DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

DRIVING IMPACT OF FISCAL SECTOR PROJECTS THROUGH STRATEGIC DEVELOPMENT EFFECTIVENESS

(RG-T4967)

PROJECT DOCUMENT

This document was prepared by the project team consisting of: Team Leader: Yarygina Udovenko, Anastasiya (IFD/FMM); Alternate Team Leader: Radics, Gustavo Axel (IFD/FMM); Attorney: Mendoza Benavente, Horacio (LEG/SGO); Team Members: Astudillo, Karen (IFD/FMM); Cerritos Ascencio , Monica (IFD/FMM); Destefano , Maria Elisa (IFD/FMM); Kevish, Maria Lorena (IFD/FMM); Martinez Aguero Rolando Antonio (IFD/FMM).

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PROJECT SUMMARY		
Operation Type:	Technical Cooperation	
Sector:	REFORM / MODERNIZATION OF THE STATE	
Subsector:	FISCAL POLICY FOR SUSTAINABILITY AND GROWTH	
TC Taxonomy:	Research and Dissemination	
Project Number under the Operational Support Taxonomy:	N/A	
Technical Responsible Unit:	IFD/FMM-Fiscal Management Division	
Unit with Disbursement Responsibility (UDR):	IFD/FMM-Fiscal Management Division	
Executing Agency:	Inter-American Development Bank	
PROJECT OBJECTIVE		
The general objective of this TC is to generate knowledge to foster the effectiveness of fiscal interventions. The specific objectives are: (i) strengthen technical foundations and methodological quality of fiscal interventions; (ii) strengthen operational capacities to adapt to evolving corporate standards; and (iii) promote knowledge management, learning, and dissemination mechanisms.		
FINANCIAL INFORMATION		
Financing Type	**Fund**	**Amount in US$**
TCN - Nonreimbursable	P3A - OC SDP Pillar 3 - Institutional Capacity, Rule of Law, and Citizen Security	250,000
	Total IDB Financing	**250,000**
	Counterpart Financing	**0**
	Total Project Budget	**250,000**
Donors:	N/A	
Disbursement Period:	36 months	
Execution Period:	36 months	
ADDITIONAL FINANCIAL INFORMATION		
N/A		

I. JUSTIFICATION AND OBJECTIVE

1.1 **Diagnostic.** The countries of Latin America and the Caribbean face the challenge of maximizing the impact of their fiscal policies in a context of limited fiscal space and growing social demands, in addition to challenges related to recurrent episodes of macroeconomic instability and the present and future effects of climate change. Over the past decade, the region's fiscal policy and management have been challenged by a limited capacity to boost economic growth, promote investment, and respond to social demands. This fiscal contribution has been limited by weaknesses in institutional frameworks, the high procyclicality of fiscal policy, and the numerous technical and allocative inefficiencies of public spending that negatively affect the business environment and the provision of services. Likewise, the problems of targeting spending and the disincentives to formality reduce the redistributive impact necessary to respond to these social demands (SFD de Gestión Fiscal del Grupo BID, 2022). Therefore, in the face of resource constraints, improving the effectiveness and impact of fiscal sector interventions is a strategic priority to preserve the sustainability of public finances (Pineda et al., 2023), which involves strategically improving the effectiveness of the Bank's fiscal sector interventions and addressing the pressing challenges of low efficiency of fiscal management (Ayres y Juvenal, 2026; Ayres et al., 2025) In this context, ensuring and demonstrating the effectiveness of the Bank's fiscal sector interventions is critical. However, historically the sector has recorded low effectiveness ratings. Recent internal[1] show that effectiveness remains the weakest evaluation criterion for the Fiscal Management Division (FMM): in recent years, only 25% of fiscal projects were rated as effective and, although in 2025 an improvement is observed (reaching 43%), performance remains below desirable benchmarks. These low ratings have limited the sector's ability to consistently demonstrate the achievement of development outcomes.

1.2 To understand this problem and formulate an appropriate response, it is necessary to analyze gaps that restrict the impact of interventions and develop methodologies, studies, and tools that allow them to be closed. Weaknesses persist in the analytical, conceptual, and methodological foundations that underpin the design, monitoring, and evaluation of fiscal sector interventions, limiting their ability to demonstrate development outcomes in a robust and attributable manner. Recent quality-at-entry assessments show that a relevant proportion of operations continue to present limitations in aspects such as (i) the formulation of theories of change; (ii) economic analysis; and (iii) the construction of results frameworks[2]:

1.3 The first challenge is the need to adapt the logic of fiscal interventions to the evaluation framework focused on the population as the final beneficiary. This is due to the nature of fiscal sector interventions, which have institutions as the direct beneficiary, while citizens are indirect beneficiaries. This introduces an additional degree of complexity into the mechanisms of transmission of impacts and results of fiscal interventions, unlike other sectors that reach the final public in a more

[1] Primary Source: FMM Portfolio Review VPS Submission, November 2025.

