DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

HOUSING AND URBAN DEVELOPMENT (HUD) IMPACT TOOLKIT

(RG-T4833)

PROJECT DOCUMENT

This document was prepared by the project team consisting of: Team Leader: Gallego Duran, Jorge Andres (CSD/HUD); Alternate Team Leader: Lopez-lamia, Alejandro (CSD/HUD); Attorney: Mendoza Benavente, Horacio (LEG/SGO); Team Members: Acevedo Alameda, Paloma (CSD/CSD); Avila, Francy Dianela (CSD/HUD); Chaparro Garzon, Ana Isabel (TTD/TTR); De Barros Torres Gabriel (CSD/HUD); Freixinos Espin, Jose (TTD/TTR); Gallego Lizon, Tatiana (CSD/HUD); Hernandez Yader Antonio (CSD/HUD); Libertun De Duren, Nora Ruth (CSD/HUD); Soulier Faure, Martin Nicolas (CSD/HUD);

REGIONAL
HOUSING AND URBAN DEVELOPMENT (HUD) IMPACT TOOLKIT
RG-T4833

PROJECT SUMMARY	
Operation Type:	Technical Cooperation
Sector:	URBAN DEVELOPMENT AND HOUSING
Subsector:	HOUSING
TC Taxonomy:	Research and Dissemination
Project Number under the Operational Support Taxonomy:	N/A
Technical Responsible Unit:	CSD/HUD-Housing & Urban Development
Unit with Disbursement Responsibility (UDR):	CSD/HUD-Housing & Urban Development
Executing Agency:	Inter-American Development Bank

PROJECT OBJECTIVE
Enhance the performance and effectiveness of HUD operations to increase the Bank's development impact in housing and urban development in Latin America and the Caribbean.

FINANCIAL INFORMATION		
Financing Type	**Fund**	**Amount in US$**
TCN - Nonreimbursable	W2A - OC SDP Window 2 - Sustainability	150,000
	Total IDB Financing	**150,000**
	Counterpart Financing	**0**
	Total Project Budget	**150,000**
Donors:	N/A	
Disbursement Period:	36 months	
Execution Period:	36 months	

ADDITIONAL FINANCIAL INFORMATION
N/A

I. JUSTIFICATION AND OBJECTIVE

1.1 **Diagnostic.** The Housing and Urban Development Division (CSD/HUD) plays a critical role in the Bank's mission to promote inclusive, resilient, and sustainable cities across Latin America and the Caribbean (LAC). Yet, despite its relevance, CSD/HUD has faced persistent challenges in achieving strong development results. Between 2018 and 2023, 77 percent of CSD/HUD operations evaluated by OVE received negative overall ratings—compared to 45% Bank-wide—reflecting systematic underperformance in key criteria: relevance (35% vs. 15%), effectiveness (94% vs. 69%), efficiency (71% vs. 51%), and sustainability (61% vs. 32%).

1.2 These figures reveal structural and operational gaps that undermine CSD/HUD's capacity to translate sound technical designs into effective and sustainable results on the ground. Several interrelated factors explain this performance gap:

1.3 Weaknesses in the vertical logic of projects—the causal links between activities, outputs, outcomes, and impacts—often limit evaluability and the clarity of how interventions lead to expected results. According to OVE's validation of PCRs conducted between 2018 and 2023, 57% of CSD/HUD projects presented issues in their vertical logic, either at approval (39%) or during implementation (35%).

1.4 The limited use of empirical evidence during project design constrains the ability to identify what works under different contexts or to incorporate lessons from past operations. In many cases, project solutions are not grounded in rigorous causal studies that demonstrate their effectiveness in addressing the specific development challenges they aim to solve.

1.5 An inconsistent formulation of indicators across projects reduces the comparability and predictive value of the Bank's results frameworks, making it harder to monitor progress or identify early warning signals of underperformance. OVE's validations show that 87% of CSD/HUD operations presented monitoring and evaluation (M&E)-related issues, with insufficient indicators (48%) and poor indicator quality (35%) being among the most common causes.

