

RESULTS IN THE LATIN AMERICA & CARIBBEAN REGION



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Habitantes de Turicó, Costa Rica. Photo: Jessica Belmont / World Bank Collection

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FOREWORD

The Latin America and the Caribbean region is growing again after a number of difficult years. However, the recovery is fragile and the prospects for 2018 are falling short of initial expectations due to challenges faced by some of the countries in our region, particularly in South America.

These challenges highlight the need to focus on supporting faster and more equitable growth to make sure that the profound social transformation the region experienced during the first decade of the century is protected and expanded. During that time, the commodity boom fueled strong and widespread growth, cutting poverty rates in half. However, the pace of poverty reduction and growth of the middle class has stalled since then. Fortunately, the gains have not been reversed, but many people remain vulnerable to slipping back into poverty.



The Bank's priorities in the region center on supporting inclusive growth through higher productivity and competitiveness, with an emphasis on investing in education, health, and other aspects of human capital. The Bank also invested in infrastructure and worked to improve countries' abilities to manage and withstand shocks—such as natural disasters, economic upheaval, and crime and violence—while promoting greater transparency and accountability. In addition, the World Bank prioritized the inclusion of groups that have traditionally faced exclusion, including Indigenous Peoples, women and rural communities. Whenever possible, the Bank supported activities and interventions that attracted private investment because countries' needs often exceed public resources.

This book presents a sample of some of our work in the region which exemplifies our commitment to these goals.

Our long-standing relationship with Mexico focuses on unleashing productivity, increasing social prosperity, strengthening public finances and government efficiency, and promoting green and inclusive growth. With World Bank assistance, more than 3 million new clients were brought into the formal financial sector and 1.8 million hectares brought under conservation or sustainable management practices since 2011.

In Brazil, the World Bank provides technical and financial support for the flagship Bolsa Família Program, which provides conditional cash transfers to 13.4 million families, a major portion of the country's low-income population.

Natural disasters, including hurricanes and earthquakes, are a constant threat, making a focus on resilience essential for the Caribbean countries that remain highly vulnerable to extreme weather events that are intensifying due to climate change. Countries need to be prepared to not allow hard won gains to be swept away within hours. Our work includes analytical and policy support on fiscal and financial sector resilience building and human capital development in several countries including Guyana, Jamaica, the Dominican Republic and Grenada.

In the Eastern Caribbean, resilience-building initiatives extend to supporting the region for fiscal sustainability while transitioning to the Blue Economy. In addition, a regional Oceanscape engagement is strengthening capacities for management and governance of valuable ocean resources for the long-term health of coastal and marine ecosystems. Our programs in El Salvador and Panama focus on improving the quality of life of vulnerable groups to build up the human capital so vital for future development.

These are just a few of the examples of our deep engagement in Latin America and the Caribbean. We look forward to continued cooperation with the countries of the region and development partners to support the over-arching goals of reducing poverty and spreading both shared prosperity and opportunities for all.

Jorge Familiar
Regional Vice President
Latin America and Caribbean Region
World Bank Group



Malargüe, Argentina. Photo: World Bank Collection

BOOSTING INCLUSIVE LONG-TERM GROWTH IN ARGENTINA

ARGENTINA

After the severe economic crisis at the turn of the century, Argentina took measures to reduce inequality and poverty. Today 26 percent of the population lives in poverty, the majority in the north of the country and in Greater Buenos Aires. In response, the Argentine government pursues four strategic priorities for growth: poverty eradication, economic reforms to boost productivity long term, improved governance, and global integration.



Population: 44,271,041

GDP (billions): US\$637.590

GNI per capita: US\$13,040

*IBRD/IDA lending commitments approved in FY18: 1.00 billion
New and supplemental Projects approved in FY18: 4*

CHALLENGE

Argentina is richly endowed with natural and human capital. The country has vast energy resources, and it is one of the largest agricultural producers in the world. Social indicators are mostly good, despite persisting widespread inequality.

A relatively well-educated population and long-standing excellency in research and innovation renders the country a potential destination for high value-added industries.

Nonetheless, average long-run economic growth in Argentina has been only 2.7 percent—about half that of the region’s high-performing countries and less than a third that of emerging countries in Asia. Furthermore, 25 percent of Argentina’s population lives in poverty, and an additional 20 percent is considered vulnerable to falling into poverty. Although inequality as measured by the Gini Index decreased over 20 percent between 2004 and 2013,

outpacing the reduction regionwide (5 percent), the process has since stalled. This is largely due to the lack of job creation in Argentina in recent years. Growth has also come at the expense of the environment: Between 2001 and 2014, the country lost 12 percent of its forests, double the world average.

A history of high macroeconomic and political volatility, poor infrastructure, low competition, a myriad of regulations, and limited fiscal space have resulted in low investment rates and constrained inclusive and sustainable growth. A successful transition toward a more competitive and open economy depends on the nation’s ability to create quality jobs while protecting the poor and vulnerable.

APPROACH

The World Bank has increased its support for fostering private investment and maximizing its financing for development impact. In particular, the policy dialogue on long-term productivity growth has expanded, with a notable increase in analytical and technical assistance in the areas of trade and competitiveness, promotion of public-private partnerships investment for infrastructure projects, and financial sector reform. Moreover,

the Bank's convening power has positioned these analytical efforts as key inputs for country dialogue through strategic dissemination and partnerships. Operational work translates these ideas into practice, with the IFC and World Bank together boosting investment in renewable energy through two guarantees, totaling US\$730 million, that have mobilized prospective private investment of up to US\$5 billion. At the same time, support for the foundations of macroeconomic stability and for strengthening social safety nets for the most vulnerable continue to be the core of the Bank program.



Villa 31, Buenos Aires Photo: IADB

Provincial Maternal-Child Health Project

Since 2004, the World Bank has supported *Programa Sumar*, formerly the *Plan Nacer* Project, a public health insurance program from the Ministry of Health that initially provided health services to 96 percent of women and children without formal health insurance before expanding to cover all women and men up to 64 years of age.

Large health improvements have been achieved under this program:

- The percentage of newborns weighing more than 2,500 grams rose from 47 to 92.6 percent.
- The percentage of pregnant women having their first prenatal care visit before week 13 rose from 15 to 45 percent.
- The percentage of eligible youths between 10 and 19 years of age receiving complete health check-ups according to protocol rose from 15 percent to 38 percent.
- The percentage of children under one year of age up to date with all consultations increased from 12 to 62 percent.

An impact evaluation of this project showed that babies born to mothers attending healthcare

centers registered in *Plan Nacer* were 7 percent less likely to be born underweight. This effect is even greater for babies born to mothers registered in the plan, with a 19 percent reduction in the probability of underweight births. Moreover, babies born to beneficiary mothers are 74 percent less likely to suffer neonatal death. Another analytical study carried out by the World Bank with the support of the national and provincial governments focused on testing whether increased financial incentives over a fixed period improved the quality of prenatal care in the short-term and whether the impact persisted over time. The main findings show that the rate of early initiation of prenatal care was 34 percent higher in the group receiving incentives than in the control group and that the effect persisted for more than 12 months after the incentives ended.

Children and Youth Protection Project

Since its launch in 2009, the Bank has supported the Universal Child Allowance Program (AUH), a cash transfer program providing social protection coverage to children under 18 years of age in the most vulnerable households in exchange for compliance with health and education co-responsibilities. An ongoing Bank-financed project, launched in 2016, included nearly one million children in the eligibility process, with

approximately 300,000 currently receiving a Family Allowance (FA) benefit. This achievement was twice as large as originally envisioned and was accomplished in half the expected time.

AUH, jointly with the contributory FA program, are run by ANSES, a decentralized government social insurance agency. While AUH covers the 3.9 million children of unemployed and informally employed parents, the contributory FA program pays four million child benefits to formal wage-earners and the self-employed.

AUH has become the cornerstone of Argentina's social safety net; a crucial instrument for cushioning the effects of unemployment and informality, it provides automatic income stabilization in times of need.

Water and Sanitation Plan Belgrano

This project supports the Ministry of the Interior in increasing access to safe drinking water and sanitation services for 450,000 people in the northern provinces, where almost half of the population lives in poverty. Nearly 15 percent of the population in the project's target area lack a piped water supply, and 61 percent of the population lacks access to sewerage. The project has helped finance the construction of two water supply systems for rural communities in the province of Chaco, where about 50,000 people live, including Qom and Wichi indigenous communities. In addition, a wastewater collection and treatment plant completed in 2018 is expected to benefit 400,000 neighbors of the metropolitan area of Resistencia, Chaco.

WORLD BANK GROUP CONTRIBUTION

World Bank Group lending in Argentina has grown significantly over the past few years, in response to a rising demand for the Bank's global knowledge, convening power, technical assistance, and operational support. At the end of June 2018, the International Bank for Reconstruction and Development (IBRD) portfolio in Argentina consisted of 25 projects, including 23 investment loans, one guarantee, and two trust fund grants, for a total commitment of US\$7.1 billion. Operations cover a wide range of sectors, including environmental, infrastructure, transport, agriculture, water, governance, human capital, social protection, macroeconomic stability, and productivity.



Buenos Aires. Photo: World Bank Collection

Under the 2015–2018 Country Partnership Strategy, analytical and technical assistance work increased significantly. The Bank has delivered several large analytical pieces, which served as background for reform design and implementation. The Bank provided analytics on capital markets, infrastructure, and housing finance; agglomeration economies; select areas related to fiscal policy, and Argentina’s integration into the global economy, among others.

In line with the Argentine government’s commitment to good governance and anti-corruption, IBRD engaged with local counterparts to study the state of transparency in Argentina and supported implementation of the reform agenda.

Also, in line with the objective of reducing environmental risks and safeguarding natural

resources, IBRD prepared a Country Environmental Analysis that identified and quantified the major environmental challenges and produced a report on agricultural competitiveness and agriculture risk management.

In the field of access and quality of infrastructure and services, IBRD produced a study on improving service delivery patterns and efficiency of water, sanitation, and electricity in ten provinces of northern Argentina. In the health and education sectors, the Bank carried out a health sustainability study, an impact evaluation of different initiatives within the SUMAR program, and an analysis on the optimization of providing health coverage under the Programa de Atención Médica Integral as well as an impact evaluation of the education system in two provinces under a Reimbursable Advisory Services arrangement.

The portfolio of the International Finance Corporation (IFC) expanded significantly to catalyze private sector investments, in parallel with substantial direct new investments in private sector–led projects and businesses, including telecom, agribusiness, transportation, and energy. By July 2018, IFC’s committed portfolio in Argentina reached approximately US\$2.8 billion,

including US\$1.5 billion mobilized in third-party investment.

After a fifteen-year hiatus, the Multilateral Investment Guarantee Agency (MIGA) reinitiated dialogue with Argentina, closing its first Political Risk Insurance transaction in June 2017. The US\$250 million guarantee provided to Banco Santander is intended to boost local lending to Argentina's private sector. MIGA has since increased its portfolio in the country to \$1.4 billion.

