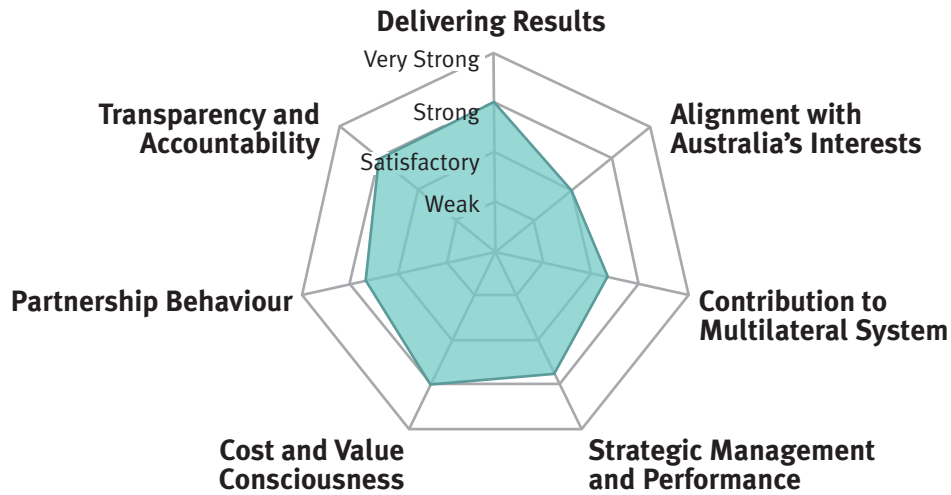


Australian Multilateral Assessment March 2012

Inter-American Development Bank (IDB)



OVERVIEW OF ORGANISATION RATINGS



ORGANISATION OVERVIEW

The Inter-American Development Bank (IDB) was established in 1959 and is the largest source of development financing and expertise for sustainable economic, social and institutional development in Latin America and the Caribbean. Its goal is to reduce poverty and inequality, and achieve sustainable growth in Latin America and the Caribbean. Within these two overarching objectives, the IDB has five priority areas: social policy for equity and productivity, infrastructure for competitiveness and social welfare, institutions for growth and social welfare, competitive regional and global international integration, and protecting the environment. Along with traditional loans and financing, the IDB provides grants, technical assistance and undertakes research. Member countries are divided into borrowing and non-borrowing member countries. It has 48 member countries, including 26 borrowing member countries from Latin American and the Caribbean.

Australia is not a member of the IDB. Australia's involvement with the IDB to date has been small scale and limited to microfinance projects in the region through the

Multilateral Investment Fund, an arm of the IDB. In 2010–11, Australia provided \$5.0 million to IDB in non-core funding. In 2011 Australia agreed to establish a \$10 million trust fund with the Multilateral Investment Fund to finance several microfinance projects in the region.

RESULTS AND RELEVANCE

1. Delivering results on poverty and sustainable development in line with mandate

STRONG

IDB demonstrates clear results across most sectors and programs, as reported in its Development Effectiveness Overview. Management self-report that 85 per cent of projects undertaken in 2009 were expected to meet their development objectives at completion, and can point to clear examples such as connecting 12 470 homes to potable water and constructing 826 temporary classrooms following the 2010 Haiti earthquake.

Australia has had positive experiences of IDB's development results in Latin America through the Multilateral Investment Fund, including through a co-finance activity in Peru which has already trained 33 000 women entrepreneurs in business skills and financial literacy.

IDB's *Results Framework 2012–2015* was approved in 2010, providing four outcome indicators: regional development goals, output contribution to regional goals, lending program priorities, and operational effectiveness and efficiency. Indicators with corresponding baselines and targets were published in the *2008–2009 Development Effectiveness Overview*.

Although IDB operates primarily in middle-income countries many activities focus on the poorest. Financing directly aimed at reducing poverty and inequality currently stands at 40 per cent of expenditure and IDB has a target to increase this to 50 per cent by 2015.

a) Demonstrates development or humanitarian results consistent with mandate

STRONG

The IDB monitors development results against results frameworks outlined in Country Strategies. These results are reported annually in the IDB's Development Effectiveness Overview, and suggest a high rate of success: 85 per cent of projects were expected to meet their development objectives at completion in 2009.

Specific outcomes of IDB activities include:

- > following the 2010 earthquake in Haiti, the IDB provided approximately US\$3 billion to debt relief, grants and guaranteed long-term transfers of ordinary capital. The IDB supported the construction of 826 temporary classrooms, connected 12 470 homes to potable water, prepared a white paper for Haiti's government to construct energy infrastructure in cooperation with USAID and the World Bank, and vaccinated 823 000 animals; and supported the Government of Haiti (Ministry of Education and Presidential Commission for Education) in the preparation of an Education Plan (*Plan Operationnel 2010–15*) which now serves as the reference document for all donors in education.