1.6 Heterogeneity in the rigor of economic analyses—particularly Cost-Benefit Assessments (CBA) and Cost-Effectiveness Assessments (CEA)—creates inconsistencies in how efficiency and value for money are measured across CSD/HUD's portfolio. The validations show that 38% of the operations had an unreliable economic analysis, while 29% did not include one at all. In this way, in addition to other critical factors such as execution quality, monitoring systems, and the sustainability of results, problems related to vertical logic, the formulation of outcome indicators, and heterogeneity in economic evaluations largely explain the negative performance of operations at closing.

1.7 **Justification.** These gaps are not due to lack of commitment or technical capacity within CSD/HUD but instead to the absence of integrated, user-friendly analytical tools that support staff throughout the project cycle—from conceptualization to supervision and ex-post evaluation. Current systems and templates provide valuable information, but they do not yet offer a consolidated, evidence-based framework for improving design quality, indicator selection, and economic

justification in a coordinated manner. As a result, learning remains fragmented, and opportunities to institutionalize good practices are often missed.

1.8 Against this backdrop, the HUD Development Impact Toolkit seeks to address these challenges through the development of three interconnected instruments: (i) Evidence-based Theories of Change (eToC) that link interventions to empirically grounded causal pathways and integrate evidence from a Living Evidence Gap Map; (ii) a Results Indicators Recommendation System that uses artificial intelligence (AI) to suggest the most relevant and high-performing indicators from the SPD Indicator Catalog; and (iii) Economic Analysis Guidelines that harmonize methodological standards and provide practical resources for CBA and CEA assessments in CSD/HUD operations. Together, these tools will strengthen the analytical foundations of CSD/HUD projects, enhance their evaluability and cost-effectiveness, and ultimately improve the Division's contribution to the Bank's overall development impact.

1.9 **Objective.** The General Objective of this Technical Cooperation (TC) is to enhance the performance and effectiveness of CSD/HUD operations to increase the Bank's development impact in housing and urban development in LAC. The Specific Objectives are: (i) Strengthen the relevance of CSD/HUD operations—specifically their vertical logic—through the development of four eToC complemented by a Living Evidence Gap Map to ensure a solid foundation in causal evidence; (ii) Improve the effectiveness of CSD/HUD operations—particularly their M&E systems—by developing a Results Indicators Recommendation System that leverages historical data and AI to guide indicator selection and expand options through alternative, tech-enabled metrics; and (iii) Enhance the estimation of efficiency in CSD/HUD operations by producing methodological guidelines for conducting CBA and CBA tailored to housing and urban development projects, including tools for implementation and staff training.

1.10 This TC is expected to strengthen the Bank's institutional capacity to design, monitor, and evaluate CSD/HUD operations through systematic use of evidence, standardized methodologies, and digital innovation. By integrating empirical research, AI, and economic analysis into a unified toolkit, the initiative will foster a stronger results culture within CSD/HUD—enhancing the coherence, evaluability, and efficiency of its operations. It will also contribute to institutional learning by embedding eToC, smarter indicator selection, and harmonized cost-benefit and cost-effectiveness practices into project preparation and supervision. Ultimately, the TC will help consolidate a sustainable analytical infrastructure that supports continuous improvement, transparency, and accountability in the Division's contribution to the Bank's development impact.

