

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Model to increase the effectiveness and impact of Institutional Capacity operations
▪ TC Number:	RG-T4629
▪ Team Leader/Members:	Pierri Gonsebatt, Gaston (IFD/ICS) Team Leader; Arisi, Diego (IFD/ICS) Alternate Team Leader; Lagarda Cuevas, Guillermo (IFD/ICS); Bonilla Merino Arturo Francisco (LEG/SGO); Bueno Londono Daniela (IFD/ICS); Rojas Gonzalez, Sonia Amalia (IFD/ICS)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	01 Nov 2024.
▪ Beneficiary:	Colombia, Costa Rica, Dominican Republic, Honduras, Paraguay and Perú
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Institutions(W2C)
▪ IDB Funding Requested:	US\$120,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	December 2024
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/ICS-Innovation in Citizen Services Division
▪ Unit of Disbursement Responsibility:	IFD/ICS-Innovation in Citizen Services Division
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631):	Environmental sustainability; Gender equality; Institutional capacity and rule of law; Social inclusion and equality

II. Objectives and Justification of the TC

- 2.1 The objective of this Technical Cooperation (TC) is to contribute to the generation of knowledge about what works and what does not work in the response to the Institutional Capacity problems that Latin America and Caribbean (LAC) countries are going through by improving tools and models to increase the effectiveness and impact of Institutional Capacity interventions. The specific objective is to improve methodologies for the systematization of data related to previous operations and the systematization of knowledge and key administrative data to generate a standardized mechanism to process the information. Strengthening the ability to identify what works and what does not will support countries in achieving sustainable institutional capacity improvements.
- 2.2 LAC countries continue to face significant challenges in strengthening the institutional capacities of their governments, highlighting the urgent need to improve both the effectiveness and evaluability of interventions aimed at this strengthening. A relevant fact is the decline in Government Effectiveness, a key indicator of State Capacity, which in the region fell from the 58th percentile in 2012 to the 50th percentile in 2021,

according to the Worldwide Governance Indicators. Recent IDB analyses support this: in a review of 39 Country Development Challenges (CDCs) conducted between 2015 and 2021, government institutional capacity was identified as the main obstacle to development in the region. It is crucial to strengthen knowledge on evaluability frameworks and methodologies that can enhance the effectiveness of operations related to institutional strengthening. Projects of this nature have struggled to achieve desired results. An analysis of IDB-financed operations between 2018 and 2024 revealed that 44% of evaluations yielded partially unsatisfactory or lower results. This is partly due to the inherent complexity of these projects, which require coordinating various activities and reforms involving multiple government entities, potentially delaying outcomes. Additionally, the evaluation of these projects often faces data limitations and challenges in the structure of evaluability frameworks.

- 2.3 The proposal seeks to contribute to closing knowledge gaps on issues of Institutional Capacity, which will generate more effective tools to solve the problems of Institutional Capacity that afflict the region. This will also generate positive spillovers that impact on the production of more and better data, which can be used for decision-making by governments to produce diagnoses in governments on these issues, provide better services to citizens and reduce gender gaps, make visible and characterize the situation of different population groups in the countries of the region, and detect areas of priority for the bank's projects and better link them to environmental problems in order to contribute to decision-making regarding climate change and environmental sustainability. As an example, while there is currently information on gender alignment, there is no monitoring, at least in terms of institutional capacity, of progress in closing knowledge gaps regarding the impacts of the Bank's projects. In this sense, this TC will help better highlight gender gaps in these areas and the progress made in addressing them.
- 2.4 The motivation for the project is based on the central place that the IDB's institutional strategy places on generating impact and measuring the effectiveness of the bank's operations, particularly in the case of Institutional Capacity and Rule of Law, which is at the heart of the strategy to address the region's challenges and promote inclusive and sustainable development. There are currently gaps for improvement in the use of information from past operations and knowledge to guide the design and generation of knowledge in new operations. The project will seek to answer the question of which knowledge strategies the bank should prioritize in terms of Institutional Capacity, specially focusing on transversal systems, control systems and digital systems, and how to use the experiences of past operations in Institutional Capacity to optimize the design of new operations.
- 2.5 The proposal seeks to provide specialists with the tools and knowledge needed to design operations with the highest probability of success based on historical experience. In this context, success is measured based on the IDB operation evaluation framework: the Development Effectiveness Matrix (DEM), the Progress Monitoring Report (PMR) and the Project Completion Report (PCR). Additionally, this project pursues to enhance the division's ability to generate evidence of the impact of its operations and reduce the time it takes to access existing evidence on this topic, with a special emphasis on evidence relevant to LAC. Ultimately, the proposal aims to design more effective interventions using robust tools that deliver palpable benefits to citizens. Impact studies implemented or financed by the Bank will be part of the project. Special consideration will be given to instituting mechanisms to keep evidence up to date, such as the use of peer-reviewed machine learning, to ensure that information

