

Enhancing Institutional Capacity to strengthen results and development effectiveness (D2466)

Description:

The main objective of this TC is to contribute to strengthening the institutional capacity of the public administrations in the region to ensure policy results and development effectiveness. This objective will be pursued through activities aimed at diagnosing the countries' priority challenges in Institutional Capacity and Rule of Law (ICRL); enhancing project tools to address ICRL gaps; adapting interventions to each country's level of ICRL maturity and state capacity challenges; and strengthening IDB's organizational arrangements and tools to enable more efficient and effective mainstreaming of ICRL in the different sector projects.

Weak institutions stands as a pivotal barrier to inclusive and sustainable growth and development in the region. Evidence shows a direct correlation between robust state institutions and the efficient utilization of physical and human capital, resulting in higher incomes and improved macroeconomic stability . The substantial impact of state capacity and labor productivity is evident, accounting for 90% of the variation in overall well-being outcomes . In spite of these findings, Latin America and the Caribbean (LAC) still struggle. Despite a consistent increase in government expenditure, development outcomes lag behind those of countries with similar income levels. The region faces challenges in education , health , and infrastructure investment, with underperformance in quality and lasting social outcomes. Notably, Government Effectiveness in the region, a proxy for State Capacity, not only fails to catch up with expenditure but has declined from the 58th percentile in 2012 to the 50th percentile in 2021, as indicated by the Worldwide Governance Indicators. Furthermore, a recent analysis of 39 Country Development Challenges -CDCs-, between 2015 and 2021, shows that government institutional capacity is the main development challenge identified in the region . Prioritizing state capacity is crucial for LAC to address disparities, strengthen institutions, and achieve sustainable and inclusive development.

The capabilities of state agencies determine the extent and quality of the implementation of public policies and programs. Institutional capacity is critical to enhance development effectiveness given that strong institutional capacity of public sector agencies is key to both effectively implement projects to achieve development outcomes (project implementation capability) and ensure sustainability of outcomes (policy implementation capability).The literature and experience suggest three key factors for successful reform, also known as essential parts of the strategic triangle for strengthening institutional capacity . These are three conditions that must occur simultaneously. First, a technically sound design that addresses the specific needs of the reform's intended users. This technical soundness is complemented by the administrative capacity needed to implement the strategy, including changing accountability relationships so that users take ownership of the reform and put it into practice. Finally, the third dimension of the triangle consists of the construction of governance conditions and the authorizing environment, which make it possible to legitimize the reform and make it viable. This conceptual framework has guided the mainstreaming of ICRL at the IDB.

Reinforcing the Bank's knowledge of effective capacity-building frameworks and methodologies is also crucial. Although the IDB has been active in building state capacity for 30 years, it continues to be a substantial challenge in the region. Its complexity means it is a challenge shared by other aid agencies and one that experts worldwide recognize. Such a complex challenge requires permanent innovation, iterative adaptation and learning for a better approximation of results.

This TC has a two-pronged approach, supporting capacity-building in public sector agencies and enhancing the IDB's capacity to mainstream ICRL across the Bank's portfolio. Capacity building requires a systematic identification of capability gaps in beneficiary countries and its root causes according to countries' maturity across various dimensions of ICRL. This TC contributes to that objective through components 1 and 2. But it also requires strengthening the internal capabilities of the IDB for a more effective mainstreaming of ICRL in all IDB sectors and fine-tune project tools to customize interventions to the development effectiveness of interventions. Component 3 aims to address this last issue.

Submitted by:

Sandra Naranjo Bautista

Submitted on:

11/30/2023

Status:

Submitted

Category:

Research and Dissemination

Tags:

developmenteffectiveness icrl

Linked Ideas:**Whiteboard:****Team Leader Name**

Edgardo Mosqueira

Alternate Team Leader Name

Sandra Naranjo Bautista

Has the proposal been discussed and authorized by the responsible sector or country department/division, as applicable?

Yes

Team Leader Responsible Department

IFD

Are there specific countries that will directly benefit from your proposal?

Yes

Mark the specific countries that will be directly benefited from your proposal?

Argentina

Bahamas

Barbados

Belize

Bolivia

Brazil

Chile

Colombia

Costa Rica

Dominican Republic

Ecuador

El Salvador

Guatemala

Guyana

Haiti

Honduras

Jamaica

Mexico

Nicaragua

Panama

Paraguay

Peru

Suriname

Trinidad y Tobago

Uruguay

Venezuela

Where applicable, describe how the proposal aligns with the respective country strategy (for each country selected)

As an R&D TC, the products will generate knowledge applicable to all countries.

