

PUBLIC

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**ACTION PLAN FOR THE IMPLEMENTATION OF THE UPDATE TO THE INSTITUTIONAL
STRATEGY**

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ACRONYMS

ABB	Agenda for a Better Bank
CPD	Country Program Document
CRF	Corporate Results Framework
CS	Country Strategy
DEO	Development Effectiveness Overview
EFS	External Feedback System
EVP	Executive Vice President
IDB	Inter-American Development Bank
HCS	Human Capital Strategy
HRD	Human Resources Department
IDB-9	Ninth General Capital Increase of the Inter-American Development Bank
IDBG	Inter-American Development Bank Group
IMM	Income Management Model
IS	Institutional Strategy
LAC	Latin America and the Caribbean
MfDR	Managing for Development Results
MDB	Multilateral Development Bank
NewCo	Refers to the new entity resulting from the private sector merge-out
NSG	Non-sovereign guarantee
OC	Ordinary Capital
OHRA	Organization, Human Resources and Board Matters Committee
ORP	Office of Outreach and Partnerships
OVE	Office of Evaluation and Oversight
PEC	Policy and Evaluation Committee
PCR	Project Completion Report
RBB	Results Based Budgeting
SDG	Sustainable Development Goals
SG	Sovereign Guarantee
SP	Special Programs
SPD	Office of Strategic Planning and Development Effectiveness
TC	Technical Cooperation
UIS	Update to the Institutional Strategy
VPC	Vice Presidency for Countries
VPF	Vice Presidency for Finance and Administration
VPS	Vice Presidency for Sectors and Knowledge

INTRODUCTION

1. **This document outlines key lines of action and a timeline to implement the Update to the Institutional Strategy (UIS).** The Action Plan will focus on the implementation of the UIS of the Inter-American Development Bank, hereafter referred to as “the Bank”, by 1) creating incentives to drive performance; 2) providing guidance on priorities; and 3) assessing and improving the instruments needed to better respond to clients’ changing needs. As a result, the Action Plan focuses on core areas of the Bank’s day to day business through five Lines of Action. These are: 1) updating the Corporate Results Framework (CRF); 2) revising guidelines for Country Strategies (CS); 3) implementing a continuous review process of the Bank’s lending instruments; 4) reviewing initiatives under the Human Capital Strategy (HCS); and 5) modifying Special Programs financed by Ordinary Capital (OC Special Programs). The Action Plan for the UIS complements the process of continuous improvement at the Bank, and provides guidance on how to move forward with its implementation.
2. **The UIS provides strategic direction to the IDB Group (IDBG)¹.** As established by the Bank’s Governors, “The UIS refers to the public and private sectors in an integrated manner, with the intention of having a single strategy that takes advantage of synergies and provides the right incentives, and that will reflect the IDB Group once NewCo is established”^{2 3}. Hence, it is understood that all NewCo related lines of action presented in this Plan are subject to NewCo’s governance framework.
3. In addition to this introduction, this document contains three sections; Section I provides the background of the UIS and the Action Plan; Section II describes the five Lines of Action that make up the Action Plan. For each line of action, this document outlines 1) why it was selected as a core area to implement the UIS 2) the objectives for each line of action as well as a brief description of the activities that will be carried out to accomplish those objectives; 3) the expected impact of the proposed changes vis a vis alignment with the UIS; and 4) how each line of action will be monitored to ensure effective implementation. Section III concludes with a timeline for implementation.

I. BACKGROUND

4. **The alignment of the Bank’s work with its mission guided the development of an Institutional Strategy.** The mission of the Bank, as originally stated in the Agreement of its establishment in 1959, was to *contribute to the acceleration of the process of economic and social development of the regional developing member countries, individually and collectively*. With the approval of the Ninth General Capital Increase of the Resources of the Inter-American Development Bank (IDB-9) in 2010, the Board of Governors (the Governors) endorsed the Institutional Strategy (IS) that would serve as the Bank’s “core strategic guidance” to fulfill its mission in the following years. This IS established two overarching objectives for the Bank: sustainable growth and the reduction of poverty and inequality. It also established a Corporate Results Framework (CRF) to measure development results.

¹ IDB Group (IDBG) refers to the IDB, the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF).

² Document AB-3008, paragraph 4.26

³ NewCo is the name used throughout this document to refer to the entity that would consolidate the IDBG’s NSG operations. NewCo will operate under the existing IIC Charter and its legal name will be the IIC, but the use of NewCo in this document aims to avoid confusion with the IIC as it exists today.