1.11 **Strategic Alignment.** This initiative aligns with the objectives and priorities of the OC-SDP Window 2 – Sustainability (W2A), which supports technical cooperation projects that strengthen climate change adaptation, environmental sustainability, disaster and climate risk management, and the institutional capacities needed for sustainable territorial development. The TC contributes to these aims by generating knowledge, tools, and systems that improve the design, monitoring, and evaluation of housing and urban development operations, thereby supporting resilient and environmentally sustainable interventions across borrowing member

countries. It is strongly aligned with ongoing development effectiveness (DE) reforms under the Bank's Impact+ strategy. First, it complements SPD's Indicator Catalog by enhancing its utility with a recommendation system that leverages validation experience and AI, helping to bridge the gap between design and evaluability. Second, it supports the Bank's new project templates and digital tools, which emphasize the use of Theories of Change. The proposed eToCs and their digital platform are directly aligned with this shift. Third, the initiative operationalizes the principles of the Development Effectiveness Policy Framework (DEPF), particularly its focus on strengthening results orientation, evaluability, and adaptive management. Fourth, it contributes to the Bank's digital transformation and AI adoption efforts by creating modular, interoperable tools that can integrate with platforms such as sgDELTA.

1.12 Additionally, it reinforces the implementation of the Climate Change and Sustainability Department's (CSD) DE Action Plan, addressing core effectiveness barriers in CSD/HUD. The initiative is entirely consistent with the Bank's push toward evidence-informed, tech-enabled, and scalable solutions, and contributes to a more cohesive and impactful approach to project design and delivery.

II. COMPONENTS

2.1 **Component 1**. **Evidence-Based Theories of Change (eToC) Platform (US$90,000).** It will consist of a digital platform that hosts flexible yet standardized theory of change templates for CSD/HUD's four main areas: Housing, Neighborhood Upgrading, Urban Development, and Historic Area Revitalization. The platform will be connected to a Living Evidence Gap Map that will provide empirical evidence for the ToC. Activities include (i) diagnostics; (ii) evidence Review; (iii) development of the ToC templates; (iv) development of the EGM; (v) development of the eToC platform; and (vi) dissemination and training. The expected result will be to strengthen the relevance of CSD/HUD operations, specifically their vertical logic.

2.2 **Component 2. Results Indicators Recommendation System (US$35,000).** It will consist of a system that will integrate AI to suggest results indicators with higher success probabilities. The system will also have a forward-looking functionality, so that, if requested by the user, it can recommend innovative indicators that have not been used in the past (e.g., using alternative information sources such as Big Data or satellite imagery), but that meet SMART criteria and have a high likelihood of successfully measuring, at project completion, the achievement of project objectives. It will enhance the utility of SPD's Indicator Catalog by providing evidence-based guidance on indicator selection. Activities include: (i) review of historical outcome indicators' performance; (ii) development of the Indicators Recommendation System; (iii) development of the Generative AI-powered indicators platform; and (iv) dissemination and training.

2.3 **Component 3. Economic Analysis Guidelines (US$25,000).** It will consist of a set of methodological guidelines for conducting CBA and CEA in CSD/HUD projects, complemented by a dedicated microsite hosting templates, examples, and consultant terms of reference (ToRs). Activities include: (i) review of economic

analysis methods and historical performance; (iii) joint workshop with CSD/HUD, SPD, and OVE specialists; (iii) development of the guidelines; (iv) development of the microsite; and (v) dissemination and training.

2.4 **Expected Results**. The expected result of the eToC Platform is to enhance the relevance and evaluability of CSD/HUD operations by providing standardized, evidence-based causal models that strengthen their vertical logic and connection to empirical evidence. The expected result of the Results Indicators Recommendation System is to enhance the effectiveness and measurability of CSD/HUD projects by utilizing AI-assisted selection of indicators with higher predictive value and alignment to outcomes. The expected result of the Economic Analysis Guidelines is to increase the efficiency and comparability of operations by standardizing methodologies for cost-benefit and cost-effectiveness analysis. The expected overall impact of the TC is to strengthen the Division's institutional capacity to design, monitor, and evaluate projects with greater rigor, consistency, and evidence-based decision-making.

III. BUDGET

3.1 The total budget for this TC is USS$150,000, financed by the IDB through the OC Strategic Development Program (SDP) Window 2 - Sustainability, W2A to support the Portfolio Effectiveness Enhancement Initiative of the Development Effectiveness Intelligence Fund 2025. No local counterpart contributions are expected (nor in kind or cash).