remains relevant and up to date. By facilitating access to the existing body of evidence and identifying gaps, the project will contribute to improving the evaluability of the project and contribute to the development and guidance of strategic areas of work and indicators in the Sectoral Institutional Capacity Frameworks, the Corporate Results Framework and the Impact Framework.

- 2.6 The methodology that the project will use will result, among others, in artificial intelligence tools applied to historical data on operations information. A data model will be generated based on the operations information. Based on this, Key Performance Indicators (KPIs) will be created to determine the effectiveness of an operation. Finally, based on KPIs and historical information of the project, the probability of generating impact of a new project will be estimated. The tool aims to strategically define the opportunities for closing gaps in Institutional Capacity and the generation of knowledge on the subject and the allocation of resources to achieve greater impact. This requires the technical knowledge of the division specialized in this subject.
- 2.7 The Development Effectiveness Matrix or DEM is a list of good practice standards for designing and monitoring evidence-based projects. It also guarantees cost-benefit investments and the establishment of appropriate monitoring, risk management and evaluation mechanisms. The Progress Monitoring Report or PMR is a system that rates project execution in three categories as “problem”, “alert” and “satisfactory” based on a specific set of monitoring indicators and benchmarks, as well as a review by validators. The PMR is a valuable tool that allows the IDB to annually review how well projects are progressing to meet their initial financial and physical execution plan; unfortunately, there is no tool in the current design to monitor the progress of project results.
- 2.8 In tandem with these tools, the Project Completion Report or PCR records the achievement of project objectives. The report provides key stakeholders and shareholders with credible information on project performance. It examines project accountability and lessons learned, i.e., what worked and what did not during project design, implementation and closure. It employs impact assessments and economic analyses are tools used in this part of the process, among others.
- 2.9 Building on these essential instruments and leveraging historical data from evaluated projects available on the Bank's website, this project will seek to optimize the evaluation of Institutional Capacity projects in line with the promising knowledge of increasing the effectiveness of human decisions in other complex areas such as institutional capacity projects (Kleinberg et al., 2018a), analysis of unstructured data for diagnostics (Obermeyer et al., 2016), among others.
- 2.10 The type of interventions to be included in the project correspond to key proposals from the four thematic areas of the Innovation in Citizen Services Division (ICS) and may include, among others, interventions aimed at: (i) Public sector management (PSM), supporting the strengthening of the management capacity of the public administration to improve the lives of citizens and increase their trust in the State; (ii) Data and digital government (DDG), supporting the design and implementation of digital transformation plans and initiatives to improve the efficiency and quality of public services provided to citizens and businesses; (iii) Transparency and Integrity (TI), supporting transparency and integrity reforms aligned with international standards and enabled by digital technologies; and (iv) Digital Justice (DJ), helping LAC countries address their institutional capacity and integrity challenges that affect the rule of law, trust in public institutions, and, in turn, economic and social development.