5. **The Governors stipulated in 2010 that the Bank's IS and CRF would be reviewed every four years and updated in the context of emerging challenges in the Region.** The update would serve to hone the Bank's strategic direction, while remaining true to its commitment within IDB-9 to continue to enhance the effectiveness and efficiency with which it serves the development needs of the Region. The two overarching objectives of sustainable growth and the reduction of poverty and inequality remain valid.
6. **The Update to the Institutional Strategy (UIS), approved by the Board of Governors on March 29, 2015 (AB-3008), identifies emerging challenges in the Region and, thus, establishes *what* the Bank should focus on over the next four years.** Latin America and the Caribbean (LAC) have made significant progress; however, LAC must overcome several risks and challenges to successfully reduce the major barriers to development. To ensure that development gains are preserved and LAC continues to converge toward becoming a prosperous and inclusive region, the UIS identifies three main development challenges: social exclusion and inequality; low productivity and innovation; and regional economic integration. The UIS also identifies three cross-cutting issues - gender equality and diversity; climate change and environmental sustainability; and institutional capacity and the rule of law - three elements that need to be considered when addressing each development challenge. This focus will contribute to achieve the UIS vision of increasing productivity and reducing inequality in a sustainable way.
7. **The UIS also provides guidance on *how* to best support countries in overcoming these challenges by leveraging and strengthening the Bank's comparative advantages through the adoption of six operational guiding principles.** The UIS identifies the Bank's comparative advantages (i.e., what differentiates it from other development partners that operate in the Region) as its client focus, its development effectiveness, and its catalytic role in the Region. To best leverage these comparative advantages to support its clients, the UIS also defines six operational guiding principles: responsiveness, multi-sectorality; effectiveness and efficiency; leverage and partnerships; innovation and knowledge; and strategic alignment (Annex 1). The adoption of these principles will guide decision making, planning and execution at all levels of operations at the Bank by being mainstreamed into corresponding policies, instruments and frameworks.
8. **The Board of Governors also instructed Management to develop an Action Plan,** which would include "...time-bound targets and specific actions for the implementation of the updated Institutional Strategy to be approved by the Board of Executive Directors by September 30, 2015". To that end, Management identified key areas that were critical to the implementation of the UIS. These areas and corresponding lines of action are described in Section II. It is important to note that the chosen lines of action have been progressing with different timelines; some analysis and discussions are still underway and final documents will be subject to internal review. As is explained in paragraph 11, once these reviews are finalized, the lines of action will be discussed in the corresponding Committees of the Board.

II. ACTION PLAN FOR THE IMPLEMENTATION OF THE UPDATE TO THE INSTITUTIONAL STRATEGY

2.1 Implementing the “What” and the “How”

9. **The UIS complements the process of continuous improvement at the Bank, and will serve to fine-tune its work over the next four years.** The Bank’s commitment to a process of continuous improvement, as part of the Agenda for a Better Bank, includes the enhancement of processes through Optima, improvements in financial management through the Income Management Model (IMM), improvements in budget allocation through Results-based budgeting (RBB), a revamping of its Project Completion Reports (PCRs), and the annual production of the Development Effectiveness Overview (DEO), among others (see Annex 2).
10. **The IDBG must also continue its ongoing efforts in knowledge generation and dissemination, in order to enhance the results of the UIS.** The IDBG has invested and will continue to invest in systematic learning from the execution of projects through PMRs, PCRs and other tools that can improve the preparation and execution of current and future projects. In addition, the new monitoring tool for technical cooperation (OP-1385) includes the identification and sharing of lessons learned. The IDBG is also investing significant effort in improving the dissemination of the knowledge produced through analytical and operational work, using approaches that ensure unfettered, user-friendly and highly-visible points of access. Finally, the IDBG has deployed innovative approaches such as technology platforms to increase the quantity and quality of training and capacity-building offered to the region, in order to promote the use of knowledge relevant to the region’s development challenges. For example, in 2014 the IDB signed an agreement with EdX, the platform for massive, online open courses (MOOCs) managed by Harvard University and MIT, in order to offer open learning opportunities⁴.
11. **Given these efforts, Management prioritized 1) creating incentives to drive performance; 2) providing guidance on priorities; and 3) assessing and improving the Bank’s instruments to respond better to clients’ changing needs to identify five complementary Lines of Action.** These five complementary Lines of Action constitute the Action Plan to implement the UIS and consist of: 1) updating the Corporate Results Framework (CRF) to monitor the UIS and better reflect the progress on the Bank’s priorities at the corporate level; 2) revising the Country Strategy (CS) guidelines to more carefully balance country focus with selectivity; 3) implementing a continuous review process of IDB’s lending instruments to ensure alignment with clients’ changing needs; 4) update of the Human Capital Strategy (HCS) to implement incentives for staff to better align with the “what” and “how” of the UIS; and 5) modifying the Ordinary Capital (OC) Special Programs to ensure that the use of resources allocated to fund them continues to be efficient, effective and strategic, and prepares the Bank for future work. Implementation of the Lines of Action

⁴ In the past year, more than 50,000 persons have participated in seven courses offered in Spanish on topics that include Management for Development Results; Urban Development and Housing; Sustainable Development in Cities; the Macroeconomic Reality of Latin America, among others.

provides the necessary foundation required for the Bank to give a more proactive, focused, flexible, and efficient response to meet client countries' different development needs, achieve greater impact, and help them reach their specific development objectives.

12. **The Lines of Action have been designed with the six operational guiding principles in mind, acknowledging the need to incorporate these into corresponding policies, instruments and frameworks of the Bank's core areas of business.** Each of the five Lines of Action has considered how the UIS changes not only the focus of *what* we work on, but also *how* we work. The changes and improvements outlined in each Line of Action respond to the need to adopt these principles, albeit to differing extents and as relevant to the particular area of business. All of the Lines of Action contemplate adjustments to better adopt at least two of the operational guiding principles. Adoption of the operational guiding principles ensures that we are aligning the way we work with the UIS and is a critical element of implementation.
13. **Implementation of the Action Plan will be done in a joint exercise of Management and led by the business units that have been charged with the corresponding institutional responsibility.** The Action Plan was designed to be led by four areas of Management: the Vice Presidency for Countries (VPC), the Office of Strategic Planning and Development Effectiveness (SPD), the Human Resources Department (HRD), and the Office of Outreach and Partnerships (ORP), in coordination with the other areas of the IDBG, including IMO. This direct approach, embedded in the Bank's organizational functions and existing monitoring systems, will help ensure efficient and effective alignment with the UIS by increasing the ownership, engagement and accountability of the Bank's Management and personnel for implementation of the Action Plan⁵. The proposed Lines of Action outlined in this Action Plan will also be reviewed by the corresponding Committees of the Board of the IDB (see Table 1). In the case of NewCo, the review will be done by counterpart committees within its governance structure. SPD will accompany the process to guarantee consistency. Additionally, Management will design and implement a communications plan so that all personnel are knowledgeable about the UIS, are capable of articulating its principles, and ultimately will have a sense of ownership regarding its goals, particularly those to which they contribute.