- > an activity of the Multilateral Investment Fund co-financed by Australia in Peru is training 100 000 women entrepreneurs with business skills and financial literacy. This project has already trained over 33 000 women and the impact is already evident in monitoring visits undertaken by Australian officials.

IDB reports aggregate results in the Development Effectiveness Overview; IDB is reporting since 2010 for information against its 2012–15 results framework targets. In its 2012–15 results framework, IDB projects 530 000 teachers trained, 2.8 million households with new or upgraded water supply, and 53 000 kilometres of inter-urban roads built or maintained by 2015 through its projects.

b) Plays critical role in improving aid effectiveness through results monitoring

VERY STRONG

In 2009 IDB began systematically tracking objective data including outputs, costs and time of implementation and outcomes at the project level. This has seen the ‘evaluability’ of projects increase rapidly, from just three per cent of projects being considered ‘highly satisfactory’ for evaluation in 2008 to 41 per cent in 2010.

In 2009, IDB’s progress monitoring report was rolled out, which allows monitoring of project implementation using the performance index. IDB is the first multilateral development bank to have a fully quantitative assessment of the health of its projects. Since 2009, all sovereign guaranteed investment projects have a progress monitoring report, and since 2010 all Policy-Based Loans have required a progress monitoring report as well.

IDB is also increasing its use of impact evaluations to more precisely measure the contribution of the IDB to development outcomes. 70 per cent of sector staff have now been trained in impact evaluation, and 83 per cent of completed projects have ex-post evaluations completed.

IDB has recently designed an overarching institutional strategy and results framework. This framework is similar to those used by other multilateral development banks, measuring the IDB’s effectiveness and contribution to development results at various levels. The results framework, approved in 2010 as part of the ninth General Capital Increase, provides an accountability framework for IDB. The framework puts forth outcome indicators, as well as outputs with targets for IDB action. In addition, it sets targets for lending and operational effectiveness and efficiency. Indicators with corresponding baselines and targets were already published in the 2008–2009 *Development Effectiveness Overview*. Only time will tell if the framework succeeds in better measuring and reporting on the impact of IDB’s activities, but the framework appears sound, and the success of the other multilateral development banks in implementing similar frameworks augers well.

IDB approved the development effectiveness framework in 2008. Two key elements of the framework have been fully implemented. The development effectiveness matrix applies to 100 per cent of sovereign and non sovereign guaranteed operations since 2009 and measures evaluability at-entry of IDB operations. The Progress Monitoring Report applies to all sovereign guaranteed operations since 2010. The report provides quantitative and

qualitative data on project progress in terms of the delivery of outputs and the achievement of outcomes. For non sovereign guaranteed operations a similar monitoring report is used.

c) Where relevant, targets the poorest people and in areas where progress against the MDGs is lagging	SATISFACTORY
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Although IDB’s mandate is limited to a region in which the majority of countries are classified as middle income, income inequality is generally high and IDB has policies designed to ensure that its activities are targeting the poorest people.

One of IDB’s two overarching objectives is ‘reducing poverty and inequality’. The new institutional strategy and results framework includes a target of 50 per cent of lending to be directed towards ‘poverty reduction and equity enhancement’ by 2015 (currently 40 per cent). This includes programs relating to health and nutrition, education, social insurance reforms, housing, water and sanitation, and infrastructure projects in poorer areas. In addition, extreme poverty rate and Gini coefficients are among the regional development goals monitored in the results framework. The framework also includes an output target of 16 000 individuals benefitting from the targeted anti-poverty program by 2015.

An example of IDB’s increasing focus on the poorest people is a project in Colombia cofinanced with Australia that is due to commence shortly. This project will increase the income of 14 000 families by approximately 25 per cent in five of the poorest, most vulnerable departments (districts) in Colombia.

In the area of social protection, IDB is supporting the implementation and evaluation of innovative targeted anti-poverty programs, such as conditional cash transfers (CCTs), in more than a dozen countries. CCTs have a good track record of delivering benefits to the poorest quintile of the population focusing on fostering progress in meeting MDGs targets on poverty, health, education and gender.

In Health, IDB is also supporting innovative interventions such as those of the Salud Mesoamérica 2015 Initiative. The Initiative’s goal is to back the efforts of Mesoamerican governments in reaching the health Millennium Development Goals through investments in projects with proven effectiveness for the poorest 20 per cent of the population, mainly women and children under five years of age.

2. Alignment with Australia’s aid priorities and national interests	SATISFACTORY
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IDB’s five priority sectors align well with the Australian aid program’s strategic goals of promoting sustainable economic development, opportunities for all and effective governance.