PARTNERS

As Argentina has become an international leader in global economic reintegration over the past several years, it has heightened its engagement with several World Bank partner institutions. The Bank has worked closely with the Organisation for Economic Co-operation and Development and the G20 Secretariat, contributing technical inputs to lead international policy dialogues and support Argentina's leadership role in these fora. At the same time, the Bank's increased analytical work has attracted the interest of other partner institutions in disseminating knowledge.

The Bank's convening power has fostered Argentina's partnerships with many international

organizations, such as the Chamber of Commerce and Services and the Development Bank of Latin America, as well as with local NGOs, such as *Poder Ciudadano*, think tanks like CIPPEC (Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento), and policy networks such as RAP (Red de Acción Política), which share the visions emerging from the Bank's analytical work and help disseminate messages to key audiences.

MOVING FORWARD

The World Bank supports Argentina on its path toward improved macroeconomic stability and more open, outward-oriented development by fostering private investment to facilitate employment growth while protecting the nation's most vulnerable populations. Reinforcing social programs and increasing access to quality services will be key to enhancing equity of opportunities. At the same time, protecting the environment and harnessing the value of nature for development constitute important pillars of climate-smart growth.

A systematic country diagnostic now being finalized will identify the most critical factors constraining or driving the country's growth,

inclusiveness, and sustainability. In the short term, a new country partnership framework for 2019 to 2022 will contribute to efforts to address these constraints and help sustainably eradicate poverty and increase the welfare of the bottom 40 percent.

BENEFICIARIES

Analia, 21, a native of Chaco Province, benefited from *Plan Nacer*, a public health insurance program that has significantly improved health indicators for the nation's women and children.



Beneficiarie Analia. Photo: World Bank

“Since I was pregnant, I have been going to the Villa Libertad Health center. The attention I received was always very good. I would come in the mornings, and I would see the doctor. [When]

I developed high blood pressure, I was referred to Perrando Hospital. My daughter, Eugenia, was born prematurely but she was very healthy.”

The “Qom Culture Route,” an initiative designed as part of the Indigenous People’s Plan under the Norte Grande Road and Water Infrastructure Projects, aims to promote Provincial Route 3 and its surroundings in the province of Chaco as a tourist and cultural corridor centered on valuing the Qom indigenous culture and women’s economic empowerment.



Beneficiarie Amancia Silvestre. Photo: World Bank

“This is something new for us. We had no idea about tourism before this initiative. Now we are meeting people from other countries that barely

...speak Spanish and come here to see what we are doing. It is a bit difficult for us to talk to them, because we mainly speak our Toba language. This experience has been very enriching for women. We now want to know about our rights, and we feel proud that we can do something linked to our cultural values,” said Amancia Silvestre, one of the Qom women participating in the initiative.

Livia Oviedo lives in Villa 31, one of the oldest and largest slums in the city of Buenos Aires. With support from the World Bank, the Buenos Aires city government developed a Comprehensive Urbanization Plan to provide the slum’s inhabitants with a better quality of life. The project supports street paving, new sewerage networks, and connections to the electricity grid, street lighting, and the drinking water supply for all households.

“My house had no ventilation and a dangerous electrical installation. Thanks to the renovation works, now I can say that I have a decent home.

I am very happy with my new kitchen and bathroom. I think it will change my lifestyle,” notes Livia.



Beneficiarie Livia Oviedo. Photo: World Bank



Plan Nacer. Photo: World Bank Collection

AN ADJUSTING PARTNERSHIP:
WORLD BANK GROUP SUPPORT TO
BRAZIL, 2011–2018

BRAZIL

Over the past decade Brazil experienced an unprecedented reduction in poverty and inequality. A favorable external environment, credit-fueled consumption, an expanding labor force, and an expansion of social programs contributed to fast economic and social progress between 2001 and 2015, when 24.2 million Brazilians escaped poverty. Brazil also experienced a rapid decline in inequality over the past decade, with the Gini coefficient of household incomes falling from 0.59 to 0.51.



Population: 209,288,278

GDP (trillions): US\$2.05

GNI per capita: US\$8,580

*IBRD/IDA lending commitments approved in FY18: 425 million
New and supplemental Projects approved in FY18: 3*

CHALLENGE

Brazil is the largest country in the Latin America and the Caribbean region (8.52 million square kilometers), with a gross national income per capita of US\$14,810 and a population of 207 million (2016). Over the past four years, structural constraints on growth have become binding. Previous fiscal expansion during the Golden Decade, together with the far-reaching Lava Jato corruption scandal, have undermined investor confidence, and the resulting deep recession made it clear that Brazil could not sustain its past social gains without changes to its growth model.

Recent analysis shows that Brazil faces three core challenges. The first is the large fiscal disequilibrium that has developed since 2012 and that now poses an imminent threat to the resumption of growth and the maintenance of macroeconomic stability. The second is the absence of sustained productivity growth, putting future increases in per capita incomes at risk due to a projected reduction in the growth of the country's labor force. The third challenge is the government's increasing struggles to deliver basic services, despite its large economic footprint. A growing violence epidemic, stagnation in education outcomes, and failure to connect

millions of Brazilians to sanitation services are just a few symptoms of state failures that require fundamental changes in governance.

APPROACH

During the four fiscal years 2012 to 2015, Brazil was one of the largest borrowers from the World Bank Group, with a total of US\$17.5 billion invested. After 2015, with the onset of the economic crisis, and given limited fiscal space for new investments, International Bank for Reconstruction and Development (IBRD) lending has declined to around US\$500 million per annum, and the program has shifted instead to building the knowledge foundations for supporting adjustments in Brazil's growth model and the WBG's engagement to support it. The International Finance Corporation (IFC) has continued to invest around US\$1.5 billion per year, although with a shifting profile of clients.

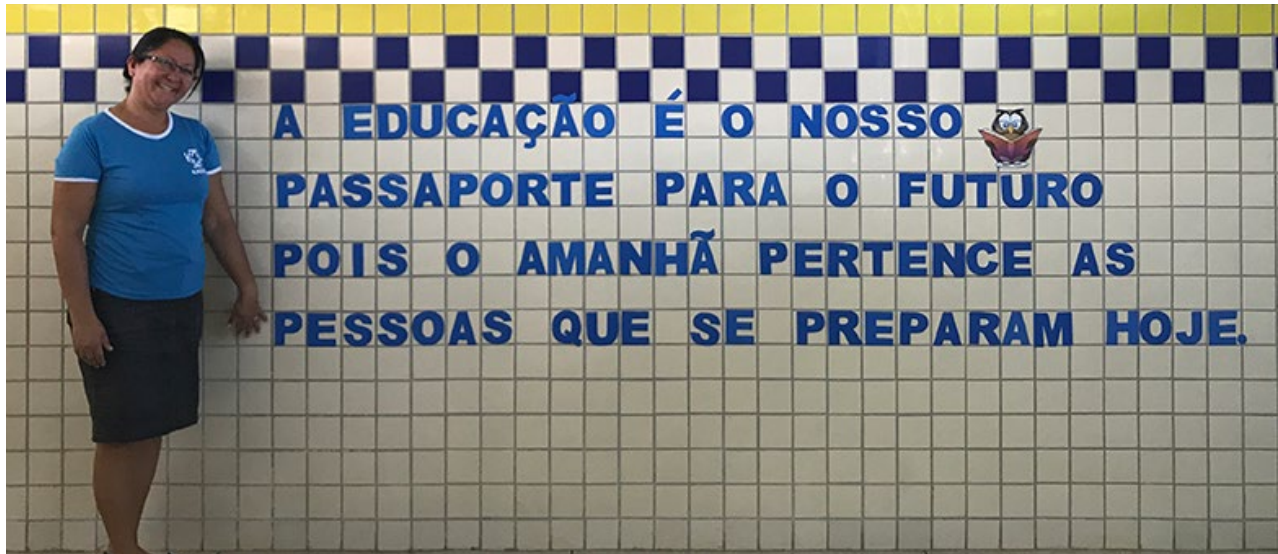
The Bank has been at the forefront of supporting Brazil's efforts toward reducing poverty and inequalities. As such, Country Partnership Strategy for the fiscal years 2012 to 2017 was designed to support Brazil's efforts to eradicate poverty and to become a more prosperous and inclusive country. It aimed to do so by supporting activities

to achieve four strategic objectives: (i) increased efficiency of public and private investments; (ii) improved quality and expansion of public services for low-income households; (iii) expanded regional economic development; and (iv) enhanced sustainable natural resource management and climate resilience. The focus on eliminating poverty and promoting shared prosperity and inclusion was accomplished through both the content of operations and an effective shift of operations to poorer regions, especially in the Northeast and remote regions in the Northwest of the country. Furthermore, Brazil has been at the forefront of trying new, innovative approaches and sharing these innovations and experiences through a Bank-supported South-South learning and exchange program.

The challenges exposed with the onset of the crisis in 2015 informed the readjustment and design of the new program for Brazil.

It had become clear that the unsustainable nature of public spending commitments in the face of low growth and public sector inefficiencies created huge fiscal pressures that put macroeconomic stability at risk. It had also become clear that Brazil needed to improve the way public resources are allocated and overcome vested interests working against rent reduction, to combine public transfers to the poor with stronger incentives for private investment, and to harness the power of market competition to encourage innovation.

In this context, the Country Partnership Framework for fiscal years 2018 to 2023 was designed to focus on three areas: (i) fiscal consolidation and government effectiveness; (ii) private sector investment and productivity growth; and (iii) inclusive and sustainable development. The partnership focuses in particular on leveraging private sector investment, improving the efficiency and targeting of public spending, and realizing Brazil's green growth potential. Innovation remains at the heart of partnership, through a combination of new and traditional financial support instruments, analytical work, and advocacy. The analytical work especially has shifted toward addressing Brazil's structural constraints through work on fiscal policy, including taxes, pensions,



School director Elizete Viana, from Tocantins, Northern Brazil. Photo: Photo: Juliana Braga / World Bank

Directors in June 2018. The development objective of this project is to unlock private financing for urban energy efficiency (EE) projects in Brazil by reducing the credit risk and enhancing the technical quality of efficient street lighting (ESL) subprojects and industrial energy efficiency (IEE) subprojects. The Project will create an innovative EE Facility for ESL and IEE subprojects, comprised of a loan syndication among Caixa Economica Federal (Caixa) and commercial lenders and a Guarantee Facility (GF) to be established by Caixa to provide liquidity and backstop credit risk for commercial lenders. A technical assistance component will

benefits, it will also present to the market one of the first viable project finance structures as Brazil steps away from the predominant public funding model for infrastructure. The project, expected to generate 100 percent climate co-benefits, will help create new asset classes for EE investments and help Brazil achieve its Nationally Determined Contributions (NDC) targets. In addition, the Global Infrastructure Facility (GIF) will support Caixa, IFC, and the World Bank in identifying and structuring concessions at the municipal level that will benefit from the Caixa financing.