Table 1: Action Plan for the Institutional Strategy Update

Line of Action	Leading Unit	NewCo alignment	Committee of the IDB Board
1. Update the Corporate Results Framework	Office of Strategic Planning and Development Effectiveness (SPD) NewCo counterpart: Department of Strategy, Development Effectiveness and Programming	The update to the CRF has been designed to capture the contributions made to each of the Strategy's priority areas throughout the IDBG. All indicator definitions, baselines, and targets have been agreed to by technical specialists across the IDBG. However, some adjustments may be required in order to fully reflect NewCo's business plan. Management teams of both the IDB and	Policy and Evaluation Committee (PEC)

⁵ The Progress Report on the implementation of the Agenda for a Better Bank (GN-2518-47) highlights the interconnectedness and interrelationship of reforms within the IDB (See Annex 2), and emphasizes the importance of maintaining individual time-tables and action plans for accountability.

		NewCo will promote the inclusion of CRF indicators (or indicators that are aligned to those in the CRF) in the appropriate departmental business plans to foster accountability for achieving CRF targets and to improve the use of the CRF as a management tool.	
2. Revise the Guidelines for Country Strategies	Vice Presidency for Countries (VPC) NewCo counterpart: Department of Strategy, Development Effectiveness and Programming	The CS will be a single instrument for the IDBG, which will be reflected in the updated CS Guidelines. This will improve IDBG's ability to propose solutions with a multi-sector perspective, including, once NewCo is launched, better coordination, collaboration and synergies with the private sector.	Programming Committee of the Board
3. Implement a Continuous Review Process of the IDB's Lending Instruments	Office of Strategic Planning and Development Effectiveness (SPD) NewCo counterpart: Department of Strategy, Development Effectiveness and Programming	The revision of the IDB's lending instruments will apply only to the IDB's Sovereign Guarantee instruments. It will not cover non-sovereign guaranteed instruments aimed at the private sector, which will fall under NewCo and which will be revised as needed.	To be defined depending on the nature of the review of each specific instrument
4. Update the Human Capital Strategy	Human Resources Department (HRD) NewCo counterpart: Finance and Administration Department	The updated HCS will also develop specific measures and incentives to support collaboration between NewCo and the IDB; and to ensure that development effectiveness is fully ingrained in NewCo's incentive structure	Organization, Human Resources and Board Matters Committee (OHRA)
5. Modify OC Special Programs	Office of Outreach and Partnerships (ORP) NewCo counterpart: Department of Strategy, Development Effectiveness and Programming	This revision will also include IDBG/NSG activities.	Policy and Evaluation Committee (PEC)

2.2 Five Lines of Action

14. The following section briefly describes each of the five Lines of Action under the UIS Action Plan. A timeline for presentation to the Board for each Line of Action can be found in Table 3 in Section III.

2.2.1 Update the Corporate Results Framework

15. **Updating the Corporate Results Framework (CRF) is critical to monitoring the UIS.** As mandated by the IDB's Governors, the CRF "serve[s] as the primary tool for monitoring and measuring the IDB's performance and the achievement of its strategic objectives⁶" and is an "integral part of the Bank's efforts to use empirical evidence to manage for development results and is central to ensur[ing] accountability for delivering results."⁷ By reporting on progress toward reaching a set of predefined indicators with time-bound targets, the updated CRF will monitor the implementation of the UIS and can be used to determine if the IDBG is on track in terms of helping to address the Region's development challenges and supporting the strategic policy objectives outlined in the UIS. It is central to ensuring alignment and the efficiency and effectiveness of the Bank's work.
16. **The updated CRF will monitor progress on the UIS and includes improvements based on lessons learned during the 2012-2015 CRF period.** These include: 1) simplifying the structure and content of the CRF; 2) enhancing the ownership of and engagement in the CRF on the part of Staff and stakeholders; and 3) increasing the utility of the CRF as a management tool for evidence-based decision-making. To simplify the structure and content, the CRF is moving from a four-level structure to three levels with a considerable reduction in the number of indicators. To enhance ownership and engagement, the CRF update is being carried out in collaboration with technical experts throughout the IDBG to identify the most relevant and realistic indicators and targets that capture the UIS's three challenges, three cross-cutting themes and six operational guiding principles. The proposal has also been designed to capture the shared strategic priorities and higher order results of key activities supported/carried out by the public sector and the private sector windows. The contribution of NewCo to the CRF private sector-related indicators will be adjusted at a later stage once NewCo's business plan is finalized⁸. Finally, a number of process changes aimed at improving the utility of the CRF as a management tool are proposed – for example, through a dedicated discussion about the annual progress towards reaching CRF targets, the Board and Management will identify those areas which require particular attention in order to implement the UIS. The results of this discussion would then feed into the preparation of the Bank's work program, ensuring alignment of annual targets with the updated CRF.