IDB’s credibility and experience in Latin America and the Caribbean make it a natural partner for Australia in its relatively new program of development assistance in the region. IDB is good at ensuring donor visibility.

IDB is strengthening efforts to mainstream gender into its activities but is at an early stage in this relative to other multilateral development banks. IDB’s record of environmentally sustainable development is stronger and it is a lead implementing partner of the Climate Investment Funds in the region. IDB does not have a formal policy on disability-inclusive development.

IDB has adapted its institutional structure for its Haiti program, the region’s only fragile state.

a) Allocates resources and delivers results in support of, and responsive to, Australia’s development objectives	SATISFACTORY
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IDB is a large and credible institution in the region, making it a natural partner for Australia in its relatively new program of development assistance in Latin America and the Caribbean. Australia’s experience with IDB to date has been almost exclusively through the Multilateral Investment Fund arm. This experience has been very positive from Australia’s perspective. The fund has generally been very responsive to Australia’s interests, and open with sharing information and experience. They have invited AusAID to participate in design missions and there was an AusAID representative present during the design mission to Colombia which developed the first co-financed activity under the Trust Fund. The fund have been flexible on issues such as ensuring appropriate visibility of Australian contributions to programs. For example, the co-financed project ‘salta’ (meaning to jump) is branded with a kangaroo. The fund has agreed to launch the co-financed activity in Colombia to coincide with the visit of the Australian Ambassador and the Chairman of COALAR to Bogota.

Australia is not a member of the IDB, and therefore is not represented on the governing board.

b) Effectively targets development concerns and promotes issues consistent with Australian priorities	SATISFACTORY
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IDB focuses on five priority areas: social policy for equity and productivity; infrastructure for competitiveness and social welfare; institutions for growth and social welfare; competitive regional and global international integration; and protecting the environment, responding to climate change, promoting renewable energy, and enhancing food security.

These areas are complemented by lending program targets in: lending to small and vulnerable countries (35 per cent); lending for poverty reduction and equity enhancement (50 per cent); lending to support climate change initiatives, sustainable energy (including renewable) and environmental sustainability (25 per cent); and lending to support regional cooperation and integration (15 per cent).¹ This is consistent with Australia’s priorities of promoting sustainable economic development, opportunities for all and effective governance.

¹ Since projects can qualify for more than one lending category the estimated percentages proposed do not add to 100 per cent.

c) Focuses on crosscutting issues, particularly gender, environment and people with disabilities

SATISFACTORY

IDB has recently introduced new safeguard measures relating to gender and the environment. Although it remains too early to evaluate the effectiveness of these new policies, early signs are encouraging.

Gender mainstreaming is an increasing priority. This is important and welcome, as the 2011 Multilateral Organization Performance Assessment Network (MOPAN) report presented a mixed picture of how effectively IDB had mainstreamed gender, including noting that of the 40 micro-indicators answered by donors at headquarters, gender equality received the lowest rating. It should be noted, however, that client respondents considered IDB strong, while MOPAN's document review concluded its performance to be adequate. In 2010, IDB became the first multilateral development bank to introduce a safeguards approach to gender equality. In March 2011, IDB launched the implementation of an institution-wide Gender Action Plan, which resulted in IDB divisions, departments and country offices committed to over 130 specific actions, most of them relating to mainstreaming gender in operations.

To guide the implementation of these measures and identify areas still needing improvement, gender has been integrated into the new results monitoring framework, and program outputs are disaggregated by gender. IDB is also attempting to increase the gender diversity of its staff.

IDB's record regarding environmentally sustainable development is stronger. IDB has set a lending target of 25 per cent to environmental sustainability programs, to be reached by 2015. In addition, environmental safeguards have recently been introduced into the programming process.

Since the approval in 2007–08 of the sustainable energy and climate change initiative and funds (multi-donor and bank ordinary capital), IDB has expanded its capacity to support the region's climate change agenda. Over the period 2007–11, the fund has financed US\$67 million in technical cooperation for climate mitigation and adaptation-related activities, including energy (48 per cent), vulnerability and adaptation (17 per cent), climate finance (12 per cent), climate policy and institutions (12 per cent) and REDD (three per cent). As part of its lending portfolio, IDB has approved US\$7.4 billion in climate-related loan operations (during 2006–11), including public sector investment loans (55 per cent), private sector instruments (15 per cent), and policy-based loans that promote policy reforms and innovations for low carbon and climate resilience (30 per cent). IDB has become a lead partner in executing Climate Investment Funds (CIFs) for mitigation activities through the Clean Technology Fund and pilot program for climate resilience.