On the analytical and advocacy side, the shift in approach is well illustrated by the Brazil Public Expenditure Review (BER). The BER, entitled “A Fair Adjustment: Efficiency and Equity of Public Spending in Brazil,” was requested by the Brazilian government with the objective of conducting an in-depth analysis of government spending and developing options for Brazil to reduce its fiscal deficit to a sustainable level while consolidating the social gains achieved over the previous decades. The report was launched at the Ministry of Finance on November 21, 2017, in the presence of the Minister of Finance and the Minister of Planning.

The main finding is that some government programs benefit the rich more than the poor, in addition failing to achieve their goals effectively. As a result, it would be possible to save part of the budget without reducing access to or the quality of public services that benefit the poorest sections of the population. The report raised an unprecedented level of debate about the quality of public spending in Brazil. During the period from November 21 to December 18, 2017, approximately 600 stories on the report were published and the report itself reached all types of media—television, radio, printed and online—in Brazil’s five regions. The main prime time evening news (TV Globo’s Jornal

Nacional) did a series of four in-depth reports of about five minutes each, airing on different nights and covering different parts of the report (pensions, civil servants’ wages, social programs, and education).

RESULTS

The quality of education improved and public-service provision for low-income households was extended.

Activities under this area focused on supporting improvements in the government’s poverty eradication programs; on improving the quality of early childhood development (ECD) services for the lowest income quartiles; on improving learning outcomes and completion rates in primary and secondary education; and on improving access to quality primary health care and the development of integrated health networks. Additionally, activities strongly promoted support for active gender policies.

- The flagship *Bolsa Família* Program, which included technical and financial support from the World Bank, is cited as one of the central factors behind the positive social outcomes achieved by Brazil in recent years. In September 2017, the program reached 13.4 million families (more than 50 million people), a major portion of the country’s low-income population. Poor families with children receive an average of R\$70.00 (approximately US\$17) in direct transfers. In return, they commit to keeping their children in school and taking them for regular health checks. Monitoring showed school attendance reached 88.6 percent of children and adolescents aged 6 to 15 and 78.7 percent of 16- and 17-year-olds. Of beneficiaries aged 6 to 15 and aged 16 and 17, 95.4 percent and 92.7 percent, respectively, attended school above the minimum required. Health monitoring reached 73 percent of families in December 2016, and currently 99.7 percent of the pregnant women monitored and receiving benefits under the program are up-to-date with their prenatal care, while 99.1 percent of beneficiary children monitored have been vaccinated on schedule. The WBG made significant contributions to improving targeting mechanisms, strengthening monitoring

and evaluation systems, and bolstering the program’s basic operations. Moreover, the Brazil experience in fighting extreme poverty has become an example for other countries, and the WBG partnered Brazil, the United Nations Development Programme, and a local think tank, *Instituto de Pesquisa Econômica Aplicada* (Institute of Applied Economic Research) in disseminating the country’s experience through the “World Without Poverty” learning initiative.

- Operations in Recife, Ceara, and Acre supported the expansion and improvement of ECD service delivery. Specifically, in Recife, the Bank worked with the municipality to build new facilities in poor and underserved neighborhoods for children aged six months to five years and to rehabilitate many of the existing ECD facilities. In Ceara, the Bank supported training for municipal ECD coordinators and school principals through an innovative program placing strong focus on results-based management and pedagogy. In addition, the Bank also supported the development and evaluation of a home-based training pilot program (Programa de Apoio ao Desenvolvimento Infantil), which trains parents and caregivers in providing better cognitive

and noncognitive stimulation to children under five years of age. In Acre, the WBG supported the *Asinhas da Floresta* program, expanding coverage of ECD home-based programs for children from newborn to 3 years of age to approximately 3,000 children living in isolated areas.

- The World Bank supported several innovative education programs with promising results. In Pernambuco and Recife, the Bank supported students enrolled in programs sponsored by the Ayrton Senna Foundation and Roberto Marinho Foundation, helping them to catch up and reintegrate into the school system at the correct age-grade level. The Bank also supported the extension of the school day in Pernambuco and Piauí. The provision of full-time school in upper secondary education in Pernambuco contributed to reducing dropout rates and was a factor behind the recent progress made by the state on IDEB (Brazil's national education assessment tool, which measures both learning outcomes and internal efficiency). Pernambuco and Rio de Janeiro also benefited from WBG support in implementing a monitoring and evaluation program that increased accountability and allowed customized support for individual

schools. The state networks of both states had the nation's largest increases in IDEB in upper secondary education between 2009 and 2013.

- As of December 2014, 48.2 percent of the population in municipalities with more than 100,000 inhabitants were covered by the Family Health Strategy and benefiting from PROSEF. Bank interventions supported the expansion of family health care both at the federal level and through state-level interventions in Acre, Bahia, Rio Grande do Norte, and Paraná. Additionally, IFC supported Rede D'Or, the largest private hospital network in Brazil, and Allier, a diagnostic imaging industry, in expanding affordable, high-quality health care services to low-income populations and underserved regions.

Efficiency of public and private investments increased. Activities under this area focused on promoting greater adoption of medium-term fiscal frameworks in states and municipalities, as well as achieving increased result orientation in planning, budgeting, and expenditure in states. They also focused on strengthening institutional framework for public-private partnerships (PPPs) and on contributing to the policy dialogue on productivity issues.

- The WBG strengthened the capacity of the federal government; the states of Minas Gerais, Sao Paulo, and Bahia State; and the municipality of Rio de Janeiro to prepare and manage PPP project pipelines through lending operations and Reimbursable Advisory Services (RAS). In the municipality of Rio de Janeiro, procedures for technical analysis of PPPs were established, and a PPP project pipeline was created. In Sao Paulo, a Multilateral Investment Guarantee Agency (MIGA) guarantee coupled with an IBRD loan attracted private financing for the state highway rehabilitation program. This project could become a model for crowding in more private capital in the transport sector in the future.
- Results-based management (RBM) reforms proved to be more robust than efforts to improve fiscal planning, particularly when implemented in select sectors, such as education, health and security. A results orientation has been implemented in Manaus and Acre since 2013; Ceara has received TA in these areas since 2012, and RBM was implemented there in 2017 and 2018. Minas Gerais partially reversed some of its RBM reforms after the 2014 election, but maintained them in education, health, and security. Bahia, Pernambuco, and Rio de Janeiro continue with RBM in the education and security sectors. The RBM model implemented in Minas Gerais quickly disseminated and demand for support is strong and sustained.



Telesferico from Rio de Janeiro in Alemao complex. Photo: World Bank

Regional economic development increased access to infrastructure services.

Activities under this area focused on increasing remote areas' access to quality infrastructure, such as water supply, waste water treatment, transport infrastructure, and energy in an effort to reduce inequality between and within regions.

- The “Light for All” program (Luz para Todos, LpT), delivered more than 562,832 new electricity connections, mainly in the North and

Northeast, between January 2010 and February 2014. The target of reducing the number of households without access to electricity by 500,000 was exceeded by more than 10 percent. Quality of access and sustainability remain challenges, however, particularly in poor (Northeast) and low density (Amazon) regions, requiring focus on improving both quality of service and sustainability.

- WBG support was critical in developing transport and logistics planning at the subnational level. World Bank contributions came mainly through technical assistance components in a series of transport multisector operations in Parana, Rio Grande do Sul, Sao Paulo, and Tocantins.

Performance-based management contracts were introduced in several states, and WBG support facilitated preparation of a pipeline of transport projects at the subnational level.

- World Bank–financed projects adopted an integrated approach in which water resources management, water security infrastructure, efficient water use, and expansion of water and sanitation services were combined. This integrated approach provided the tools and mechanisms to better address water challenges, combining institutional development, investments in infrastructure, and improved climate forecasting to respond to the impact of climate change. Bank support helped both national and state governments improve response, reconstruction, and resilience in climate monitoring and forecasting, water allocation and planning, and preparedness for extreme events, such as droughts and floods. The water projects in the states of Pernambuco, Sergipe, Espírito Santo, and São Paulo illustrate that integrated approach, as does the federal Interáguas technical assistance loan.

Sustainable natural resource management and climate resilience improved. Activities under this area focused on improving water resources management and developing innovative irrigation approaches; improving market access for and adopting climate-smart agriculture (CSA) by small rural producer organizations; expanding

areas under effective environmental protection; improving institutional capacity for environmental management; upscaling the *Cadastro Ambiental Rural*; and improving disaster preparedness as well as the coordination of post-disaster response in states and municipalities.

- The Bank portfolio supported the federal government and the states of Rio Grande do Sul, São Paulo, Espírito Santo, Bahia, Sergipe, Pernambuco, and Ceará in improving water resources management. At the federal level, the Interáguas Project supported the government in improving the coordination and strengthening the capacity among key federal institutions in the water sector to achieve an integrated approach. Through this technical assistance loan, the Bank supported water sector reforms and institutional strengthening in individual sectors at the national level; a cross-sectoral component focused on improving implementation performance and coordination of sector policies and activities.
- By 2015, seven states were implementing programs to promote adoption of climate-smart agriculture by farmers. In 2010 the government of Brazil started offering producers a credit line for adopting CSA technologies to improve their

farms' agriculture practices and consequently reduce the pressure on native forests. To increase the rate of adoption, the WBG supported training and technical assistance on low carbon agriculture technologies for small- and mid-sized farms in the Cerrado region. Over 14,000 small producer organizations were supported by Bank-financed projects in eleven states.

- The total area under protection (including existing protected areas under improved management and newly created protected areas) increased by 31.24 million hectares, surpassing the target of 15 million. Brazil has been a world leader in the fight against climate change, and the WBG has supported the government in expanding the areas under



Porto de Manaus, Brasil. Photo: Mariana Kaipper Ceratti / World Bank

effective protection, particularly under the Amazon Region Protected Areas Program (ARPA), which supported the creation of 26 million hectares of newly created and/or existing areas with improved management effectiveness. Attention also shifted to the Cerrado, which became the focus of land-use conversion as protection of the Amazon tightened.

The WBG supported implementation of three programs specifically focused on the Cerrado Biome, which will total nearly US\$100 million in investments between 2010 and 2020 and cover a total of approximately 7 million hectares of protected areas.

WORLD BANK GROUP CONTRIBUTION

The Bank support during the previous CPS (fiscal years 2012 to 2017) was largely implemented as

designed, and total IBRD lending (US\$9.6 billion) surpassed that originally envisioned. As of the end of June 2018, the Bank's lending portfolio stood at 36 active operations, with a total of \$6.58 billion in commitments. In fiscal year 2018, six new projects (four financed by IBRD and two financed by GEF/FIP trust funds) were delivered, for a total of \$686 million. Furthermore, the Brazil program includes a robust Advisory Services and Analytics program, through which the WBG has provided the government with timely and valuable knowledge products and policy guidance. The Bank's analytical program has, in many cases, successfully influenced the government's agenda and policies.