[2] In particular, historically FMM has a higher proportion of projects with project logic scores, quality of monitoring and evaluation arrangements, and ex-ante economic analysis below 7 compared to the IDB and Management average (source: FMM Portfolio Review VPS Presentation, November 2025).

direct way (e.g., interventions that benefit families with connection to the health network, school coverage, vaccine distribution, etc.). The logical chain is even more complex in interventions based on legal and institutional reforms which, by their nature, create an enabling environment for future behavioral changes in institutions and populations, and in projects that seek to change the behavior of institutions through incentives[3].

1.4 Another relevant challenge is the adequacy of the efficiency analysis of fiscal sector projects, usually focused on more efficient use of public resources, within the framework of the economic analysis of welfare[4]. The lack of a standard and generally accepted methodology to demonstrate that the most efficient use of resources has impacts on well-being affects the rating of fiscal sector interventions in design and closure. The challenge of methodological adequacy of economic analyses is even greater in evaluations of the efficiency of fiscal incentive interventions that seek to produce improvements in institutional fiscal performance through behavioral changes, despite extensive empirical evidence of the effectiveness of such interventions[5].

1.5 Also, unlike other sectors, the fiscal sector does not have standardized and sustained information collection systems (e.g., household surveys). Assessments of the capacities of fiscal sector institutions are sporadic and on-demand (for example: Public Expenditure and Financial Accountability (PEFA), Tax Administration Diagnostic Assessment Tool (TADAT), Methodology for Assessing Procurement Systems (MAPS)). In addition, the vast majority of specific metrics of the institutional capacity of fiscal institutions are usually restricted and not public[6]. This constitutes a challenge for the collection of information on outcome and impact indicators during fiscal interventions in the design, execution, and closure phases[7]. This results in restrictions on the quality of the design of fiscal sector operations, limits their evaluability, and affects the possibility of measuring and demonstrating the effectiveness and impact of fiscal sector interventions.

1.6 Finally, efforts to systematize and disseminate lessons learned and findings from the implementation and evaluation of fiscal sector interventions, as well as to disseminate evaluation and effectiveness tools, are still limited, making it difficult to institutionalize good practices and empower operational teams. This is in addition to the limitations in the availability of permanent spaces for training,

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3 In FMM project pipeline for 2026, loans seeking behavioral changes (investment incentives and policy-based) comprise 44.55% of project resources.

4 Required by the evaluation framework of the ex-ante and ex-post projects.

5 See project documents for 6106/OC-ME .

6 Indicators related to efficiency and effectiveness of processes (e.g. processing times, percentage of digitized procedures or services, tax non-compliance detection times), resource mobilization capacity (e.g. tax gap disaggregated by tax, levels of evasion and under-reporting by segment, additional collection attributable to control and inspection actions, tax debt recovery rate), expenditure efficiency (e.g., cost overruns in public procurement, savings in procurement, deviations in the costs of investment projects, variations between estimated costs and actual costs), among others, are based on protected microdata and are not usually for public use.

7 For example, of 8 project evaluation reports that are being prepared this year, 5 do not have the information for all impact and result indicators. Gathering a minimum required inofrmation for a specific project benfiting subnational goberments required designing ad-hoc surveys of the beneficiaries which implied a high cost of preparation, implementation and future analysis.

technical exchange, and applied learning, which prevents promoting a homogeneous understanding of corporate standards, methodologies, and tools of effectiveness within the sector.

1.7 This Technical Cooperation (TC) responds directly to these needs. The main beneficiary countries of the TC will be Brazil, Argentina and Paraguay, due to the high concentration of the FMM portfolio in Argentina and Brazil[8], and specific challenges in execution and closure of fiscal sector projects in Paraguay[9].

1.8 **Request.** In line with the Research and Dissemination (R&D) taxonomy of this Technical Cooperation, the initiative arises from the strategic interest of the Inter-American Development Bank (IDB) in strengthening the effectiveness in the development of its interventions, in line with the institutional agenda of the Impact Framework (2024–2030) and the evolution of the corporate effectiveness framework. In particular, this CT aligns with the Impact Framework 2024-2030: Executive Summary BID, which establishes guidelines to ensure consistency in the measurement, reporting, and monitoring of results, as well as the quality of data and transparency in the evaluation of institutional performance. This framework reinforces the importance of defining expected contributions to results from the design stage, strengthening the quality of monitoring systems, and ensuring traceability of results throughout the project cycle.