IDB currently lacks a formal policy and safeguard measures for disability-inclusive development. However, people with disabilities have been the focus of several pilot programs. For example, the IDB's Science and Technology Division is implementing pilot programs in Brazil (deploying software to increase the accessibility of computers) and Argentina (enabling individuals with vision impairments to navigate public transport

with the use of mobile phones). In the Education Division, standards for access for persons with disabilities are usually integrated into school construction projects or components.

d) Performs effectively in fragile states

SATISFACTORY

Haiti is the only country in Latin America and the Caribbean classified as a fragile state. It is therefore understandable that IDB does not have a general set of policies and operational guidelines for fragile states. IDB's practices have been adapted for Haiti, however, and the IDB's operations in this context appear to be effective.

IDB's General Capital Increase has provided both long-term financial and institutional support to Haiti. IDB will provide over US\$2 billion to Haiti over the next 10 years in development assistance. To ensure that IDB is able to respond to rapidly changing circumstances in this environment, a department has been created to oversee IDB's support to Haiti, reporting directly to the President. IDB has also made an increased range of technical assistance available to Haiti, permanently stationing sector specialists in-country.

As mentioned in section 1(a), IDB has played an important role in the education sector in Haiti after the earthquake by supporting the Government in the development of a plan for the Education Sector (*Plan Operationnel*). As part of the US\$2 billion commitment to Haiti, IDB pledged US\$500 million to support the Government's Education Plan. Of this amount, US\$250 million will be provided as grant resources from the IDB Haiti grant facility and an equivalent amount is expected to be obtained through co-financing.

3. Contribution to the wider multilateral development system

SATISFACTORY

IDB leads some coordination efforts at regional level, although this is not a major focus. It relies on a collaborative approach to development, thereby minimising proliferation of donor efforts: in 2010, 67 per cent of IDB missions were coordinated with other agencies. It has a strong relationship with the World Bank, the other major multilateral donor in the region.

IDB is the largest source of development financing and expertise in Latin America and the Caribbean. Its relatively large-scale operations enable it to trial innovative approaches to difficult policy areas such as climate change.

IDB produces a range of useful research, analytical work and data on the region's specific development challenges, such as the MIF's contributions to microfinance. A high proportion of respondents in the 2011 MOPAN IDB assessment considered the quality of IDB inputs to policy dialogue as adequate or higher, indicating its contributions are generally viewed as valuable.

a) Plays a critical role at global or national-level in coordinating development or humanitarian efforts	SATISFACTORY
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IDB rarely leads in coordination of international development efforts at an institution or country-level. However, IDB adopts a collaborative approach to programming in many areas. As reported in the *Survey on the Monitoring of the Paris Declaration 2011*, 67 per cent of IDB missions are coordinated and 75 per cent of its country analytical work was joint.

IDB does lead efforts in some areas, however. IDB is playing a leading role in climate change and environmentally sustainable development. IDB is a primary coordinator for Climate Investment Fund activities in Latin America and the Caribbean. IDB has taken a leadership role and is the biggest actor in several sectors in Haiti, such as agriculture, water and sanitation (with Spanish cooperation), education and transport. IDB co-chaired Cluster E (Managing for Development Results) of the OECD Development Assistance Committee. IDB also participates in the steering committee of the task team on South-South cooperation and President Moreno presided over the MDB Presidents forum in 2011.

b) Plays a leading role in developing norms and standards or in providing large-scale finance or specialist expertise	STRONG
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The relatively large scale of IDB's operations in the region enables it to tackle transformative development challenges in areas such as climate change. Following the strategic guidance of IDB's Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy (approved in March 2011), IDB channels resources for knowledge development, capacity building and direct investments in activities with considerable potential for greenhouse gas emission reductions, such as reducing deforestation and land degradation, and adopting low carbon transport systems.

IDB uses its legitimacy as the largest provider of development financing within the region to promote the adoption of climate change policies by many governments in the region and to fund activities such as the largest wind farm in Latin America (in Mexico). IDB has also helped to demonstrate and trial the application of new technologies and assist governments such as Barbados to introduce low carbon matrices in the power sector. In the area of climate change vulnerability and adaptation, IDB is channelling support to activities addressing consequences of climate change in the region, including impacts of climate change on water supply, and impacts on forests.

IDB is the first multilateral institution in the region to develop a network of regional and non-regional experts (drawing on expertise developed in the UK, Spain and Australia, for example) to provide technical support to countries, such as Colombia, for health expenditure priority-setting processes.

c) Fills a policy or knowledge gap or develops innovative approaches	SATISFACTORY
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IDB produces a range of useful research, analytical work and data on the region’s specific development challenges. 86 per cent of MOPAN respondents considered the quality of IDB inputs to policy dialogue as ‘adequate or higher’, and 82 per cent ranked the IDB ‘adequate or higher’ in its respect for partner views in policy dialogue.