Does the proposal align to one or more sector frameworks?

No, the proposal does not align with a sector framework

Identify and describe how the proposal aligns to the sector framework(s)

Select the regional challenges and cross-cutting issues to which the proposal aligns to

Social Inclusion and Equality

Productivity and Innovation

Institutional Capacity and Rule of Law

Justify the alignment to each selection above

The TC aligns to the social inclusion and equality, and productivity and innovation challenges. Weak State Capacity stands as a pivotal barrier to inclusive and sustainable growth and development in the region. Evidence shows a direct correlation between robust state institutions and the efficient utilization of physical and human capital, resulting in higher incomes and improved macroeconomic stability. The substantial impact of state capacity and labor productivity is evident, accounting for 90% of the variation in overall well-being outcomes. In spite of these findings, Latin America and the Caribbean (LAC) still struggle.

The TC also aligns with the ICRL cross-cutting issue. Despite a consistent increase in government expenditure, development outcomes lag behind those of countries with similar income levels. The region faces challenges in education, health, and infrastructure investment, with underperformance in quality and lasting social outcomes. Notably, Government Effectiveness in the region, a proxy for State Capacity, not only fails to catch up with expenditure but has declined from the 58th percentile in 2012 to the 50th percentile in 2021, as indicated by the Worldwide Governance Indicators. Prioritizing state capacity is crucial for LAC to address disparities, strengthen institutions, and achieve sustainable and inclusive development.

What is the estimated funding that you need in order to implement this proposal?

275000

Select the expected outputs of this proposal

Institutional Strengthening Deliverables (Training products, Management Information Systems, etc.)

Policy Dialogues

Knowledge Products

Pilot Interventions

Are outputs strictly Knowledge Products?

No, the output is not strictly a Knowledge Product

Describe the motivation and main question(s) this TC intends to answer.

Describe the methodological approach to be used and the type of data (when applicable) which will be used

Please specify the type(s) of Knowledge Product (s) this TC encompasses:

Magazines and Learning Materials

Please provide a brief description of the output(s) selected above (The number of units planned, and the estimated cost). If you selected others, please specify.

Component 1: Diagnosis of priority ICRL challenges (50,000). The goal of this component is to strengthen diagnosis of countries' priority challenges in ICRL in order to create the capabilities required for better policy design and implementation. A clear understanding of the state capacity shortcomings and their root causes will inform and enhance the design and implementation of future interventions included in IDB projects and countries reform plans (component 2). This TC will contribute to the preparation of the ICRL Country Matrix -as the IDB tool aimed to identify institutional capacity challenges- that is prepared as an input for the preparation of CDC and Country Strategies as well as programming exercises. The TC will also support the preparation of diagnosis of national monitoring and evaluation (M&E) systems as well functioning M&E institutions are one of the main tools to inform and improve the policy cycle with the aim of increase development effectiveness.

Component 2. Interventions to address ICRL challenges (175,000). The objective of this component is to deepen the analytical work on countries' institutional capacity challenges (component 1) with enhanced project preparation and implementation tools aimed to understand how the country capability challenges might influence projects implementation and adapt solutions to address them. The tools and pilot interventions identified will consider each country's level of ICRL maturity and state capacity challenges.

Component 3. Mainstreaming of ICRL in IDB sectors (50,000). The objective of this component is to enhance organizational arrangements and project design and implementation tools to enable more efficient and effective mainstreaming of ICRL. This includes, for example, enhancing the operation's theory of change to better understand capacity challenges and solutions, identifying and systematizing ICRL interventions whose development effectiveness is evidence-based and adaptable to similar projects, exploring new indicators to capture support for and results achieved through efforts to improve ICRL, among other activities.

Outcomes: If the outputs are delivered successfully, what is the change expected (in capacity, knowledge, behavior, etc.)

If the outputs are delivered successfully, the TC will contribute to enhancing institutional capacity on participant countries by supporting capacity-building in public sector agencies and enhancing the IDB's capacity to mainstream ICRL across the Bank's portfolio

(1) **Attachments**

K2mKHziZSpc.png

1 Comment

Comment by Daniel Fonseca Silva 01/17/2024

The TC should be prioritized for the proposed amount, the activities will meaningfully address an important cross-cutting priority of institutional capacity and rule of law, for which the TC will support pilot programs that will have important demonstration effect for the region.