IFC's investment portfolio in Brazil stood at US\$3.84 billion as of June 2018, including US\$1.10 billion from syndications. In fiscal year 2017, IFC committed US\$1.3 billion (including the Global Trade Finance Program), of which US\$499 million was in mobilization. Overall key sectors include financial markets, health, education, agribusiness and infrastructure. IFC has also provided Brazil's fast-growing private sector with various advisory services, including for PPP projects (airports, roads, health, and education), through a partnership with *Banco Nacional do Desenvolvimento* (BNDES), the Brazilian development bank. Such advice has



Quilombo Nhunguara, Sao Paulo, Brasil. Photo: World Bank

played a crucial role in leveraging private finance and exploring new financial structures in the nascent Brazilian project finance market.

MIGA processed the São Paulo Sustainable Transport Project in fiscal year 2015, its first exposure transaction in Brazil since fiscal year 2009. MIGA's guarantee against non-honoring of sovereign financial obligations mobilized long-term commercial bank financing on competitive terms by guaranteeing the state of Sao Paulo's financial obligations under such bank financing. Brazil was also the first IBRD beneficiary of the Bank Group's effort to take advantage of synergies across the

balance sheets of World Bank Group entities. Brazil gained about \$100 million in additional IBRD lending headroom through an exchange of existing IBRD exposure to Brazil, where MIGA has the capacity to assume higher exposure, for MIGA exposure to Panama, a country where IBRD has available capacity.

PARTNERS

The WBG continues to expand and broaden its support for Brazil's South-South Cooperation (SSC) activities. Brazil seeks a growing international role, even if its own spending in this area has

suffered from fiscal retrenchment recently. It has many public, civil society, private, and academic centers of excellence capable of making significant SSC contributions. With WBG support, Brazilian counterparts have been brought together with clients in other countries on areas of mutual interest. IFC has supported investments by Brazilian companies in other developing countries. All SSC initiatives including technical cooperation components are developed through the Brazilian Cooperation Agency.

The WBG works closely with the IDB and the IMF to support the federal and subnational governments. The Bank works closely with IDB to support fiscal adjustment and strengthen public financial management at the subnational level. The Bank and the IMF support the federal government in complementary areas of public financial management. Building on the newly signed Memorandum of Understanding (MoU) between the IBRD and the New Development Bank (NDB), the WBG will cooperate with the NDB in operations of mutual interest, especially financing sustainable infrastructure projects.

WBG support coordinates closely with other development partners. The WBG works in

partnership with Germany, the Netherlands, Norway, the United Kingdom, and the United States in supporting Brazil's carbon emission reduction targets. The WBG also works with *Kreditanstalt für Wiederaufbau* and the *Agence Française de Développement* in municipal finance and infrastructure, and with the UK Prosperity Fund in private sector development. Finally, the Bank coordinates with the United Nations on issues relating to protection of vulnerable groups, indigenous communities, gender, and violence.

MOVING FORWARD

The World Bank Group has been a valued partner for Brazil, providing integrated and often multisector development solutions tailored to the nation's needs. The Bank has also benefited greatly from Brazil's unique demands, which required the WBG to adapt and learn and which provided a broad range of lessons on development for the Global Community in areas ranging from poverty reduction to social inclusion and environmental management.

A World Bank Group Country Partnership Framework (CPF) for fiscal years 2018 to 2023, presented to the Board of Directors in July 2017, built on the progress and experiences of the

last CPS (fiscal years 2012 to 2017). The new CPF aligns with the objectives of the country’s development strategy as outlined in the Brazil growth strategy presented by the authorities; it is rooted in the findings and recommendations of the WBG Systematic Country Diagnostic for Brazil, which contains an analysis of key constraints for inclusive and sustainable growth. The CPF supports Brazil in making further progress on the WBG twin goals of eliminating extreme poverty and boosting shared prosperity through a program focused on creating conditions for faster job growth. The CPF reflects the priorities of the Brazilian authorities and the resources and capacity of the WBG to deliver against these priorities.

BENEFICIARIES

Bolsa Familia

Beneficiary Dinalva Pereira de Moura, a mother living in the Varjão favela in the Federal District, has said the program *“has been a marvelous thing for me and my family. My children know that when we receive the money, they will have more to eat, and that makes them happier. And they don’t skip school, because they know that the money depends on their going.”*

DGM

Anália, Maria do Socorro and Lucely are ready to fight for what they believe in. These three women are leaders of indigenous, traditional Brazilian communities, and have joined forces to preserve the history of their groups.



Leaders of indigenous, traditional Brazilian communities.
Photo: World Bank



Young dancers at Alemão Complex, Rio de Janeiro. Photo: World Bank



Public school, Chile. Photo: Ministry of Education

PROMOTING EQUITY
IMPROVEMENT, PUBLIC
SECTOR MODERNIZATION, AND
SUSTAINABLE INVESTMENT IN
CHILE

CHILE

The government of Chile designed and implemented structural reforms for a more equal society with quality services and increased productivity. These interventions included (i) assessing potential effects of tax reforms on improving equity; (ii) improving access to and quality of tertiary education and health services; and (iii) strengthening the efficiency of social protection systems. Other reforms from 2011 to 2018 have improved the institutional and regulatory framework of water resources management, concessions, energy, and the environment.



Population: 18,054,726

GDP (billions): US\$277.07

GNI per capita: US\$13,610

*IBRD/IDA lending commitments approved in FY18: 50.13 million
New and supplemental Projects approved in FY18: 1*

CHALLENGE

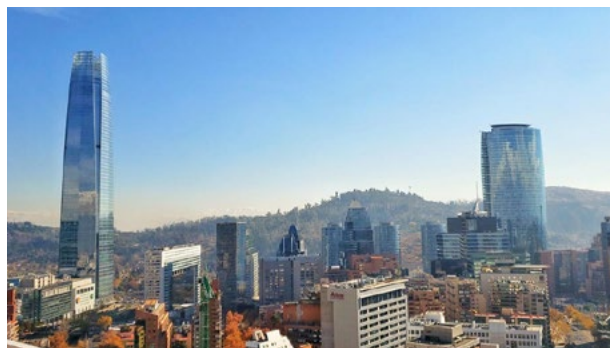
Chile, a high-income country, has one of the most politically stable systems in Latin America, with strong institutions and a solid record of economic growth during the last three decades. Chile's economy expanded at 5.1 percent (4.1 per capita) per year on average during that period—achieving by 2015 a 28 percent income convergence to the United States, among the highest in the LAC region. Sound fiscal and monetary policies and institutions, combined with strong foundations for private investment and well-functioning essential markets, have produced this steady average growth while dampening the volatility associated with commodity exports. Chile became a member of the Organisation for Economic Cooperation and Development (OECD) in 2010.

Measured at US\$4 per day, moderate poverty in Chile dropped from 20.6 percent to 6.8 percent between 2003 and 2013. Income growth among the bottom 40—the WBG's institutional measure of shared prosperity—rose at an annualized rate of 5.5 percent between 2003 and 2013, faster than the rate among the general population. Nonetheless, income inequality was persistent over the same period: The Gini coefficient fell only very slightly between 2006 and 2015 (from 0.51 to 0.50). In

2015, the average income of the top decile was nearly 27 times larger than that of the bottom decile, the largest gap among OECD countries. As a result of these improvements in shared prosperity, the middle class grew from 35 to 50 percent of the population within a decade.

APPROACH

The WBG program for fiscal years 2011 to 2018 was designed to support Chile's efforts to boost economic growth and eliminate extreme poverty. The program had three results areas: (i) public sector modernization; (ii) job creation; and (iii) improving equity and promoting sustainable investment. Interventions by the World Bank and the International Finance Corporation (IFC) under the program focused on the areas in which they could provide value-added to design and implement



Santiago de Chile. Photo: World Bank

reforms crucial to increasing shared prosperity in Chile. The program focused on cutting-edge advisory and knowledge services, complemented with investment lending where the Chilean government and the Bank considered bundling of financial and knowledge services appropriate. The program further aimed to respond to a dynamic private sector, devising projects with strong potential to foster innovation and generate jobs.

The Bank has moved toward more comprehensive involvement using operations, advisory services, trust funds, and innovative financial instruments.

As an institution of global knowledge, the WBG program was able to help improve service delivery, allocate reduced public resources efficiently, promote sustainable natural resource management for climate change mitigation, and manage risks from natural disasters. The emphasis in crucial reform areas on cutting-edge knowledge, including

effective use of trust funds, anchored the WBG program in Chile. The knowledge program proved an effective instrument for Chile's partnership with the WBG by helping to strengthen the strategic policy dialogue and decision-making. The resulting knowledge exchange can serve as an example of the potential for such programs in advanced countries with OECD membership. It was delivered through two main instruments: the Joint Studies Program (JSP) and the stand-alone Reimbursable Advisory Services (RAS) program. The World Bank provided 45 advisory and analytical services for fiscal years 2011 to 2018, and IFC has built a strong portfolio supporting Chile's dynamic private sector, including MSMEs, agribusiness, extractives, education, and the financial sector.

In summary, during this period, the WBG supported government efforts to improve equity by increasing access to and quality of education, social protection, and health services. In addition, it supported public sector modernization efforts focused on improved performance and public financial management, transparency, and accountability of public institutions; monitoring and evaluation of institutional capacity; and efficient use of declining public resources. Finally, to promote sustainable investments, the WBG

and the government jointly worked to strengthen regulations on the use of natural resources, particularly water; manage infrastructure; and bolster the agro-food industry.

RESULTS

WBG supported the achievement of the following results for fiscal years 2011 through 2018:

- The Ministry of Finance (MOF) led the efforts to enhance and expand the central government financial administration system through the design and implementation of the new State Financial Management System II (Sistema de Gestión Financiera del Estado II, SIGFE II). A changed management model and simplified processes reduced the time needed to aggregate data from 20 to 8 days, thereby strengthening financial management capacity. By the end of 2017, 87 percent of central government agencies were using SIGFE II. Implementation was financed from 2009 to 2014 by the World Bank through the Public Expenditure Management Project II.
- Chile started to make improvements in the area of Open Data, with support of the WB, by increasing access to the legislative and public sector information through the State

Transparency Portal. Although in the Global Open Data index Chile still ranks relatively low (in the 22nd place, and in South America it is behind Brazil, Mexico, Colombia and Argentina), by end 2017 this portal processed more than 170,000 requests of information per month.

The World Bank supported the initial stages of the portal's implementation through an Institutional Development Fund assigned to Chile's Council for Transparency.