IDB is supporting the development and evaluation of new approaches aimed at increasing the effectiveness of interventions boosting human capital among the poor. For example, IDB is technically and financially involved in multi-year impact evaluation of conditional cash transfers programs in a range of countries, and impact and process evaluation of pay for performance mechanisms to boost effectiveness of health investments in primary care.

Parts of IDB support the development and testing of new ideas. The Multilateral Investment Fund, for example, characterises itself as a ‘laboratory’ where innovative pilots can be trialled (due to the fund’s willingness to be flexible and accept more risk than other regional organisations) before being scaled up by IDB and other donors. This has enabled the development of innovative approaches in the area of microfinance which has been shared with the wider development community through the largest microfinance conference in Latin America, which attracts 1500 participants including microfinance institutions, civil society representatives and other donors.

Another example is the Office of Outreach and Partnership that has collaborated with leading private sector corporations (for example, Microsoft, PepsiCo, Intel, VISA) and bilateral aid agencies (including from Spain, France and Switzerland) to develop innovative public–private partnerships to address pressing socioeconomic issues such as education reform, access to water and sanitation, and pension systems reform.

ORGANISATIONAL BEHAVIOUR	
4. Strategic management and performance	STRONG

IDB’s leadership has introduced a range of reforms in recent years that have improved effectiveness. The most important relate to improvements in its strategic management, including through an integrated strategy document that is linked to its new results framework and takes IDB through to the next decade. This document provides line-of-sight from the overarching strategy through to country strategies and, again, through the development of activities, lending, monitoring, reporting and evaluating.

The Board of Governors has provided support and guidance on IDB’s reform agenda. The MOPAN report rated IDB quite strongly on its use of evaluation findings to inform decisions and noted that its Office of Oversight and Evaluation provides strong support for monitoring and evaluation systems.

In 2009, IDB introduced the Progress Monitoring Report, which monitors quantitative and qualitative aspects of projects in implementation, outputs, and costs. Projects identified as not delivering results are allocated a proportion of the supervision budget for the following year. A 2011 independent review of the IDB’s evaluation function concluded this framework provided the IDB with a comprehensive self-assessment system.

Human resource management reforms have recently been introduced such as results-based remuneration, increased focus on career development and a leadership development program. Although it is too soon to evaluate the impact of these reforms, early signs are encouraging. The MOPAN assessment noted the high calibre of IDB staff.

a) Has clear mandate, strategy and plans effectively implemented	STRONG
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IDB-9 lays out the IDB’s vision and strategy for the next decade. This was integrated with the new Results Framework and associated targets described in 1(b). The documents provide a clear strategy and means of judging success, although it is too early to judge the effect that this will have on operations.

Agenda for a Better Bank (ABB) lays out IDB’s agenda for change in five areas:

- > development impact,
- > transparency and accountability,
- > civil society engagement,
- > environmental sustainability, and
- > risk management.

Implementation of these five priority areas is managed through a series of individual sector strategies, approved by the Board in 2011.

b) Governing body is effective in guiding management	STRONG
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IDB’s current leadership, both at management and board level, has been effective in driving a comprehensive reform agenda over recent years.

Since 2008, IDB has introduced new policies across a wide range of areas. These areas include: institutional strategy and results framework; development effectiveness; macroeconomic sustainability; integrity and transparency; financial policies; income management and budget; risk management; independent investigation and consultation mechanisms; access to information; human resources management; technical cooperation; operational instruments; and information systems. Many of these reforms are fundamental and reflect well on IDB’s leadership team in terms of their vision and willingness to drive change.

In addition, the Board has approved four sector strategies stipulated by IDB-9 regarding: regional integration, environmental sustainability, social policy for equity, and institutions for growth and social welfare.

c) Has a sound framework for monitoring and evaluation, and acts promptly to realign or amend programs not delivering results	STRONG
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The new Results Framework should help to improve monitoring and evaluation, although the IDB already has a range of monitoring and evaluation systems to build upon. 73 per cent of MOPAN respondents rated the IDB’s use of evaluation findings to inform decisions as ‘adequate or higher’.

The development effectiveness framework was approved in 2008. It introduced the development effectiveness matrix that has assessed the evaluability at entry of all operations since 2009. It also introduced the progress monitoring report to monitor quantitative and qualitative aspects of projects in implementation, tracking outputs delivery and costs.

The progress monitoring report identifies projects in execution which may not be on track to meet development targets, and a proportion of the following year’s supervision budget is earmarked specifically to those projects.

An independent review of evaluation function was conducted in 2011: *Strengthening Evaluation to Improve Development Results: Report of the Independent Review Panel on Evaluation at the Inter-American Development Bank*. The report noted that the implementation of the development effectiveness framework provided IDB with a comprehensive self-assessment system.