⁶ Update to the Institutional Strategy 2010-2020: Partnering with Latin America and the Caribbean to Improve Lives (GN-2788-6). March 11, 2015, paragraph 4.29

⁷ Report on the Ninth General Increase in Resources of the Inter-American Development Bank. (AB-2764) May 2010, paragraph 3.36; and Update to the Institutional Strategy 2010-2020: Partnering with Latin America and the Caribbean to Improve Lives (GN-2788-6). March 11, 2015, paragraph 4.29

⁸ Management teams of both the IDB and NewCo will promote the inclusion of CRF indicators in the appropriate departmental business plans, both to foster accountability for achieving CRF targets and to improve the use of the CRF as a management tool.

17. **Each of the three levels of the updated CRF structure will capture key elements of the “what” and the “how” of the UIS.** The three levels are: 1) Regional Context; 2) Country Development Results; and 3) IDBG Performance. The Regional Context indicators will provide insight into the Region’s long-term development progress on the three challenges in the UIS. The Country Development Results indicators will provide aggregated data on outputs and outcomes supported directly by IDBG financed-projects, tied to the three challenges and three cross-cutting themes. IDBG Performance will capture how IDBG supports countries and clients in achieving results, organized around the six operational guiding principles in the UIS.
18. **Management will periodically review progress towards CRF targets to ensure successful implementation of the UIS.** As mentioned, the updated CRF includes a series of process changes aimed at improving the CRF’s utility as a management tool. These process changes rest on five core stages of the Managing for Development Results (MfDR) cycle⁹, and include, among others, semiannual reporting on the progress on CRF indicators (through production of the DEO and the CRF Final Report), as well as a dedicated annual board discussion on the CRF that, in addition to reviewing progress in implementation of the UIS, will allow for refinements to the CRF indicators and targets where necessary to ensure effective monitoring of the UIS.

2.2.2 Revise the Country Strategy (CS) Guidelines

19. **The Country Strategy (CS) is an essential instrument to offer more integrated solutions to address multi-sector challenges and to improve IDBG’s responsiveness to client needs.** The CS is the main instrument to identify how and where client countries’ priorities intersect with both the objectives of the IDBG under the UIS and the IDBG’s comparative advantages. It outlines the key parameters for IDBG support based on this intersection and is used to then identify, with the client, where the Bank will focus its efforts. The CS will be a single instrument for the IDBG, which will be reflected in the updated CS Guidelines.
20. **The revisions to the CS Guidelines will enhance the effectiveness of the CS preparation process; increase the relevance of the CS document; and improve CS monitoring and evaluation tools.** First, the revisions to the CS preparation process would improve the timing, quality and relevance of analytical work, optimize the use of resources to prepare a CS; and improve IDBG’s ability to propose solutions with a multi-sector perspective. Second, the revised guidelines expect to improve the articulation of the CS strategic areas with the Bank’s comparative advantages by making more explicit the alignment with the UIS and the CRF and identifying the contribution of the inherited portfolio and lessons learned. Finally, the revisions also expect to improve monitoring and evaluation tools by simplifying the Results Matrices, as well as including standard monitoring exercises of the CS at its mid-term, among others.
21. **These proposed revisions to the CS Guidelines will help balance the need for strategic selectivity with the demand-driven character of the IDBG.** In addition to other improvements, the revised CS Guidelines will help focus the IDBG’s work on the country

⁹ The MfDR cycle involves five core stages: (i) set goals and agree on targets; (ii) allocate resources; (iii) monitor and evaluate; (iv) report on performance; and (v) inform decisions and complete the MfDR cycle.

development challenges and areas to address them instead of a list of isolated sectors. The Country Strategy will be supported by comprehensive analyses aimed at identifying key challenges that hinder a country's inclusive and sustainable growth as well as areas of intervention that can produce a higher development impact given the main constraints identified. This comprehensive diagnostic is expected to replace the different sector notes that are currently done as part of the CS preparation process. This approach will demand more internal coordination to better tackle complex development problems that require increasingly comprehensive, interdisciplinary solutions that engage multiple sectors of the Bank as well as the public and private sectors. It will also help to better articulate linkages between the Bank's strategic priorities as approved in the UIS and a country's development goals by guiding strategic dialogue, and to better track the progress achieved towards reaching those goals.

2.2.3 Implement a Continuous Review Process of IDB's Lending Instruments

22. **The IDB's lending instruments are the primary mechanism to deliver effective and innovative solutions to its clients, requiring more systematic and frequent review to remain relevant in a rapidly changing Region.** Since its inception, the Bank has carried out several analyses and updates¹⁰ of its lending instruments to improve results - both development and operational - and to increase flexibility and expand its ability to respond to clients. Management has recognized that instrument reviews to date have successfully strengthened processes and addressed specific needs, such as emergencies¹¹; however, the Bank needs a periodic approach to assess its lending instruments and ensure that they are 1) well-aligned with clients' needs and 2) are leveraging the Bank's comparative advantages as a development institution, especially its catalytic role, to provide the greatest possible development impact in the Region.
23. **To improve the overall alignment with the Region's evolving needs the IDB will create a mechanism to continuously assess and improve its lending instruments¹².** Every 18 months SPD will propose to an expanded version of the Finance Committee that will include the vice-presidents of VPS and VPC, a work plan to assess lending instruments. Such plan will propose priorities and conceptualize the methods and timeline to review and analyze existing, but unmet, client demand, and as a result, will make recommendations on the potential creation and/or strengthening of specific instruments to address these gaps. Based on the results of these discussions, proper institutional steps will be followed to incorporate the findings into the Bank's instrument portfolio. After the 18 month period, SPD will report the results to the expanded Finance Committee. The first plan in the 18 month series will be proposed in September 2015. This work will help ensure that the Bank is well-positioned to anticipate future client demand and, if needed, adjust/innovate its lending instruments in order to help countries best address their development challenges.