1.9 **Objective.** The general objective of this TC is to generate knowledge to foster the effectiveness of fiscal interventions. The specific objectives are: (i) strengthen technical foundations and methodological quality of fiscal interventions; (ii) strengthen operational capacities to adapt to evolving corporate standards; and (iii) promote knowledge management, learning, and dissemination mechanisms.

1.10 By achieving these objectives, TC is expected to generate concrete results, including: strengthening methodological and analytical standards applied in the design and evaluation of fiscal sector interventions; the implementation of recommendations and lessons learned that strengthen the capacities of beneficiary countries in project evaluation and development effectiveness; and sustained improvements in fiscal sector evaluability and effectiveness indicators, helping to strengthen analytical bases, improve intervention design and enhance capacity to generate and demonstrate attributable and sustainable development outcomes.

1.11 **Complementarity.** This TC complements the Bank's operational program by strengthening the effectiveness in the development of fiscal sector operations, improving the individual quality of projects and generating an additional and measurable impact. As for the work of technical assistance in terms of evaluation

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8 For example, in 2026, Argentina and Brazil cover 46.08% of FMM project in preparation portfolio. In 2021-2026, these two countries and Paraguay concentrated 39.59% of FMM projects.

9 Preparing the project completion report of the Program to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 in Paraguay, methodological challenges related to non-standardized mechanisms of documentation and collection of the indicator information, required additional methodological reviews and validations of indicators for six out of 17 project outcomes affecting two of three project specific objectives.

and effectiveness, this TC complements and deepens previous efforts to strengthen the effectiveness and evaluability of interventions in the fiscal sector. In particular, it continues and deepens the support provided through the TCs Advanced Technical Guides for Preparing and Executing Fiscal Projects (ATN/OC-18893-RG) and Improving the Effectiveness of Fiscal Operations (ATN/FI-20525-RG;ATN/OC-19395-RG), which laid the foundations for technical support to the fiscal sector in terms of execution and effectiveness[10]. This TC complements the efforts channeled through the TC Impact of Fiscal Policy in Latin America and the Caribbean (LAC) (ATN/OC-21836-RG), which aims to strengthen the evidence base on the effectiveness of fiscal interventions through impact evaluations and advanced analytical methodologies, of the TC "Evaluation of Program for the Modernization of Fiscal Management in Brazil (PROFISCO)" (ATN/OC-21379-BR) oriented to the design and implementation of rigorous evaluations to analyze the impact of fiscal modernization programs. Likewise, this TC is complementary to the work of the Fiscal Management Division in the generation and dissemination of knowledge, including Economic and Sector Work (ESW) products[11].

1.12 **Strategic Alignment.** This TC is consistent with the IDB Group's Institutional Strategy: Transformation for Greater Scale and Impact (GN-3159-12) and aligns with the objective of reducing poverty and inequality through strengthening the effectiveness of fiscal policy and management interventions, leading to improved allocation and use of public resources and better development outcomes. It also aligns with the operational focus area of institutional capacity, rule of law, and citizen security by supporting the development of institutional capabilities for the design, implementation, and evaluation of fiscal interventions, and promoting evidence-based decision-making and improved transparency in public management.

1.13 The TC also aligns with the Pillar 3: Institutional Capacity, Rule of Law, and Citizen Security (P3A) of the Ordinary Capital Strategic Development Program (OC-SDP) (GN-2819-25) through the development of tools, methodologies, and knowledge products that enhance institutional performance, improve public expenditure quality, and strengthen fiscal management practices. Additionally, the TC is aligned with the Sectoral Framework for Fiscal Policy and Management (GN-2831-13), which highlights the importance of promoting actions to strengthen fiscal sustainability in the medium term.

1.14 This proposal is aligned IDB Country Strategies (CS) for Brazil, Paraguay and Argentina. For Brazil with the Brazil and IDB Group Strategic Agreement. Country Strategy 2024-2027 (GN-3243-3), through the strategic objective of strengthening public sector sustainability and government efficiency by improving the fiscal situation and expanding the digital transformation of subnational governments. For Paraguay with the Paraguay and IDB Group Strategic Agreement. Country Strategy 2025-2029 (GN-3261-3), with the transversal axis of Institutional

[10] The TCs focused on the development of operational tools, technical guides, knowledge generation and capacity building to improve the design, execution and evaluation of fiscal interventions.