The Office of Oversight and Evaluation (OVE), established in 2001 with a mandate to monitor and evaluate the IDB’s programs and systems, has its own budget and reports directly to the Policy and Evaluation Committee of the Board. The OVE’s reports are robust and thorough, and are used by the Board to hold management to account. Management respond to evaluation findings through a management action plan, and the OVE records the adoption of its recommendations to realign or amend programs, although adoption levels vary considerably between years. OVE recommendations are required to be considered in the preparation of new Country Strategies.

d) Leadership is effective and human resources are well managed	SATISFACTORY
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IDB recently introduced three new policies in relation to its human resources management. These are its *Performance Management Framework (2009)*, the *New Career Management Framework (2010)* and the *Human Capital Strategy Total Rewards and Pension Plan reform (2011)*. These policies introduced practices such as results-based remuneration, an increased focus on career development, and a leadership development program. It remains too early to judge the effectiveness of these policies.

The above reforms and the broader reform agenda within IDB suggests that leadership is effective. Although selection for these positions is formally merit-based and transparent, limitations exist in practice. VP positions, for example, are de facto linked to nationality.

The MOPAN assessment noted that ‘IDB staff are considered one of the Bank’s greatest assets’.

5. Cost and value consciousness	STRONG
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Improving value for money and reducing costs is a priority for the IDB's governing body. The Board of Governors regularly considers methods of reducing administrative costs and IDB has introduced monitoring the use of country procurement systems across its programs, and regularly scrutinises the cost of staff numbers.

IDB requires that all new program proposals include consideration of whether alternative methods of achieving the outputs are available, and what the cost differential between approaches would be.

Monitoring and evaluation tools have recently improved, enabling IDB to continue to monitor these costs on an ongoing basis. These same policies apply to IDB's partners, ensuring that they too consider value for money.

a) Governing body and management regularly scrutinise costs and assess value for money	STRONG
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The board's scrutiny of cost control measures is generally limited to institution-wide policies, rather than project-level decisions. For example, while all IDB projects are required to undergo an economic cost-benefit analysis, these analyses are not questioned by the board as part of the approval process. Board attempts to control costs through broader policies include increasing IDB's use of country procurement systems, and lowering administrative costs.

The extent to which other methods of goods procurement is possible is limited by restrictions which require that IDB not purchase goods or services from non-member countries. This limits the market size, resulting in higher contract prices for IDB projects. However, the board recently approved a Strategy for Strengthening the Use of Country Procurement Systems, which is expected to reduce both countries' and IDB's transactional costs. This strategy is being encouraged through the adoption of country system goals into IDB country strategies.

The board also regularly monitors administrative costs. The 2011 Program and Budget paper, for example, contained an analysis of IDB's performance against seven parameters related to costs, and the change in staff numbers relative to the number of loans and disbursements. This analysis showed that IDB had successfully controlled its staff numbers even during a period of operational expansion. These costs are monitored annually by IDB in its annual business review and in the quarterly business review.

b) Rates of return and cost effectiveness are important factors in decision making	STRONG
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All IDB projects are required to undergo an economic cost-benefit analysis, including a consideration of alternative methods of achieving the desired project outcomes. This ensures that rates of return and cost effectiveness are considered prior to approval being given for any IDB loan or disbursement. Tangible impacts of this policy are clear—in the previously described co-financed activity in Peru, the use of graduate students from the

United States is considered being substituted or complemented with local graduate students, reducing the cost of training each entrepreneur from US\$345 to approximately US\$80.

To assist in measuring the cost effectiveness after a project has commenced, IDB recently reformed its monitoring and evaluation tools. These reforms increased the tools' focus on measurement of outputs on time and cost, on evaluating the effectiveness of individual inputs, and on the sustainability of the results. Although it remains a short period after implementation, this appears to be enabling more accurate measurements of cost effectiveness, allowing changes in approach for both existing and new projects. In Bolivia, for example, an experimental impact evaluation is being conducted to determine the cost effectiveness of different financial and non-financial incentives to connect to the sewerage network. All water and sanitation sector projects also incorporate ex-post cost benefit evaluations as a means to check if the interventions, as implemented, continue to generate positive rates of return.

c) Challenges and supports partners to think about value for money	STRONG
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In the project design phase, IDB works with partners to identify a range of options likely to be effective, and clearly analyse and outline the costs of each approach. This ensures that partners consider alternative methods to achieve project outcomes, and can justify the selected method based on the expected benefits and costs of the respective approaches.