¹⁰ Annex 3: Chronology of Revisions of IDB Lending Instruments

¹¹ Report on the Ninth General Increase in Resources of the Inter-American Development Bank (AB-2764). May 2010.

¹² The review of the menu of instruments described in this Action Plan will be limited to IDB's lending instruments aimed at the public sector, including fee based services as a non-financial instrument.

2.2.4 Update of the Human Capital Strategy

24. **The IDB's Human Capital Strategy (HCS) allows the Bank to attract and retain the most talented people to find innovative development solutions and build effective responses to the evolving challenges in the Region.** The HCS's main objective is to provide a framework to ensure that it has the right person, in the right place, at the right time, and with the right incentives that lead to high performance and high impact in the region. The HCS' three pillars - Talent Optimization; High-Performance Organization; and Management and Leadership Capacity - anchor a comprehensive slate of successfully functioning programs, all aimed at supporting the Bank's business needs through responsive talent management and strategic collaboration to achieve this objective.
25. **The update of the HCS will be twofold: a progress report of the execution of the initiatives under the HCS, as previously agreed with the Board, and the proposed update to the HCS, including the alignment with the UIS.** Management will deliver a comprehensive Progress Report on the HCS during the first quarter of 2016, which will report on the progress of the HCS since its 2011 approval by the Board of Executive Directors. The progress report will provide a pulse on the current HCS's successes and indicate areas for improvement through adjustments to current initiatives or through new initiatives. Also, any updates to the Total Rewards Framework¹³ will be taken into consideration to provide a more specific analysis regarding the methodology that supports financial and non-financial compensation and the targeted talent attraction and retention. Both the conclusions of the Progress Report and the pertinent input regarding the Total Rewards Framework will provide Management important information that will serve to better align the updated HCS with the new strategic direction provided by the UIS.
26. **The updated HCS will ensure the right incentives are in place for IDB staff to align with the "what" and the "how" of the UIS.** During the third quarter of 2016, HRD will present the proposed update to the existing HCS, which will be implemented in light of the UIS. Such update may include, among others, any necessary refinement of the IDB core competencies; reinforcing incentives for collaboration through variable pay; further development of leadership capacity for collaboration; and programs to increase talent identification in the field.
27. **The updated HCS** will also develop specific measures and incentives to support collaboration between NewCo and the IDB; and to ensure that development effectiveness is fully ingrained in NewCo's incentive structure.

2.2.5 Modify OC Special Programs

28. **Programs Financed by Ordinary Capital are a unique vehicle to support the Region's development agendas.** OC Special Programs are a crucial vehicle by which the IDBG supports the preparation of projects through technical assistance as well as develops

¹³ "Total Rewards" is a concept that aims to develop synergies amongst the tools available to an organization to attract, motivate, retain and differentiate employees, and generate value for the employees and the organization, going beyond financial compensation. The Board has engaged an international recognized expert firm to review the components of the Total Rewards Framework; the conclusions from such exercise will also inform Management's proposed update to the HCS.

applicable knowledge that is central to advancing development in the Region. OC Special Programs finance an important percentage of Technical Cooperation operations (TCs) for the development of applied knowledge and project preparation are, thus, critical to maintaining and strengthening the IDBG's catalytic role as a strategic partner.

29. **Management will delineate and implement four measures to continue facilitating the effective, efficient and strategic use of resources directed to Technical Cooperation.** These measures include: 1) streamlining and rationalization of Special Programs; 2) analyzing trends and explanations for TC executions schemes; 3) strengthening systematic monitoring and reporting on results; and 4) strengthening knowledge management and dissemination. The first line of action includes the grouping the Programs, which will now be called OC Strategic Development Programs, into six core funds that support main business lines¹⁴ and seed/transitory funds that introduce new business and interventions in areas of emerging importance to the Region and the Bank. The seed programs are bound to a period between three and five years, with the possibility of an extension (with the Board's approval) of a maximum of two years, after which they will be mainstreamed into the regular work program of the Bank. The proposed architecture for OC Programs also contemplates maintaining Flexibilization Resources to adjust the annual allocation with demand.
30. **The proposed architecture for OC Special Programs positions them as one of the key vehicles to implement the UIS, driving the integration of finance and knowledge.** Revisions to the Results Matrices of Core Funds will ensure that lines of action under OC Special Programs support the main challenges and cross-cutting themes of the UIS. While the Core Funds will support the strategic policy objectives within the three main challenges and the cross-cutting issues of the UIS, seed/transitory funds will support strategic policy objectives that take on additional importance over time. Moreover, as clients increasingly demand the value-added embedded in IDBG-supported interventions, improvements in budgeting, efficiency and knowledge management will continue to support the increasingly critical component that knowledge generation and dissemination represent in leveraging the IDBG's catalytic role in the Region.
31. **The implementation of the improved and consolidated OC Special Programs will take place in the context of the annual budgeting exercise.** Initial implementation of the proposed changes includes mapping of the current SPs to the new architecture for the 2016 allocation. After initial implementation, Management will outline the direction of each Fund, thereby providing a roadmap for the strategic decision-making needed to achieve specific goals. Lastly, Management is developing a new TC Monitoring and Reporting Tool to streamline, simplify and improve the way the Bank monitors and reports on TC operation results (including OC financed).