- Over the past three years, Chile had made major strides in the area of Probit and Integrity passing important pieces of legislation in areas, such as conflict of interest, campaign financing, etc. The Bank provided support to the Commission of Experts (led by professor Eduardo Engel) that former President Bachelet created to outline this strategy and that has



Public school in Chile. Photo: Ministry of Education

- monitored its implementation on a non-profitable manner since its adoption.
- Chile has utilized results-based financing in the higher education sector to improve quality and performance through performance agreements with institutions.
- As of today, more than 50 percent of students studying for technical and professional degrees benefit from a redesigned curriculum;
- retention rates have increased (74 percent of first year undergraduate students remain at the institution in the second year); and the number of full-time-equivalent faculty members holding PhDs has increased from 5,109 in 2011 to 7,883 in March 2016. The WB supported these improvements through the Tertiary Education Finance for Results Project III from 2013 to 2016. In addition, the education knowledge program between the Bank and Chile informed

crucial changes in legislation that improved the accreditation quality assurance system and the accountability of institutions.

- At the government's request, the Bank assessed the first order distributional effects of the 2014 tax reform on the economy, particularly on income inequality, by quantifying the potential effects of the reform on the country's income distribution profile. The report revealed that the tax reform had a broad impact on equity. Taxes paid by the richest one percent of the population increased from 2.4 percent to 3.5 percent of GDP.
- One hundred municipalities fully implemented a financial management system and improved the quality and timeliness of information. More than 45 regional plans were designed, financing 250 infrastructure projects (roads, water and sanitation, energy, and ICT) and mobilizing funds to support 27 productive activities. Approximately 320,000 people benefited from improved infrastructure and territorial planning and implementation of inclusive development programs.
- The Government transformed the Planning Ministry into the Ministry of Social Development and improved access to

social services, including consolidation and streamlining of multiple schemes already in place and sharpened eligibility criteria to reduce transaction costs and errors of inclusion and exclusion. In 2015, the government created the Social Household Registry (RSH), combining in a single database information self-reported by households that had been kept in administrative databases. The RSH was launched in January 2016 with data from 12.3 million people grouped in 4.2 million households, approximately 70 percent of the country's population. The WB provided technical assistance through four RAS, supporting the Ministry of Social Development (MOSD) on the conceptual and pilot designs of the System for Social Care, the redesign of the social information system, and the design of expanded flagship program, Chile Grows with You (Chile Crece Contigo).

- The Government improved rural communities' access to infrastructure services in selected regions. Between 2006 and 2011, 90 percent of population (around 320,000 people) living in the pilot areas of the regions of Coquimbo, Maule, Bio-Bio, Araucania, and Los Lagos benefited from quality and sustainable energy, water, and sanitation services.



Chile. Photo: World Bank

The World Bank supported the design and implementation of the pilot under a Territorial Development Project.

The pilot led to the development of a well-tested mechanism for delivering infrastructure to rural areas.

- The knowledge program informed key institutional changes and policy-making

processes in the areas of public works, transport, urban mobility, and innovation in Santiago and Concepción; sustainable and efficient management of natural resources; and the institutional plan and strategy for water reform led by the Water Directorate.

- The Bank also contributed to Chile's efforts to mitigate global climate change through certified carbon emission reductions linked to the hydropower projects Chile Quilleco Hydropower Project, Chile–Chacabuquito Hydro Power Project, and CHILE Hornitos Project (Chacabuquito II) and by providing several grants aimed at developing and implementing instruments for carbon pricing and green growth. The Bank also supported the Ministry of Energy in preparing its market

readiness proposal, a national forestry policy, and a climate-change strategy.

WORLD BANK GROUP CONTRIBUTION

During fiscal years 2011 to 2017, WB lending totaled \$311 million, of which \$211 million was for investment projects, including those for the health (\$80 million) and education (\$50 million) sectors approved by the World Bank's Board in fiscal years 2017 and 2018, respectively, and US\$100 million for Development Policy Financing, approved in fiscal year 2016 to support the government's policy reform agenda to address persistent high rates of inequality through social sector reforms. IFC has built a strong portfolio that supports Chile's dynamic private sector. Over the period of the Country Partnership Strategy, IFC made a total of \$1.4 billion in new long-term commitments, including \$927 million for IFC's own account and \$466 million from third parties. The Knowledge Program delivered 50 products from fiscal year 2011 to fiscal year 2017, including Advisory Services and Analytics (ASA), RAS, and JSP. Currently, the Bank's trust fund program focuses primarily on the environment and energy sectors through four recipient-executed trust-funded activities (US\$17.90 million) and four bank-executed trust-funded activities (US\$2.78 million).

PARTNERS

The Bank has maintained a complementary role with the Inter-American Development Bank in the education sector. Key partners in implementing the WBG program include the Controller's office, the *Agencia de Cooperación Internacional* (International Cooperation Agency), *Corporación Nacional Forestal* (National Forestry Corporation), and the Ministry of Finance, among others.

MOVING FORWARD

The WBG will continue to broaden its support, through a combination of lending and knowledge programs, in response to Chile's requests regarding crucial structural reforms in education, health, social protection, and the economic impact of aging. Specifically, IFC will continue working in financial and sector infrastructure.



Public school in Chile. Photo: Ministry of Education



Growing passion fruit in the township of La Paz, Colombia. Photo: Dominic Chavez / World Bank

PROMOTING FISCAL
SUSTAINABILITY, INCLUSIVE
GROWTH, TERRITORIAL
DEVELOPMENT AND THE
CONSTRUCTION OF PEACE IN
COLOMBIA

COLOMBIA

Among other things, the Bank has helped Colombia to reduce vulnerability to disaster risks in major urban areas and to integrate smallholder farmers into modern value chains. Sustained support for the country's structural economic and fiscal reform efforts has contributed to improved fiscal performance and economic management. Support for the construction and consolidation of peace in Colombia cuts across all areas of World Bank Group engagement and is having demonstrable impacts on those affected and displaced by conflict.



Population: 49,065,615

GDP (billions): US\$309.19

GNI per capita: US\$5,830

*IBRD/IDA lending commitments approved in FY18: 541.9 million
New and supplemental Projects approved in FY18: 2*

CHALLENGE

Over the last decade, Colombia consolidated its position among the top economic performers in Latin America. The country's sound macroeconomic management helped sustain relatively high growth rates, with average annual growth of close to 5 percent between 2006 and 2015. Despite a significant period of trade shock between 2014 and 2016, estimated at nearly 4 percent of GDP, the Colombian economy proved resilient, bolstered by the macroeconomic and structural reforms undertaken in recent years. This economic growth and the resulting job creation has been a main driver behind Colombia's impressive strides in poverty reduction. Between 2002 and 2016, extreme poverty was almost halved, from 17.7 percent to 8.5 percent, while moderate poverty fell from 49.7 percent to 28.0 percent. The number of poor people in Colombia declined from about 20 million to approximately 13.3 million over this period.

Despite the rapid reduction in poverty, however, Colombia's poverty rate is still higher than the Latin American average. It remains one of the most unequal countries in the region, which itself is one of the most unequal regions in the world. Large historical disparities persist between urban and

rural areas. Colombia must broaden its sources of economic growth in an inclusive and socially, fiscally, and environmentally sustainable manner. Boosting productivity and competitiveness in non-extractive sectors will be critical to diversifying the economy and reducing its vulnerability to external shocks.

Transitioning to sustainable peace is another key challenge for the nation.

Decades of armed conflict have imposed high direct and indirect costs, hindering investment in physical assets, destroying human capital, and creating distortions that affect overall productivity.

APPROACH

The World Bank Group (WBG) provides integrated packages of financial, knowledge, and convening services from the World Bank, the International Finance Corporation (IFC), and the Multilateral

Insurance Guarantee Agency (MIGA) to help Colombia address its ambitious development agenda. Among the array of instruments, programmatic Development Policy Financing (DPF) has offered timely support for the government's well-defined structural reform agenda, supporting such critical reform areas as growth and economic management, sustainable cities, environment and climate change, and territorial development. A strong program of advisory services and analytics is central to the WBG's engagement in Colombia, and it includes programmatic knowledge services, South-South knowledge exchanges, and advisory services provided on a reimbursable basis.

Complementing financial services with a range of targeted advisory products to accompany implementation has proven successful. In some areas, the Bank engages purely through knowledge services, while the country obtains financing elsewhere. The WBG maintains a flexible approach to its engagement, allowing it to respond to emerging client demand and priorities. This has been particularly important in the context of a fluid global economic environment and Colombia's evolving post-conflict development agenda.

RESULTS

Improving fiscal performance and economic management. Over the last decade, the Bank's several DPF operations in Colombia have focused on structural economic and fiscal reforms. These reforms have supported Colombia in its transformation from a country emerging from economic crisis in the early 2000s to one of the top performing economies in the region, with one of the fastest poverty reduction rates. Colombia's fiscal performance and international track record on economic management have improved, helping to de-risk the country for Foreign Direct Investment (FDI) and capital market participants. Specific results achieved, stemming directly and indirectly from the reforms, include the following:

- Tax collections increased from 12.3 percent of GDP in 2010 to 14.5 percent in 2015, with proportional reductions in fiscal deficits.
- Colombia regained its investment grade rating in 2011 and was upgraded another notch in 2013–14.
- Between 2004 and 2016, the country has been a top performer in the World Bank's Doing Business ratings, consistently making strides in the areas of starting a business, getting credit,

paying taxes, and trading across borders.

- Annual FDI more than doubled between 2006 and 2013, from US\$6.8 billion to US\$16.2 billion.
- Between 2006 and 2013, exports grew at an average rate of 15 percent (in nominal US\$ terms).

Reducing vulnerability to disaster risk in urban areas. Between 2006 and 2014, a World Bank project helped Colombia's largest city, Bogotá, to increase its capacity to manage disaster risks and reduce vulnerabilities in key public buildings, such as kindergartens, schools, and hospitals.

- Development of risk maps and other studies enabled the city to identify high-risk areas and



TransMilenio buses in Bogotá, Colombia.
Photo: Dominic Chavez / World Bank

prioritize actions to decrease their vulnerability, bringing the population at risk down from 604,000 to 236,972.

- Close to 1,100 households living in areas subject to landslides were resettled to safer locations with secure housing tenure.
- By the project's close, 18 governmental agencies were incorporated into the Information System for Disaster Prevention and Emergency Response.

Linking smallholder farmers to markets.

With World Bank support (2002–2015), Colombia integrated more than 55,000 smallholder producer households into modern value chains, lifting their productivity and sales volumes.

- A two-phased Rural Productive Partnerships Project helped to build and promote productive alliances between rural producer organizations and private agribusinesses.
- More than 820 successful productive partnerships were established.
- By design, the project reached vulnerable groups, such as women, indigenous people, and Afro-Colombians. Close to 10,000 female-

headed households and more than 9,250 indigenous and Afro-Colombian households have been assisted, exceeding project targets.

Supporting internally displaced persons (IDPs) and the peace-building process.