Components	Amount ($) (W2A-OC SDP)	Total
Component 1. Evidence-Based Theories of Change (eToC) Platform	90,000.0	**90,000.0**
Component 2. Results Indicators Recommendation System	35,000.0	**35,000.0**
Component 3. Economic Analysis Guidelines	25,000.0	**25,000.0**
Total	**150,000**	**150,000**

IV. EXECUTION STRUCTURE

4.1 **Executing agency and execution structure**. The TC will be executed by the Inter-American Development Bank, in accordance with the Bank's Technical Cooperation Policy (GN-2470-2) and the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4), CSD/HUD will be responsible for the technical supervision and administration of the TC's activities, which requires consensus and coordination among multiple entities within the institution. The Bank, in its role as a Knowledge Bank, has the potential to promote dialogue and manage the activities and resources necessary to develop this impact toolkit.

4.2 **Procurement**. All procurement to be executed under this Technical Cooperation have been included in the Procurement Plan (Annex IV) and will be hired in compliance with the applicable Bank policies and regulations as follows: (a) Hiring of individual consultants, as established in the regulation on Complementary Workforce (AM-650) and (b) Contracting of services provided by consulting firms in accordance with the Corporate procurement Policy (GN-2303-33) and its Guidelines.

4.3 In accordance with the Bank's intellectual property policy (AM-331), all documents, knowledge products, and outputs generated under this Technical Cooperation will be the property of the Inter-American Development Bank. The Bank retains all rights to use, reproduce, and disseminate these materials, unless otherwise agreed. In specific cases, licenses may be granted to beneficiaries or third parties for the use of such products, subject to prior written agreement and consistent with Bank policies. Appropriate acknowledgments will be included in all publicly shared outputs.

4.4 The CSD/HUD team leader will supervise and execute this TC, working closely with IDB's Country Offices. Disbursements will be made from the IDB Headquarters, with the support of the IDB's Administrative Services and Corporate Procurement Division. The project team leader will monitor the TC by the approved budget and result matrix. It will be conducted annually, by the Bank's procedure for TC reporting, and will not require additional funding.

V. POTENTIAL RISKS

5.1 This is an ambitious initiative, and several implementation risks must be carefully managed.

5.2 There is a risk that time and resources may be insufficient to deliver all products with the expected quality. To mitigate this, the project has been designed with clear timelines, phased implementation, and deliverables that can generate value even if partially completed.

5.3 Ensuring adoption by CSD/HUD specialists is critical. Early engagement, co-creation of tools, and capacity-building workshops will foster ownership and institutional buy-in, promoting a collaborative approach. To ensure sustainability, the TC will embed the toolkit's components into HUD's regular operational and knowledge workflows. The Living Evidence Gap Map and AI system will be maintained through continuous updates coordinated with HUD's Development Effectiveness focal point, leveraging institutional support from the Knowledge and Learning Division and IT departments. Periodic reviews will ensure that methodologies, datasets, and algorithms remain aligned with evolving evidence, technologies, and Bank priorities.

5.4 Developing eToCs poses challenges due to the complexity and context-dependence of causal logic. To mitigate this, the eToCs will be flexible and modular, providing building blocks rather than rigid templates. Fourth, maintaining a "living" evidence map requires regular updates; this will be addressed by using replicable search protocols and semi-automated update mechanisms.

5.5 The use of Large Language Models (LLMs) in the indicator recommendation system introduces risks (e.g., hallucinations, data privacy). The system will be designed with human-in-the-loop validation and internal-only data handling.

5.6 Standardizing economic analysis practices across diverse contexts is a complex task. This risk will be addressed through a participatory guideline development process with SPD and OVE, ensuring relevance, credibility, and legitimacy.

VI. EXCEPTIONS TO BANK POLICIES

6.1 There are no exceptions to the Bank's policy.

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:

- Annex I: Request from Client (N/A)
- Annex II: Results Matrix
- Annex III: Terms of Reference
- Annex IV: Procurement Plan