2.3 Cross-cutting themes in our work

32. As discussed in section 2.2.2, the Country Strategies will play a principal role in incorporating the three cross cutting themes into the IDBG's work. Specifically, Country Strategies will be supported by a comprehensive analysis of the development challenges of each country – an analysis that includes considering the three cross cutting themes as a

¹⁴ The proposed Core Funds include: 1) Institutions, 2) Social, 3) Sustainability, 4) Infrastructure, 5) Integration and 6) Country.

lens for looking at the challenges. The IDBG is also working on mainstreaming these cross-cutting themes in our work through different initiatives and projects; and the financial flows of operations that contribute to the three cross-cutting themes will be monitored through the updated CRF. Finally, the challenges, cross-cutting themes and operational guiding principles will guide Management's work program over the next four years, as follows:

33. **In the case of gender and diversity, there are two main channels for Bank. These are the continued implementation of the Gender Action Plan (GAP), and improved corporate reporting on gender and diversity.** First, the implementation of the current GAP (2014-2016) will be completed and evaluated at the end of 2016. Based on progress to date, it is anticipated that GAP targets will be achieved in all of its priority areas of action: agenda setting, knowledge development, knowledge sharing and capacity building and improving IDBG performance on gender mainstreaming and direct investments. In addition, the IDBG has initiated work to identify innovative solutions to be pilot - tested in contexts where evidence to support effective interventions to promote gender equality and women's empowerment is inadequate or does not exist¹⁵. Although discussions are still underway, it is expected that the GAP 2017-19 will maintain the overarching objective of the GAP 2014-16 and may include three shifts in emphasis: 1) elevating support for achieving, tracking and reporting on gender-related results during project execution and completion; 2) disseminating and making good use of new evidence on what does and does not work to promote gender equality and women's empowerment in LAC; and 3) expanding the agenda setting and strategic partnership objective with the aim of going beyond awareness raising and analytical inputs towards the strengthening of tangible partnerships that lead to investments in women's economic empowerment and Violence against Women in the LAC region. Second, IDBG is working on increasing and improving reporting on gender equality and diversity in, for example, the Annual Business Reporting.
34. **In the case of climate change and environmental sustainability there are three main channels for Bank support: technical assistance and knowledge generation through projects financed by Ordinary Capital Special Programs, Regional Policy Dialogue, and the adoption of new tools and lending instruments.** First, the funds financed through OC Special Programs will continue to support the development of low carbon and resilient interventions in the region by integrating climate considerations into Bank's operations. The second channel is the Network of Climate Change, within the Regional Policy Dialogue (RPD), through which high level policy makers responsible for the climate change agendas in LAC countries annually engage in the exchange of experiences and innovative practices that mainstream climate change mitigation and adaptation measures in key economic sectors, such as urban development, and into development policy. Looking ahead, this network will step up its current efforts to partner with other sectors and identify opportunities to mainstream climate change considerations and strategies. Finally, the IDBG is exploring the adoption of new tools (risk assessments), financial instruments such as green bonds, guarantees, equities, and consolidation existing tracking systems of climate financing and leverage as a way to mainstream activities at the Bank, (following Mainstreaming Climate Action Into Financial Institutions agreed by MDBs during 2015). Attracting external sources of climate and sustainable development finance will be another key activity for increasing mainstreaming and greater mobilization of public and private

¹⁵ For example, small-scale pilots in Haiti are being carried out using design thinking methodologies to identify potential interventions where there is currently no concrete evidence.

investment. Additionally, in 2015 two Sector Framework Documents (SFD) will be presented: Climate Change and Environment and Biodiversity. Both documents, which will provide concrete guidance to address the challenges of climate change and environmental sustainability that affect countries in the region, establish the transversal nature of climate change and environmental sustainability as an underlying dimension for applying sustainability criteria in all sectors. These documents will establish measures of success and action lines that will guide the operational and research agenda of the Bank in these areas.

35. **In the case of institutional capacity and rule of law there are three main channels for Bank support. These are the projects financed through Ordinary Capital Special Programs, the Regional Policy Dialogue, and a new conceptual framework to assess institutional capacity of executing agencies.** First, through OC Special Programs, continued support will be provided to contribute to the development of institutions to make them more effective, efficient and open – with a particular emphasis on managing for results, strengthening country systems, and improving service delivery to citizens. The second channel is the Regional Policy Dialogue (RPD) through which high level policy makers annually engage in the exchange of experiences and innovative practices in the various sectors. Going forward, the different sector specific RPD's will evolve to include, as appropriate, the identification and assessment of institutional capacity challenges and strategies to overcome them. Finally, the IDB is working on a new conceptual framework and tool to assess the institutional capacity of Executing Agencies for executing Bank financed projects with the objective of identifying concrete strengthening actions.
36. **The cross-cutting themes will be mirrored in NewCo's transversal topics that will be considered in each of its Priority Business Areas (PBA) as referred to in the Renewed Vision.** Each PBA will take into account *three transversal topics*: Gender and Diversity, Environmental and Social Sustainability, and Enabling Environment. For Gender and Diversity, NewCo will establish gender and diversity goals and incorporate mechanisms, when necessary, to support these. For Environmental and Social Sustainability, all programs will maintain the IDBG's high levels of environmental and social safeguards and, where relevant, will introduce components to provide environmental and social value added. Lastly, for Enabling Environment, coordination within the IDBG will be particularly relevant to work with a variety of stakeholders on the enabling environment and allow for the scalability of programs that prove effective –thus, linking this transversal topic to the UIS' cross-cutting theme of institutional capacity and the rule of law.