In poorer countries, IDB uses a country institutional and policy evaluation assessment tool and an enhanced performance based allocation system, similar to tools used by the World Bank. The assessment tool measures public financial management effectiveness and fiduciary controls. As scores received against these tools are linked with financial allocations, partners are incentivised to improve cost effectiveness.

6. Partnership behaviour	STRONG
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IDB is well respected by partner governments and has strong relations with the few other donors in the region, notably the World Bank. It also maintains strong partnerships with the private sector, for example its partnership with PepsiCo to address water and sanitation challenges.

Currently, less than half of IDB funds are channelled through partner systems. IDB processes are being reviewed against the *Paris Declaration on Aid Effectiveness* under the 2009 'Strategy for strengthening and use of country systems', and progress against these principles is now being tracked in the IDB's annual development effectiveness overview. This should help improve the organisation's alignment with partner government systems.

A close and effective relationship is maintained with a wide range of civil society organisations throughout the region. This includes annual meetings with IDB, jointly determined agendas and ongoing collaboration through a civil society council in each of the IDB's 26 borrowing member countries. Collaboration ensures civil society organisations have ongoing opportunity to contribute their views on program and policy design.

a) Works effectively in partnership with others**STRONG**

IDB maintains close working relationships with civil society organisations on an annual basis through central meetings, and on an ongoing basis through its country offices.

On a regional level, each year the IDB holds: a civil society session at its Annual Board of Governors' Meeting; a session exclusively for dialogue with Caribbean civil society organisations; and the Annual IDB-Civil Society Meeting, attended by representatives of the IDB and civil society organisations from all 26 borrowing member countries. The purpose of these meetings is to maintain the good working relationship between IDB and civil society organisations, and explore methods of improving the relationship and expanding collaboration. These meetings are generally well attended—the October 2011 meeting (the eleventh annual meeting held to date) attracted approximately 150 representatives of civil society from 26 countries. The agenda of these meetings are determined in collaboration with civil society organisations.

Ongoing consultation with civil society organisations is achieved through the establishment of a formal Civil Society Consultative Group (ConSoc) in each of the 26 borrowing member countries. ConSocs are the main platform for continual dialogue, consultation and information exchange between IDB and civil society organisations that enables IDB to receive regular inputs on country strategies, sector strategies and policies, and projects. There are more than 300 organisations participating on ConSocs.

IDB has a network of over 3000 institutions throughout Latin America with which it works in partnership, including both private sector institutions and civil society organisations. It maintains a strong working relationship with the World Bank.

IDB's relationship with Australian overseas missions is generally positive. IDB worked well with AusAID to ensure the timely approval and negotiation of the AusAID-MIF Trust Fund prior to the end of the 2010–11 financial year. Additionally, MIF and IDB staff are generous with their time. For example, while attending a microfinance conference in Costa Rica in October 2011, Australia's representative at the conference (there were around 1500 participants) met twice with the General Manager of the MIF and once with the representative of the Office of Outreach and Partnerships to discuss the AusAID-MIF/IDB relationship.

IDB works well in partnerships with governments. It has worked with governments such as Mexico and Peru to introduce national policies using policy based loans. Similarly it has worked collaboratively with Barbados to introduce low carbon matrices in the power sector.

In surveys, a significant proportion of government respondents have shown a preference towards utilising the IDB as a funding source.

b) Places value on alignment with partner countries' priorities and systems	SATISFACTORY
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Although IDB is increasing its alignment with partner countries' systems, there remains considerable potential for further progress in this area.

IDB's use of partner countries' systems remains well below Paris Declaration goals. According to OECD's *Aid Effectiveness 2005–10: Progress in Implementing the Paris Declaration*, 48 per cent of IDB aid flows were aligned with national priorities in 2010, below the target of 85 per cent. However, the alignment with country priorities has improved since 2005, when just 32 per cent of flows were aligned. It should also be noted that not all IDB borrowing countries participated in the survey. There are prospects of improvement as IDB begins to track progress against the *Paris Declaration on Aid Effectiveness* in its annual development effectiveness overview.

IDB's 'Strategy for Strengthening and Use of Country Systems' was approved in late 2009, which should help to further improve IDB's alignment with partner countries' priorities in the future.

c) Provides voice for partners and other stakeholders in decision making	STRONG
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IDB undertakes public consultation in the process of developing institutional policies, via both regional meetings and the internet. Feedback from these consultations is presented to the Board prior to finalisation of the policy, and adjustments to IDB policies may be made accordingly.

IDB's structured dialogue with civil society provides civil society organisations an ongoing role in the development of new policies. Each of IDB's country offices maintains dialogue with a Civil Society Advisory Group, which acts as a 'sounding board' with respect to stakeholder views of IDB programs and policies.