From 2002 to 2014, the World Bank supported the government of Colombia in its goals related to the protection, formalization, and restitution of land rights, particularly for those displaced by decades of conflict. The Protection of Land and Patrimony of Internally Displaced Persons project built the knowledge base and policy support for a Restitution Law that provided physical restitution to IDPs of their land parcels and for three decrees for ethnic minorities.

- Over its three phases, the project responded to 173,756 requests for protection of land assets from IDPs, conferred 1,337 titles to occupants, and received 72,623 requests for land restitution.
- Twenty-four land restitution units were established throughout the country.
- More than 109,000 IDPs and more than 8,000 ethnic minority community leaders received training and information on protection and restitution.

Creating conditions for peace. With World Bank support, between 2004 and 2012 the Government's Peace and Development program assisted vulnerable, low-income, and displaced populations in rural and urban communities in the country's conflict-affected regions. Premised on the assumption that asset creation can help mitigate the risk of displacement and that restoring a basic safety net to displaced families is a vital first step in their social and economic stabilization, a wide range of subprojects received support, from food security and income generation to social and cultural promotion.

- Of the close to 90,000 beneficiaries, 60 percent were enrolled in income-generation, social, cultural, and environmental management subprojects.
- More than 700 subprojects were implemented by social and community-based organizations, and more than 600 organizations benefitted from gaining a greater voice in municipal life.
- Project beneficiaries reported having greater trust in their communities and confidence in their public institutions, feeling more responsible for their own futures, and being more empowered to participate in and influence public affairs.

- Increased trust in and community relations with public institutions, in turn, boosted enrollment in state social assistance programs.

WORLD BANK GROUP CONTRIBUTION

Colombia is the seventh-largest borrower from the International Bank for Reconstruction and Development (IBRD), per outstanding debt as of July 2017. The active portfolio comprises ten IBRD and two Global Environment Facility (GEF) projects, totaling \$2.8 billion in net commitments. Development Policy Financing operations are a feature of the lending portfolio, supporting sustainable development and sustained growth,

territorial development, and fiscal and growth productivity. Investment Project Financing provides support in such areas as water and sanitation, transport, and education. Colombia also has a considerable Trust Fund portfolio representing a variety of sectors, including biodiversity conservation in the Amazon, cattle ranching, and support for collective reparation to victims of armed conflict.

A Multi-Donor Trust Fund, launched in 2014, supports peace and post-conflict initiatives. The WBG's sizeable portfolio of advisory services and analytics in Colombia includes a range of activities, from multi-year programmatic engagements to



Emma Churio, sits quietly in Guacoche, Colombia. Photo: Dominic Chavez / World Bank

just-in-time analysis to South-South knowledge exchanges.

IFC's committed own account and syndications portfolio in Colombia, as of the end of June 2017, stood at \$1.3 billion in 66 projects—the tenth-largest portfolio worldwide and the third regionally. The top sectors are finance and insurance (58 percent), transportation and warehousing (15.7 percent), collective investment vehicles (10 percent), and extractives (4.4 percent). IFC Advisory in Colombia is active in public-private partnerships (addressing schools, hospitals, and physical infrastructure), corporate governance, collateral registries, microfinance and sustainable energy finance, royalties' management, sustainable community investment, investment policy promotion, cities, taxes, and green building codes. MIGA's portfolio of close to \$100 million focuses on the financial services sector.

PARTNERS

The WBG's partnership framework with Colombia builds on its convening power and joint work with other development partners. Both the Inter-American Development Bank (IDB) and Corporación Andina de Fomento (the Development Bank of Latin America) partner with the WBG

in ongoing inter-disciplinary activities, ranging from the “4G” infrastructure program to mass transit systems in Bogotá to operations under the Government's *Plan PAZcífico*.

Traditionally, the IDB and the WBG have complemented each other very well in their respective engagements and have maintained a close dialogue. The Bank also plays an active role in the Grupo de Cooperantes, which coordinates the work of the bilateral and multilateral donor community. Two areas in which the donor community is particularly active are the post-conflict and climate/environment agendas. Within these, the Bank takes the lead on several initiatives in coordination with interested bilaterals and multilaterals, including the UN.

MOVING FORWARD

In line with the current Country Partnership Framework (CPF), which continues through fiscal year 2021, the WBG expects to maintain a flexible engagement in Colombia and to continue providing integrated packages of financial, knowledge, and convening services from the Bank, IFC, and MIGA to address the country's ambitious development agenda. Informed by a Systematic Country Diagnostic as well as by consultations

with stakeholders and government, the CPF sets out three priorities for engagement: (i) fostering balanced territorial development; (ii) enhancing social inclusion and mobility through improved service delivery; and (iii) supporting fiscal sustainability and productivity. Support for the peace building process cuts across all areas of WBG engagement, from land property rights in rural areas to improving justice service delivery and access to justice.

BENEFICIARIES

Nydia García is a member of one of the 1,067 households living in Bogotá's Nueva Esperanza neighborhood that were resettled to safer locations with secure housing tenure under the World Bank's Disaster Vulnerability Reduction Project. Speaking of her experience in Nueva Esperanza, Ms. García noted: "When I moved here, there was no electricity, no water, and little by little the area began to be populated. *As more houses were built here the land began to become unstable. Every day we had more landslides. Water used to come through my house, through the bedroom, when it rained, as if it were a drainage pipe. Sometimes, when it rained heavily, we would feel scared because we knew that it could cause our house to fall down anytime. Once when we were sleeping*

and it was raining heavily, the land from the house behind fell on top of us and the planks of our house nearly collapsed under that weight."

"I have prospered more since I left the neighborhood. I have been more enthusiastic about my work in order to progress financially, to have a better life. I am very happy to have been relocated. Absolutely."



Aldo Jesus Ibarra, stands along the Cesar River in Guacoche, Colombia. Photo: Dominic Chavez / World Bank



Older adults in Dominican Republic. Photo: Dominican Republic Presidency

CONTRIBUTING TO SUSTAINABLE
AND INCLUSIVE GROWTH IN THE
DOMINICAN REPUBLIC

DOMINICAN REPUBLIC

The World Bank Group has been a key partner in the Dominican Republic's social and economic development agenda, supporting the country's efforts to strengthen the quality of basic public services, increase income opportunities, promote social cohesion and resilience among vulnerable groups, and improve resilience to natural disasters, climate-related risks, and health-related emergencies.



Population: 10,766,998

GDP (billions): US\$75.93

GNI per capita: US\$6,630

*IBRD/IDA lending commitments approved in FY18: 150 million
New and supplemental Projects approved in FY18: 1*

CHALLENGE

The Dominican Republic stands out as a fast-growing economy that has made significant progress over the last decade in reducing poverty and inequality. The country has experienced a remarkable period of high and stable economic growth (5.3 percent annually) over the past 25 years, making it one of the top performers in Latin America and the Caribbean and in the world. Growth remained high in 2016 and 2017, at 6.6 percent and 4.6 percent, respectively, and the index of economic activity points to an expansion of 6.7 percent in the first half of 2018. Moreover, growth has been relatively stable.

The Dominican Republic's high-growth episode was bolstered by a series of economic reforms implemented in the 1990s and 2000s and by favorable geographic conditions.

Growth over the period from 2008 to 2016 was slightly pro-poor: Per capita income for individuals

in the bottom 40 percent grew at an average annual rate of 4.2 percent, compared to 3.8 percent per year for the top 60 percent, resulting in less unequal income distribution. The Gini coefficient decreased by 2 points from 49.6 in 2008 to 47.1 in 2016, below regional inequality levels throughout the period. In addition, the high rates of economic growth have been accompanied by improved access to services. Access to basic education, water, sanitation, and key assets has improved since the early 2000s, decreasing the share of households with deprivations, a proxy for multidimensional poverty. Despite these positive developments, however, high inequality and high poverty levels persist, hampering the Dominican Republic's aspiration to become a high-income country by 2030.

APPROACH

Against this backdrop, the WBG approach in the Dominican Republic has focused on improving the quality of basic services: health, education, social protection, and water and sanitation.

The WBG program also seeks to raise income by enhancing competitiveness and diversifying exports, deepening the impact of programs



Farmer in Guanatico, Dominican Republic. Photo: Dominican Republic Presidency

in building resilience, and incorporating a focus on productivity and financial inclusion, including by building greater synergies with International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) engagements in the energy, financial, and transport sectors. The WBG program focuses on mainstreaming issues related to gender, governance, disaster risk mitigation, and climate adaptation.

The overall strategic goal of the Country Partnership Strategy (CPS) for the Dominican Republic for fiscal years 2015 to 2018 is to support government efforts to sustain growth and make it

more inclusive. The CPS FY15–FY18 Performance and Learning Review (PLR), endorsed by the Board in January 2018, extended the CPS period to fiscal year 2019 to allow adequate sequencing of the new Country Partnership Framework (CPF) with the electoral cycle of the Dominican Republic’s next elections. The overarching objective of the CPS—laying the foundation for inclusive sustainable growth—remains valid, with a deeper emphasis on inclusion and equity. The PLR consolidated the CPS objectives from five Results Areas to three Pillars: (i) strengthening conditions for equitable growth; (ii) improving service delivery for the poor; and (iii) building resilience.

RESULTS

The development objective (DO) of the 2010–2017 Municipal Development Project to improve the technical and financial capacity of participating local governments (PLGs) to program, finance, and deliver minimum municipality services was achieved. A total of 202,378 individuals, 44 percent of them females, as targeted, benefited from the works executed under the aegis of this project, exceeding the initial target of 194,229. Indirect beneficiaries of institutional strengthening activities totaled 266,396 individuals, also exceeding the target of 194,229. Among the main results achieved during project implementation were as follows:

- All 31 PLGs adopted the Municipal Development Plans.
- Eighty-four percent of the PLGs implemented Institutional Action Plans with core elements, exceeding both the original and revised targets of 60 percent (appraisal) and 80 percent (restructuring), respectively.
- Twenty-eight PLGs benefited from works based on their level of advancement in institutional strengthening, exceeding the target of 25.
- Eighty-five small civil works subprojects were completed at project closure, with matching

grants and 10 percent counterpart funds, further increasing local ownership. The projects included 39 sidewalks, 20 parks, 13 sports areas, 6 cemeteries, 3 funeral homes, 3 fire stations, and one cultural house.

- Financial reports from 26 PLGs were prepared in accordance with international standards and were transparently published as mandated by the Participatory Municipal Law, exceeding the target of 25.

All results (per the ICR draft dated August 12, 2018) for the Water and Sanitation in Tourist Areas (approval/closure dates: April 2, 2009/March 31, 2018) either met or exceeded targets:

- The National Water Sector Council (WSC) was established.
- A Water and Sanitation Strategy was developed.
- Of the 100,000 consumers targeted, 94,000 (85 percent of the Puerto Plata region) received access to improved or new sanitation and to wastewater treatment and disposal services.
- Participant regional water utilities strengthened their cadaster, commercial, administrative, financial, and sewerage systems.