III. TIMELINE FOR IMPLEMENTATION

3.1 Timeline for the Action Plan

37. **Implementation will be carried out in a joint effort of Management under the leadership of the corresponding responsible business units according to individual timelines developed for each Line of Action.** Table 2 describes the timeline for each Line of Action in more detail. While the timelines have been developed by each leading business unit, SPD will accompany each to ensure consistency and to support implementation throughout the UIS's period of validity, which will begin on January 1, 2016 and last through December 31, 2019.

Table 2: Timeline of Implementation for the UIS Action Plan

Actions		Indicative Time Frame	Leading Unit(s)
1. Update the Corporate Results Framework			
1.1	<i>Update the CRF</i>		
	a)	Present CRF Update proposal for QRR	June 2015 SPD
	b)	Present CRF update proposal to the President's Committee	August 2015 SPD
	c)	Present to IDB Board of Executive Directors	September 2015 SPD
1.2	<i>Implement the Updated CRF</i>		
	a)	Preparations for "go-live" in 2016, including systems adjustments and communications throughout IDBG	October - December 2015 SPD
	b)	Updated CRF reported in 2016 DEO	March 2017 SPD
2. Revise the Country Strategy Guidelines			
	a)	Present Technical Briefing to Board of Executive Directors	July 2015 VPC
	b)	Present proposal of CS Guidelines to the Board of Executive Directors	September 2015 VPC
	c)	Present first CS under new Guidelines to the Board (BO, BR, JA, CO)	October - December 2015 VPC
3. Implement a Continuous Review Process of IDB's Lending Instruments			
	a)	Presentation of revision mechanism and first work plan to the Finance Committee	September 2015 SPD
	b)	Develop and analysis of missing instruments and an assessment of existing ones ¹⁶	Q3 2016 SPD
	c)	Presentation of results to the Finance Committee	Q4 2016 SPD
4. Proposed Update to the Human Capital Strategy			
4.1	<i>Progress Report on current Human Capital Strategy</i>		Q1 2016 HRD
4.2	<i>Present proposal to update the HCS</i>		Q3 2016 HRD
5. Modify OC Special Programs			
5.1	<i>Present OC Programs Action Plan to PEC</i>		June 2015 ORP
5.2	<i>Streamline and Rationalize Special Programs</i>		
	a)	Map OC Programs to Core & Seed/Trans. Funds	July-October ORP

¹⁶ The timing proposed is tentative and will depend on the specific timelines developed for each item in the program approved by the Finance Committee.

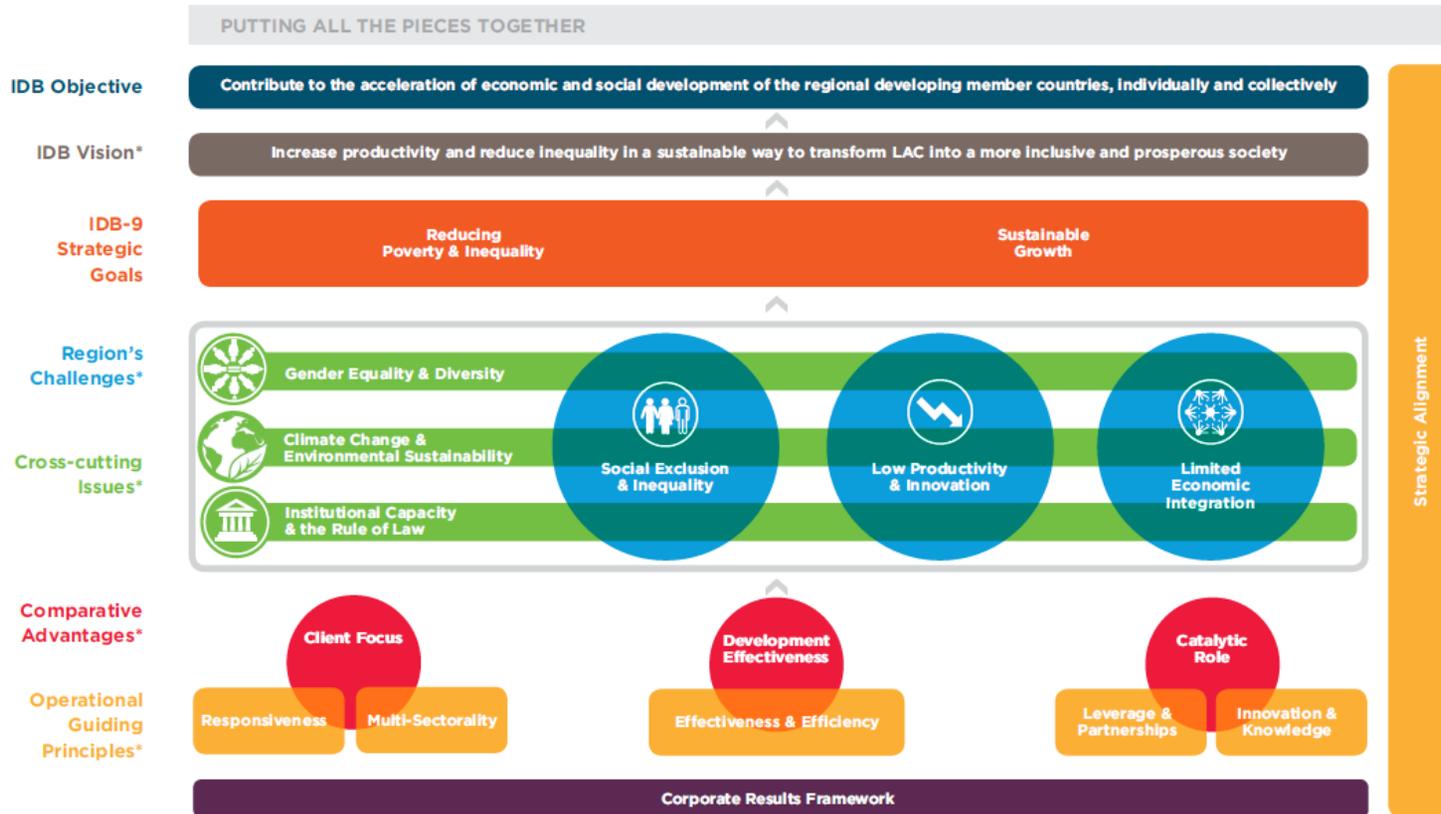
Actions			Indicative Time Frame	Leading Unit(s)
			2015	
	b)	Formulate necessary implementation documents	July 2015 - October 2016	ORP
	c)	Propose allocation to fully modified arrangement	October 2016	ORP
5.3	<i>Improve Systematic Monitoring and Reporting on Results</i>		Q1 2016	ORP