- 2.11 **Beneficiaries.** The direct beneficiaries of the TC are the officials of the ICS projects who will close the institutional capacity gaps in their operations in a more effective way. The final beneficiaries are the citizens who receive goods and services from the governments of the countries prioritized for this TC. The countries of Colombia, Costa Rica, the Dominican Republic, Honduras, Paraguay and Perú were prioritized as the objectives of this TC align with their local development strategies. Furthermore, Colombia, Costa Rica, the Dominican Republic, and Honduras were selected due to the implementation of effectiveness pilots in these countries, as well as ongoing or planned operations by ICS and the active dialogues with their counterparts.
- 2.12 The project will seek to strengthen the Bank's capacity, through ICS, to design effective Institutional Capacity interventions that respond to the most important challenges in Latin America and improve the possibilities of measuring their impact in a strategic, systematic and effective manner.
- 2.13 **Strategic Alignment.** The TC is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) through its objectives of: (i) reducing poverty and inequality; (ii) addressing climate change; and (iii) bolstering sustainable regional growth. The first objective focuses on improving public sector management and promoting the digitalization of services. This TC aims to make services more efficient and accessible to the entire population, including the most vulnerable groups, contributing to poverty and inequality reduction. The second objective emphasizes that strengthening digital governance and institutional transparency can support public policies that are more sustainable and efficient, potentially favoring environmental and climate initiatives in the region, this will be achieved by seeking to partially close the information gap in terms of institutional capacity policies that contribute to climate change. Finally, the third objective promotes institutional capacity and governance, which are key for achieving more robust and sustainable economic development at the regional level. Additionally, the TC aligns with the following operational focus areas: (i) biodiversity, natural capital, and climate action; (ii) gender equality and inclusion of diverse population groups; and (iii) institutional capacity, rule of law, and citizen security.
- 2.14 Also, this TC aims to close knowledge gaps identified in the Sector Frameworks for Transparency and Integrity (points 3.24-3.35) and other Sector Frameworks that address knowledge gaps in Institutional Capacity in a cross-cutting manner. It also aligns with the priority area of "Effective, Efficient and Transparent Institutions" of the Strategic Program for Development (GN-281914). This alignment aims to achieve the following expected results: (i) strengthening the quality of institutions and policies, as well as the provision of services and implementation of policies, to enhance public management and promote private sector development; and (ii) leveraging digital transformation to foster more effective, efficient, and transparent governance, creating better and more equitable opportunities for citizens and supporting more productive and innovative businesses.
- 2.15 It aligns with Colombia's Country Strategy 2024-2027 (GN-3238-3) because it supports the objective of improving the government's strategic management capacity by addressing digitalization through enhancing the effectiveness of projects with these goals. Regarding Costa Rica's Country Strategy 2019-2022 (GN-2977¹), it supports projects that emphasize resilient infrastructure, private sector growth, and social

¹ Extended until December 31st, 2024 (GN-2977-2).

progress, positioning the country as a leader in sustainable development and providing efficient public services to immigrants. The Dominican Republic's Country Strategy 2021-2024 (GN-3084) promotes inclusive growth through greater public sector efficiency, sustainable recovery, and human capital development, aiming to increase transparency and improve public spending efficiency. Honduras' Country Strategy 2019-2022 (GN-2944²) focuses on enhancing the effectiveness of projects aimed at strengthening institutions, improving transparency, and reducing corruption, aligning with the specific objectives of similar goals. With Paraguay's Country Strategy 2019-2023 (GN-2958³), it aligns with increasing the effectiveness of projects that enhance public management and promote transparency while combating corruption, in addition to supporting the digital agenda. Lastly, Peru's Country Strategy 2022-2026 (GN-3110) supports projects that align with improving effectiveness in control mechanisms and boosting the institutional structure and effectiveness of public administration.