Health program for women, Dominican Republic.
Photo: Dominican Republic Presidency

These efforts consolidated and strengthened the Dominican Republic's policy framework for its water and sanitation sector, and access to sanitation and wastewater treatment and disposal services expanded, boosting performance of participant provincial and regional utilities. The participating water utilities (known as CORAAs), were located in the cities of Moca (CORAAMOCA), a densely populated city in the Center (Cibao) region, and La Romana (COAAROM), a zone on the country's east side much visited by tourists.

Through the Support to the National Education Pact Project (approval/closing dates: September 20, 2015/June 30, 2020; project ISR December 30, 2017), notable progress has been made on student learning outcomes for the first cycle of

primary education. In addition, education care centers were evaluated against quality standards and now have fully functional school management committees (Juntas de Centro) to implement their school development plans. Activities to institute robust protocols for data collection and to enhance capacity to produce high-quality data through integrated information systems (with an open data portal through which stakeholders can access timely and relevant data in user-friendly reports), financed with the grant Strengthening Capacity to Produce and Use Quality Education Statistics (approval/closing dates: April 3, 2017/April 7, 2019), complemented loan efforts.

With completion of the major bidding processes to rehabilitate circuits, the Distribution Grid Modernization and Loss Reduction (approval/closing dates: December 15, 2015/December 31, 2020) project is well positioned to achieve its DO of improving the financial viability of the electricity distribution companies by reducing energy losses and increasing revenue collections in the circuits rehabilitated under the project. Reduced energy loss will help increase the supply of electricity (latest ISR dated December 18, 2017), an instrumental result highlighted in the Electricity Pact.

One year before closing the Implementing Extractive Industries for Transparency Initiative (EITI); approval/closing dates: June 8, 2017/ June 24, 2019) all results (per draft ISR updated in December 2017) had been achieved.

Policy options were mainstreamed for enhanced transparency in the mining sector, led by an active and open multi-stakeholder engagement.

Governance in the sector has improved, its potential has been developed, and the regulatory framework has been updated, including a revised mining law and a properly implemented EITI. Relations between stakeholders are stronger, and trust and confidence improved regarding government oversight of mining revenues. The grant, through consensus building and enhanced trust, has nurtured a strong sense of ownership by the three participants in the mining sector: civil society organizations (CSOs), companies, and government.

WORLD BANK GROUP CONTRIBUTION

Over the first three years of the CPS for fiscal years 2015 to 2018 for the Dominican Republic, program delivery has been in line with the projected lending of US\$550 million: Five projects were approved, valued at US\$455 million, and two operations, totaling an additional US\$130 million, are in the pipeline. The current portfolio includes three investment loans: US\$75 million for an integrated social protection and promotion program; US\$50 million to enhance the quality of the education sector; and US\$120 million to rehabilitate and reduce loss in electricity distribution networks. Two budget support operations were approved in the CPS period: US\$60 million to strengthen management of public finances, and US\$150 million for a contingent credit line to respond to natural disasters or health emergencies (CAT-DDO). Grant-funded projects totaling US\$10 million are a significant part of WBG's engagement.

As of June 2018, IFC's portfolio had reached US\$527.5 million (including member mobilizations of US\$228.73 million) in eight projects supporting development of a competitive private sector. IFC's portfolio has increased by US\$235.32 million (79 percent) in the last two years. IFC is strategically focused on (i) increasing financial



New school in Santiago, Dominican Republic. Photo: Dominican Republic Presidency

inclusion and access to finance, particularly in less developed areas of the country, with a special focus on MSMEs; (ii) improving competitiveness and regional integration; and (iii) investing to mitigate the effects of climate change. Since its incorporation, IFC has carried out more than 45 operations with high development impact and with more than 20 clients, in a consolidated amount exceeding US\$1.2 billion.

MIGA has one active project in the Dominican Republic: the Autopista del Nordeste C. Por. A., with a guarantee amount at issuance of \$107.6 million and an outstanding guarantee amount of

\$74 million. The project consists of the design, construction, operation, and maintenance of the Santo Domingo to Rincón de Molinillos Highway, a 106-kilometer toll road connecting Santo Domingo with the country's northeastern peninsula (Samana).

PARTNERS

As the chair of the Donors Coordination Group in the Dominican Republic, the WBG has helped leverage funds, develop partnerships, explore opportunities for alignment and harmonization, and promote country ownership. Key WBG partnerships in the Dominican Republic, including

through trust funds, feature in (i) the education sector, with the European Union (EU) and United States Agency for International Development (USAID); (ii) public financial management, with the Inter-American Development Bank, the EU, and the Spanish Agency for International Cooperation; (iii) the energy and mining sectors, with the OPEC Fund for International Development, IDB, the European Investment Bank, and the German Agency for International Development; (iv) the social protection sector, with the IDB and the United Nations Development Programme; (v) the agriculture, fishing and forestry, and water and sanitation sectors, with the Food and Agriculture Organization, the Inter-American Institute for Cooperation on Agriculture, and the French Agency for Development; (vi) law and justice and public administration, with USAID; and (vii) health services, with the United Nations Children's Fund and the Pan-American Health Organization.

MOVING FORWARD

The WBG program remains relevant to and aligned with the government's priorities. Activities in the pipeline include one investment of US\$80 million to promote the integrated management of natural and water resources and to support

resilient agriculture (scheduled to be negotiated October 9, 2018); and one Additional Financing project of US\$50 million to be added to the existing \$50 million Education Project, in support of the Education Pact and educational quality and efficiency. The Bank is conducting a Public Expenditure Review (PER) of three crucial sectors of the economy: education, health, and electricity. Quality analytical products and structured engagement mechanisms will continue to allow the WBG to maintain a robust policy dialogue with the government, with an enhanced focus on inequality and inequity. Lessons, results, and conclusions from the PLR, the Systematic Country Diagnostic (SCD), and the PER in the remaining CPS period will be the basis of renewed dialogue on the next five-year CPF.

With strengthened coordination with IFC and MIGA over the coming period, the WBG will focus on building scalable programs that can attract additional resources, including from the private sector, while continuing to deepen the focus on mainstreaming gender and governance issues. IBRD and IFC will also explore opportunities to unlock energy potential derived from the Electricity PACT now awaiting signing. IFC will continue its program of credit lines, while looking



Students in Brisas de Caucedo, Boca Chica, Dominican Republic. Photo: Dominican Republic Presidency

for opportunities in other sectors, such as clean energy, and IFC and MIGA both will remain open to opportunities to support foreign investments in the financial and infrastructure sectors.

BENEFICIARIES

Dr. Altigracia Suriel, Technical Director of the Vice President's program *Progresando con Solidaridad* (Progressing Together), a social protection and promotion effort, noted how she valued WB contributions to the Dominican social protection network. These contributions, she stated, are reflected in the Solidarity Program's three certifications under the world quality

ISO standard: Improvements in the Program's operating processes contributed to its earning the gold National Quality Award for three consecutive years.

"We have had the support of the World Bank in Progresando con Solidaridad, both in financing and in technical aspects. It has been important for us to have the World Bank as a strategic partner for social protection in the Dominican Republic."



School orchard in El Salvador. Photo: World Bank collection

PROMOTING INCLUSIVE GROWTH
IN EL SALVADOR: IMPROVING
SOCIAL OUTCOMES FOR
VULNERABLE GROUPS

EL SALVADOR

El Salvador's social and economic development agenda has aimed to strengthen the delivery of basic public services, increase income opportunities, particularly for the poor, and promote social cohesion and resilience among vulnerable groups. In addition, El Salvador has worked to strengthen its capacity to manage natural disasters and respond to climate change.



Population: 6,377,853

GDP (billions): US\$24.80

GNI per capita: US\$3,560

*IBRD/IDA lending commitments approved in FY12: 140 million
New and supplemental Projects approved in FY12: 2*

CHALLENGE

El Salvador is the smallest country in Central America and one of the most densely populated in the world. Its per capita gross domestic product in 2015 was US\$8,602 (in purchasing power parity terms), and its population of 6.1 million is largely urban (about 66 percent); the country ranks in the 83rd percentile worldwide for population density.

Since the end of the Salvadoran Civil War in 1992, the country has advanced on both social and political fronts. In health, El Salvador has already achieved the Millennium Development Goal for reducing child mortality. In addition, the poorest segments of the population have been making increasing use of healthcare facilities, aided in part by a policy of free primary care services.

Immunization rates have also increased, from 86 percent in the 1990s to 91 percent in recent years (2010 to 2013). Similarly, access to improved sanitation and water resources increased from 79 percent to 90 percent, and the share of the population with access to improved sanitation expanded from only 56 percent to over 70 percent during the same period. In education, both access to education, particularly at the primary level, and literacy rates have increased, with the most significant advances occurring in urban areas.

Finally, since the end of the Civil War, El Salvador has forged ahead in consolidating democracy, with six consecutive democratically elected governments and peaceful transitions of power.

Despite this progress, poverty remains high. Using international poverty and extreme poverty lines of US\$4 per day and US\$2.5 per day, respectively, 31.4 percent of the Salvadoran population is considered poor (compared to 23.3 percent in the Latin America region), and 12.3 percent are considered extremely poor (compared to 10.8 percent in the Latin America region). Anemic growth is the main reason for the relative stagnation in poverty reduction. With an average growth rate of 1.5 percent (2001 to 2015).

El Salvador stands out as one of the slowest growing economies in the Latin America region.

El Salvador faces numerous challenges, calling for action on many fronts. Political polarization, high levels of crime and violence, low levels of savings and investment, poor educational attainment, lack

of skilled labor, and high rates of migration and remittances —among other factors—prevent the country from growing at a faster pace and reducing poverty and increasing shared prosperity for its citizens.

APPROACH

In the face of these challenges, the World Bank Group (WBG) has focused on ensuring social inclusion of the vulnerable segments of the population, while building foundations for inclusive growth. The WBG has been a key partner in supporting the country’s efforts to protect vulnerable households and expand effective and well-targeted safety net programs as well as to increase access to basic health and education services. Moreover, the World Bank program promotes the creation of safer communities to boost economic development and focuses on providing at-risk youth and vulnerable groups with training, job readiness, and work experience to help build their skills and assist their efforts to join the labor market. In addition, the World Bank is helping the country to foster sustainability and resilience, particularly by promoting efficient public spending and building government capacity to manage natural disasters and environmental challenges.



Education program beneficiaries Carolina Silva, and friend Reina Vides, Ciudad Merliot, El Salvador. Photo: World Bank collection

The International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) complement the Bank’s support by focusing on sectors and areas that contribute to enhancing the country’s economic growth. IFC is helping the country improve its investment climate, increase access to finance, and foster regional trade and financial inclusion. MIGA provides guarantees in the manufacturing and financial sector.