[11] In the last 2 years, the Fiscal Management Division implemented 15 ESWs, of which 10 are related to evaluation of fiscal interventions.

Strengthening to Improve Efficiency and Transparency in the Public Sector, contributing methodological tools to reinforce macro-fiscal institutional capacity, enhance continuous improvement in expenditure quality, and promote evidence-based decision-making. For Argentina with the Strategic Agreement between Argentina and the IDB Group. Country Strategy 2025 – 2028 (GN-3288) through Pillar 1 of reforming the tax system towards efficiency and sustainability, with the expected results of: (i) greater technical and allocative efficiency of public spending; and (ii) greater efficiency in tax collection.

II. COMPONENTS

2.1 **Component 1. Strengthening analytical and design foundations of fiscal sector interventions (US$100,000).** The objective of this component is to strengthen operational capacities to attend the development effectiveness framework requirements taking into consideration the specificities of the fiscal sector operations. Particularly, the component will finance consultancies to support the activities focused on (i) development of standardized theories of change and causal chain frameworks, (ii) development of the standardized methodology for evaluation of specific evaluation criteria with the focus on economic analysis, and (iii) interventions' evaluations.

2.2 **Component 2: Strengthening the evaluability of fiscal sector interventions (US$100,000).** This component aims to strengthen the measurement and monitoring of the results of fiscal sector interventions by developing the tool for diagnosing and monitoring institutional capacity metrics to inform the design and evaluation of fiscal interventions. The component will fund consultancies (individual and firms) focused on the design of a simplified diagnostic tool based on existing good practices and international frameworks (PEFA, TADAT, MAPS, MD-GEFIS) to inform the definition of SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) indicators in project design, facilitate the monitoring of the progress of the results of fiscal interventions, and measurement of the achievement of objectives at closing, including (i) the development of a conceptual framework for the tool, (ii) pilot implementation, and (iii) the preparation of evaluation reports based on its application.

2.3 **Component 3: Dissemination of knowledge and learning (US$50,000).** This component aims to promote the dissemination of knowledge and lessons learned related to the effectiveness of fiscal sector interventions. The component will finance: (i) workshops and knowledge-sharing events with country counterparts; and (ii) the preparation and dissemination of knowledge products, including publications and studies on lessons learned and good practices.

2.4 **Expected Results.** The expected result of this TC is the institutional strengthening of beneficiary countries fiscal institutions to improve the evaluability and effectiveness of fiscal sector interventions and enhance evidence-based decision-making capabilities. Ultimately, this institutional strengthening is expected to lead to enhanced capacities in LAC countries to execute fiscal projects. Additionally, the activities of this TC will advance the knowledge base established by previous effectiveness initiatives by deepening the understanding of fiscal intervention determinants in highly complex contexts. Building on existing effectiveness frameworks, this TC will generate specialized knowledge through the development of standardized theories of change and causal chain frameworks, and the design of a simplified diagnostic tool based on international best practices. To pilot these methodologies, the TC will implement quasi-experimental evaluations to assess the results and inform the design of fiscal sector interventions. These tools will fill critical gaps regarding the evaluability of interventions in environments where traditional approaches are not sufficient, and those caused by the limited availability of publicly accessible data on fiscal sector institutions' capacity. Finally, the enhanced understanding will be disseminated through specialized technical notes and knowledge-sharing workshops, enabling country counterparts to better anticipate implementation challenges and design more robust interventions. This specialized knowledge will improve the effectiveness of loans under execution and inform the design of new operations, thus contributing to the Bank's operational program in contexts where traditional evaluability approaches require adaptation to demonstrate sector impact.

2.5 **Beneficiaries.** The direct beneficiaries of this TC are the executing agencies of Fiscal Sector Projects (Ministries and Secretariats of Finance, and tax administrations) in Argentina, Brazil and Paraguay. These institutions will benefit from enhanced analytical capabilities, evidence-based policy frameworks, and improved technical tools for designing, implementing, and evaluating fiscal interventions. The technical assistance provided through this technical cooperation will strengthen their institutional capacity to develop robust theories of change, implement methodological tools and evaluations to improve evaluability and demonstrate the effectiveness and impact of the fiscal sector interventions. The indirect beneficiaries include other fiscal sector institutions in the region, and executing agencies of fiscal sector projects, that will benefit from the shared knowledge products, methodological frameworks, and analytical tools developed through this TC. The findings and lessons learned will be made available to the broader regional community through dissemination activities, contributing to the Bank's regional knowledge base on fiscal policy effectiveness. Ultimately, the interventions will improve the effectiveness and impact of fiscal sector interventions contributing to higher quality and greater efficiency of public spending, greater effectiveness of the tax system as a whole, and a more significant redistributive impact of fiscal policies in the region.