III. Description of activities/components and budget

3.1 **Component 1. Improvement the ability to design institutional capacity interventions that can be measured and evaluated more rigorously (US\$50,000).**

It seeks to increase the effectiveness of institutional capacity interventions by generating solutions that better align with development objectives and allow for the creation of evidence on how to close knowledge gaps in the most critical institutional capacity issues in the region⁴. This includes:

3.1.1 Paper with the inclusion of the design of the effectiveness model for institutional capacity operations delivered.

3.1.2 Workshop presenting the model.

3.2 **Component 2. Design and delivery of evaluations about the effects of Knowledge for results methodology (US\$70,000).**

This component seeks to systematically analyze the impact of the Knowledge for Results (K4R) approach on institutional reforms in the Andean Region. This includes:

3.2.1 Design and monitoring KPIs in two targeted K4R interventions in the Andean Region including its baselines and data mining for conducting the evaluations.

3.2.2 Design and conduct two evaluations incorporating experimental or quasi-experimental methods for analyzing institutional changes generated with the K4R program in the Andean Region.

3.3 The total cost of this TC will be US\$120,000 and will be financed with ordinary capital (OC SDP Window 2 – Institutions (W2C)). The following table includes the main activities and their costs.

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Total Funding
Component 1. Improvement the ability to design institutional	1.1 Paper with the inclusion of the design of the effectiveness model for	US\$50,000	US\$50,000

² Extended until 31 December 2024 (GN-2944-2).

³ New IDB Group Country Strategy with Paraguay 2024-2028 currently in preparation.

⁴ This includes issues as Gender and Diversity, Climate Change, among others.

Activity/Component	Description	IDB/Fund Funding	Total Funding
capacity interventions that can be measured and evaluated more rigorously	institutional capacity operations delivered.		
	1.2 Workshop presenting the model.		
Component 2. Design and delivery of evaluations about the effects of Knowledge for results methodology	1.1 Design and monitoring Key Performance Indicators (KPI) in two targeted K4R interventions in the Andean Region including its baselines and data mining for conducting the evaluations.	US\$70,000	US\$70,000
	1.2 Design and conduct two evaluations incorporating experimental or quasi-experimental methods for analyzing institutional changes generated with the K4R program in the Andean Region.		
Total		US\$120,000	US\$120,000

IV. Executing agency and execution structure

- 4.1 The executing agency will be the Inter-American Development Bank through the Innovation for Citizen Services Division (IFD/ICS). The decision to designate the IDB as the executing agency is due to the regional scope and the Research and Dissemination taxonomy of the TC, as the Bank's involvement in the contracting process ensures smooth execution and sustainability throughout the project lifecycle, this in accordance with the Annex II of Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4, Paragraph 1.1.).
- 4.2 The overall coordination and technical supervision of the operation will be the responsibility of the Innovation for Citizen Services Division (IFD/ICS) with the respective country office of the beneficiary countries. All activities will be informed to the Chief of Operations in Colombia, Costa Rica, the Dominican Republic, Honduras, Paraguay and Perú. No supervision costs for COF are expected. The team leader and co-leader will be supervising this TC, which includes a Results Matrix that will help monitor and evaluate the fulfillment of the committed products.
- 4.3 **Procurement.** The activities to be executed under this operation will be included in the Procurement Plan and carried out in accordance with the Bank's established procurement methods, namely: (i) hiring of individual consultants, as established in the regulations AM-650; and (ii) hiring of consulting firms for services of an intellectual nature and the contracting of logistics services and non-consulting services, according to the Corporate Procurement Policy (GN-2303-33) and its associated Guidelines.
- 4.4 Intellectual Property Rights Arrangements. All knowledge products derived from this Technical Cooperation including any platforms, tools, or materials developed will be

the intellectual property of the Bank. Only bank data will be used; no personal data will be used.

V. Major issues

- 5.1 One of the main risks associated with this TC is the limited adoption of the generated products, such as studies, tools, models, and solutions. To mitigate this risk, the TC team will work in close coordination with team leaders and country offices, ensuring the products' relevance and promoting their adoption.

VI. Exceptions to Bank policy

- 6.1 This TC does not contemplate any exceptions to the Bank policies.

VII. Environmental and Social Aspects

- 7.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Results Matrix_85814.pdf](#)

[Terms of Reference_68837.pdf](#)

[Procurement Plan_45965.pdf](#)