Some social safeguard policies exist to ensure that relevant stakeholders are consulted in the design of IDB projects. For example, projects which will result in moderate or high environmental impact require public consultation with communities likely to be affected. Similar policies exist in relation to gender and indigenous peoples.

7. Transparency and accountability	STRONG
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Overall, IDB is transparent and accountable. Its access to information policy presumes disclosure of information.

IDB is a signatory to the International Aid Transparency Initiative but is not yet fully compliant with the standard.

Systems for allocation of capital are clear, transparent and well understood by partners.

IDB manages its programmatic risks (including strategic, financial, compliance, operational and social risks) through a risk matrix system, and internal audit and fraud

prevention adheres to international standards. IDB created the Office of Institutional Integrity in 2007, tasked with detecting, investigating, and preventing prohibited practices in IDB Group financed activities.

The significant proportion of IDB funding that is not recorded by recipient governments is a constraint to promoting transparency and accountability among its recipients. However, IDB is a party to the cross-debarment agreement (in which entities found guilty of misdemeanours in one organisation face sanctions from all organisations) with the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and World Bank.

a) Routinely publishes comprehensive operational information, subject to justifiable confidentiality

STRONG

IDB has robust policies to ensure the routine publishing of the majority of IDB documents, which are published in a variety of languages. It became a signatory to IATI in November 2011. Although the IDB has not yet fully implemented the standard, the publication of this information will enhance IDB transparency in the future.

In 2010, IDB approved its Access to Information Policy, which presumes disclosure for the majority of IDB documents. The list of document categories excluded from release requirements under this policy is limited and consistent with good practice, such as documents which are commercial-in-confidence. Alleged violations of this policy are subject to review by an independent body. Content is published routinely. For example, financial data is published on a quarterly basis. MOPAN's assessment of the IDB concluded that 82 per cent of survey respondents rated the availability of key documents to the public adequate or higher.

The accessibility of IDB documents is improved by publishing the documents in a variety of languages which are common in Latin America and the Caribbean. All key documents are available in both English and Spanish, and some in Portuguese and French.

b) Is transparent in resource allocation, budget management and operational planning

VERY STRONG

Resources are allocated according to published criteria, and resource allocation procedures appear to be well understood by partners.

The system for allocating ordinary capital resources is transparent and clear. The ordinary capital program envelope is dictated by IDB's overall Lending Framework, which sets an annual level of commitments and disbursements for the IDB each year. Ordinary capital allocations are based on the annual country programming document, which details the projects for each country to be submitted to the board for approval.

Concessional resources from the Fund for Special Operations are allocated according to a distribution coefficient based on need, economic strength and country performance known as the enhanced performance-based allocation.

Partners appear to be able to easily understand and follow IDB's procedures. 78 per cent of MOPAN survey respondents considered IDB adequate or higher in making criteria for allocating resources readily available.

c) Adheres to high standards of financial management, audit, risk management and fraud prevention	STRONG
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To manage financial and other risks, the Board agreed at the end of 2010 to adopt a risk matrix system for its programs. This matrix reviews strategic risks, financial risks, compliance risks, operational risks, and environmental and social risks. Although it is currently too early to evaluate the effectiveness of this system, it appears to be robust.

IDB's audit practices accord with international standards, and provide objective information for IDB management. The MOPAN survey and document review concluded that IDB's financial audits meet recognised international standards.

Processes to deter internal corruption are adequate. Following an independent external review in 2008 of IDB's capacity and mechanisms to detect fraud, a series of actions to improve IDB's anti-corruption system were adopted, framed in the *2001 Systemic Framework against Corruption*. Fraud and corruption are monitored and investigated by IDB's independent Office of Institutional Integrity. This office investigates irregularities in a timely manner: in 2010, the average age of the total active cases was approximately six months.

d) Promotes transparency and accountability in partners and recipients	SATISFACTORY
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The significant proportion of IDB funding that is not recorded by recipient governments is a constraint to promoting transparency and accountability among its recipients. In 2010, approximately 48 per cent of IDB aid flows expected to be disbursed at the start of the year were recorded in partner governments' systems at the end of the year. This is considerably lower than the illustrative 2010 target of 98 per cent.

However, IDB is a party to the cross-debarment agreement (in which entities found guilty of misdemeanours in one organisation face sanctions from all organisations) with the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and World Bank.

IDB's Action Plan to Support Countries' Efforts to Fight Corruption and Foster Transparency, approved by the IDB's Board of Directors in 2009, lays out an operational anticorruption and transparency strategy based on four areas of support: country-level; sector-level; institutional strengthening; and knowledge and capacity building. In Brazil, for example, the IDB is supporting the modernisation of control institutions at the federal and state levels, and is improving coordination among these agencies. In Bolivia, IDB is building state capacity to identify and prosecute corrupt acts.