III. BUDGET

3.1 **Budget.** The total cost of the TC is US$250,000 which will be financed entirely by the Bank through the Pillar 3: Institutional Capacity, Rule of Law, and Citizen Security (P3A) of the Ordinary Capital Strategic Development Program (OC-SDP) No local counterpart contribution is expected. No additional costs are expected to be generated in the transaction budget of the Country Office for supervision.

Components	IDB/P3A	Local	Total

Component 1: Strengthening the analytical and design bases of fiscal sector interventions.	100,000	0	100,000
Component 2: Strengthening the evaluability of fiscal sector interventions.	100,000	0	100,000
Component 3: Generation and dissemination of strategic knowledge.	50,000	0	50,000
Total	**250,000**	**0**	**250,000**

IV. EXECUTION STRUCTURE

4.1 **Executing Agency**. The TC will be executed by the IDB, through the Fiscal Management Division (IFD/FMM). The IDB brings unique comparative advantages through its extensive experience in fiscal policy research, deep regional knowledge, and established relationships with finance ministries across LAC. The Bank's Fiscal Management Division possesses specialized technical expertise in tax administration, compliance interventions, and impact evaluation methodologies essential for generating high-quality, policy-relevant research. The Bank's regional scope also enables cross-country learning and analytical frameworks adaptable across diverse contexts. These attributes will ensure that the execution of TC products is carried out in a timely and proper manner. If any activity requires direct implementation, piloting, or fieldwork in a participating country during the execution of the TC, the team leader will obtain the corresponding no-objection letters from the official liaison entities prior to engaging in any in-country activity.

4.2 **Procurement.** All procurement to be executed under this Technical Cooperation has 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 **Execution and Disbursement Period.** This TC will be executed in a period of 36 months, and the disbursement period will be 36 months.

4.4 **Monitoring, Reporting, and Supervision.** The project team leader from IFD/FMM will be responsible for the supervision of the Technical Cooperation (TC), including monitoring and evaluation of objectives, indicators, and targets, as well as financial execution in accordance with the TC's procurement plan (Anexo IV). IFD/FMM will also serve as the Unit with Disbursement Responsibility. The project will be monitored and evaluated based on the annual targets from the results matrix, following the document of the Technical Cooperation Monitoring and Reporting System (OP-1385-4).

V. POTENTIAL RISKS

5.1 **Data availability**. The main risks associated with this TC relate, first, to the availability, access, and quality of the information required for the development of diagnostics, analytical tools, and evaluations. Since this type of intervention relies heavily on technical and operational data, there is a risk of encountering limitations or fragmentation in data sources, which could affect the accuracy, comparability, or scope of the outputs. To mitigate this risk, the team will establish early and ongoing coordination with counterparts, sector specialists, and Country Offices, leveraging existing Bank databases and promoting mechanisms that ensure the timely flow of information throughout implementation.

5.2 **Ownership and appropriation**. Additionally, there is a risk of limited adoption and use of the methodologies, tools, and products developed, which could reduce their impact on strengthening the effectiveness of fiscal interventions. This risk is relevant given the technical and institutional nature of the outputs, as well as the heterogeneity of capacities across countries and institutions. To mitigate this risk, the TC will promote the active participation of counterparts in the design and validation of the outputs, ensuring their relevance and alignment with operational needs. Furthermore, dissemination, training, and learning activities are envisaged to facilitate institutional ownership and encourage their use in the design, implementation, and evaluation of fiscal sector interventions.

5.3 **Sustainability**. Finally, there is a moderate risk that the advances achieved may not be fully sustained in the medium term due to changes in institutional priorities or capacity constraints. This risk will be mitigated by ensuring that the outputs are aligned with the Bank’s corporate frameworks and integrated into ongoing operations, as well as through the systematization and dissemination of lessons learned to support their sustained use.

5.4 **Intellectual Property.** The knowledge products, other than Software and Databases and Datasets, generated within the framework of this TC will be the property of the Bank and may be made available to the public under a Creative Commons license, in accordance with the Procedures for the Publication of Knowledge Products (AM-331). However, at the beneficiary's request, the intellectual property of said products may also be licensed to the beneficiary through specific contractual commitments that will be prepared with the advice of the Bank's Legal area.

VI. EXCEPTIONS TO BANK POLICIES

6.1 The TC does not foresee any exceptions to Bank 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: Results Matrix
- Annex II: Terms of Reference
- Annex III: Procurement Plan