Annex 1: Strategic Alignment of the UIS



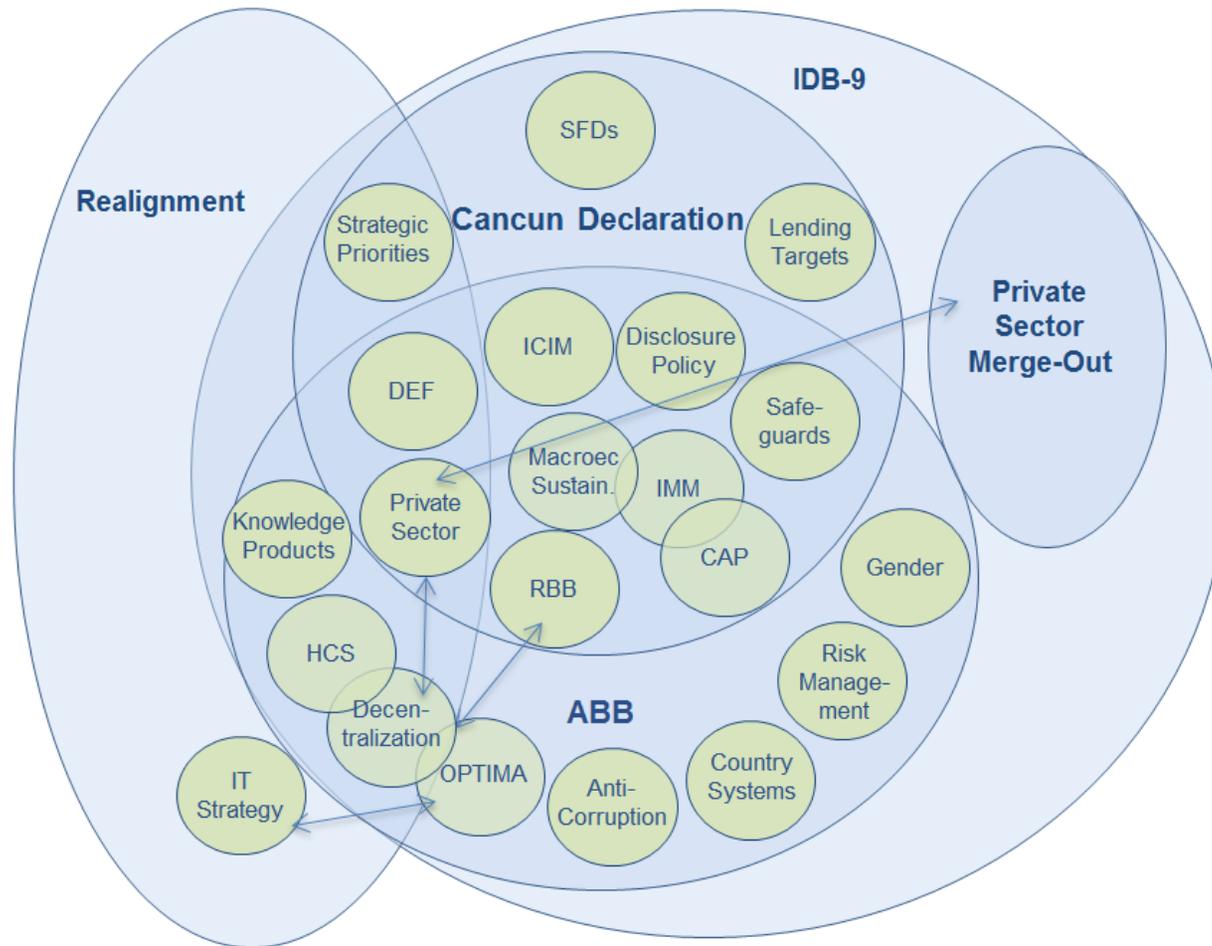
Update to the Institutional Strategy | 2016-2019

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* = Changes to the Institutional Strategy as a result of the Update

Annex 2: Agenda for a Better Bank – Interconnectedness among Key Mandates and Institutional Initiatives



Source: Progress Report on the implementation of the Agenda for a Better Bank (GN-2518-47)

Annex 3: Chronology of Revisions of IDB Lending Instruments