RESULTS

WBG financing helped achieving the following results between 2010 and 2016:

- **Providing income support and contributing to the establishment of an integrated social protection system.**
By supporting the implementation of the Temporary Income Support Program (PATI) through the Income Support and Employability Project, the WBG helped channel resources to more than 40,000 beneficiaries (70 percent of whom were women and 30 percent of whom were between the ages of 16 and 24) in poor urban areas, preventing them from falling deeper into poverty. The PATI also included activities to promote opportunities for the urban poor by improving the coverage of labor intermediation, providing skills training, and organizing employment fairs, and others. As a result, one year after the completion of PATI, participants' monthly incomes had increased on average by US\$18 per month. The WBG also helped improve the government's institutional capacity through an integrated social protection system by supporting the development of EL Salvador's Unified Registration System for social protection programs and its Universal Social Protection System.

- **Improving access, retention, and graduation rates for lower and upper secondary education.** By supporting the adoption of the Inclusive Full Time School (IFTS) model, the WBG's Education Quality Improvement Project has helped the country improve access, graduation, and retention rates for lower and upper secondary education.

The IFTS model addresses the problems of quality and exclusion of economically disadvantaged students and tackles problems of early drop out, grade repetition, and poor learning outcomes.

The program provides stimulating and diverse learning experiences, a safe learning environment, teaching responsive to the social and developmental needs of young adolescents from diverse backgrounds, and

school accountability for student results. To date, this WBG-financed project has supported the renovation of 17 schools and 209 school facilities (including classrooms, libraries, study rooms, teacher rooms, and sports and recreation spaces) and has benefited around 40,000 students with new facilities, learning materials, and pedagogical activities. The project also supports the improvement of pedagogical skills, thus far providing approximately 1,997 teachers with a series of certified trainings.

- **Expanding health service coverage.** With support from the Strengthening Public Health Care System Project, El Salvador has expanded coverage of health services provided by the Integrated Health Care Services Network to the country's 82 poorest municipalities. This Network, critical for delivering high quality health services, aims to reduce fragmentation, inefficiencies, and coverage gaps by providing health services through three levels of care: (i) the primary level, including family and community health units; (ii) the secondary level, including basic and general hospitals; and (iii) the third level, including specialized hospitals. To date, a total of 21 hospitals, 52 community health units, and 19 administrative



Salvador Antonio Castro Moreira, Santiago Texacuangos, El Salvador.
Photo: World Bank collection

offices have benefited from infrastructure renovation projects; acquisition of medical equipment, medicines, and medical supplies; and procurement of ambulances, among other initiatives. Moreover, the project has provided training to about 900 medical staff on a range of issues including maternal health, reproductive and sexual health, teenage pregnancy, child health, and nutrition, and it has promoted compliance with medical waste management systems. Finally, the project has proven to be a practical tool for the government, particularly in response to national emergencies, such as the Ebola and Zika outbreaks.

- **Enhancing the capacity of local governments to deliver services.** WBG support, through the Local Government Strengthening Project, has helped municipalities develop institutional and technical capacity to design and implement subprojects: Thus far around three million people across 262 municipalities have benefited from more than 500 infrastructure projects. These projects for electrification, clean water and sanitation, waste management, construction and improvement of roads and bridges, and renovation of sports and recreation spaces generated around 12,000 temporary jobs. Moreover, the WBG supported a number of certified training programs covering decentralization, fiscal management, and territorial development, improving the technical skills of more than 500 local government staff. Finally, the WBG supported the implementation of a municipal management information system, contributing to enhanced transparency and citizens' increased access to information.

WORLD BANK GROUP CONTRIBUTION

The World Bank's current active portfolio in El Salvador includes two investment projects in the

education and health sectors, totaling US\$140 million in net commitments.

This investment portfolio is complemented by trust funds and analytical and advisory services focusing on fiscal management, capital and financial markets development, climate change, and disaster risk management.

IFC facilitates access to credit and improves finance availability through IFC credit lines tailored to small entrepreneurs and households. As of July 2017, IFC's investment program was US\$160 million. MIGA has US\$129.3 million in gross exposure across three projects in the financial and services sectors.

PARTNERS

Donor cooperation and partnerships play a fundamental role in achieving development outcomes in El Salvador. To ensure complementarity of its activities, the WBG coordinates efforts closely with the Millennium Challenge Corporation (MCC), the Inter-American Development Bank (IDB), the Central American Bank for Economic Integration, the European Union, the United Nations Development Program, and other bilateral donors, including the Japan International Cooperation Agency (JICA), the German Development Bank (KfW), the German Agency for Technical Cooperation (GIZ), and Spain, among others. For example, MCC is currently expanding the IFTS Model to 80 additional schools in El Salvador's eastern region, complementing the WBG support for this program. IDB, in addition to IFC, is helping to increase access to finance for micro, small and medium enterprises (MSMEs) by providing technical assistance, and KfW supports SMEs through special credit lines for renewable energy.

The WBG's climate change and resilience agenda as well receives additional support through close coordination with other partners, including JICA, GIZ, and IDB.



Education program beneficiaries Carolina Silva, and family, Ciudad Merliot, El Salvador. Photo: World Bank collection

MOVING FORWARD

The WBG will continue its partnership with El Salvador in line with the Country Partnership Framework 2016–2019, which focuses on building the foundations for inclusive growth and fostering sustainability and resilience. To this end, the

Bank will continue implementing its investment portfolio in the education and health sectors, complementing its support with knowledge products, advisory services, and technical assistance focused on youth employability, crime and violence, financial sector development, fiscal management, and climate change resilience. In addition, IFC will continue bolstering private sector development by (i) focusing on measures to improve the investment climate and trade facilitation; (ii) improving infrastructure and renewable energy sources; and (iii) increasing access to finance for MSMEs, with particular emphasis on agribusiness. MIGA will continue to explore opportunities to meet requests from investors.

BENEFICIARIES

Carolina Silva, a young student from El Salvador's La Libertad department, is more eager to learn as a result of the financial assistance she received through the Income Support Employability Project. When asked what made a difference, she replied: *"The only thing that I needed to have perfect attendance in school was the possibility to afford to pay for the bus fare and not miss a day of school."*

This financial aid not only helped secure bus fares for children in need, but because the children no longer had to walk alone through dangerous neighborhoods, it also helped to improve the safety of Carolina and many other children.



Bakery workshop for school students in El Salvador. Photo: World Bank collection



Haitian girl, Port-au-Prince, Haiti. Photo: United Nations

PROVIDING OPPORTUNITIES FOR
ALL HAITIANS: STRENGTHENING
THE FOUNDATION FOR LONG-
TERM DEVELOPMENT, POVERTY
REDUCTION, AND RESILIENCE

Since the 2010 earthquake, US\$645 million have been disbursed. These resources have (i) supported recovery and reconstruction; (ii) maintained and improved education and health services; (iii) combated cholera; (iv) strengthened agriculture and improved disaster risk management; (v) increased access to and improved the quality of water in cholera hotspots; and (vi) supported institutional development and the development of data in support of policy improvements.

HAITI



Population: 10,981,229

GDP (billions): US\$8.40

GNI per capita: US\$760

*IBRD/IDA lending commitments approved in FY17: 186.2 million
New and supplemental Projects approved in FY17: 8*

CHALLENGE

Haiti's geography, people, and history provide it with many opportunities. A history of vested interests, political instability, and natural disasters has prevented Haiti from realizing its potential, however, trapping it in a low equilibrium and rendering it one of the world's poorest and least equal countries. Haiti's growth performance over the last four decades has been weak, and poverty remains endemic, with the highest numbers of the poor living in rural areas. As of 2012, about 60 percent of Haiti's population of 6.3 million people remain poor, and 24 percent—2.5 million—are extremely poor. Extreme poverty declined (falling from 31 percent in 2002) over the last decade, however, mostly driven by private transfers and external aid. These gains will likely be hard to sustain, as aid flows continue to decline, and growth remains very modest. Improvements in human development indicators (such as education) were also observed over the same period, thanks to the increased government funding for reconstruction and the social sectors, but Haiti's development nonetheless remains severely hindered by inequality and highly concentrated markets, and the contract between the Haitian state and its citizens continues to be persistently weak.

On January 12, 2010, a 7.0 magnitude earthquake struck Haiti, killing an estimated 230,000 people and displacing 1.5 million.

It resulted in damages and losses of US\$7.9 billion (120 percent of GDP) and in US\$11.9 billion in estimated reconstruction needs. It compounded Haiti's many pre-existing development challenges and exacerbated its underlying socioeconomic drivers of poverty. Compounding these challenges, cholera broke out in October 2010. Hurricane Matthew hit Haiti at category 4 on October 4, 2016, leading to about 600 deaths; 2.1 million people were affected, and considerable damage occurred on the southern peninsula and in the northwestern sections of the country. Matthew resulted in a 32 percent loss in the country's GDP.

APPROACH

Haiti's persistent challenges as one of the poorest and most unequal countries in the world and its high susceptibility to natural disasters have shaped the Bank International Development Association's

(IDA) framework of support to the country over the last few decades. Specifically, to maximize its impact, IDA support to Haiti has aimed to (i) respond to emergency needs and increase service delivery levels, while (ii) tackling some of the primary institutional and policy issues in sectors critical to laying the foundation for more inclusive, resilient, and sustainable development. From that perspective, IDA supported reconstruction following the 2010 earthquake using tailored emergency operations based on grants and a mix of other instruments, such as analytical work and technical assistance (TA) to rebuild infrastructure (neighborhood reconstruction, for example) and restore or enhance service delivery (particularly in the areas of education, disaster risk management (DRM), electricity, and cholera eradication) while continuing to support institutional development and policy improvements (particularly in education, electricity, and health).

The Bank enhanced its support from 2015 to 2017 by complementing the reconstruction activities initiated in the prior three years and building resilience through infrastructure, reconstruction, and resilience operations and TAs, while catalyzing inclusive growth by creating jobs and supporting private sector actors as well as removing primary



Hurricane Matthew destruction in Haiti.
Photo: EU Delegation to the Republic of Haiti

infrastructure bottlenecks to market access. IDA support also focused on building human capital through increased access to education and health and controlling cholera. In parallel, to achieve and sustain development outcomes, IDA has been supporting the government through a mix of operations to improve transparency, accountability, and effectiveness in public investment while strengthening institutional capacity to produce essential data, manage sectors, and set evidence-based policy priorities and build fiscal sustainability.

RESULTS

World Bank support has been pivotal to Haiti following the 2010 earthquake and has led to the achievement of significant results between 2010

and 2016. Of particular relevance are the results achieved under basic service delivery programs in education and health, with special attention to closing geographical and income gaps in service delivery and combating cholera through combined health and water interventions. These results include:

- Resumption of education after the earthquake and increased children's school enrollment. Through grants, more than 2,800 schools reopened following the 2010 earthquake, and tuition waiver and nutrition programs were introduced. From 2012 to 2016, 440,000 tuition waivers were financed, making it possible for about 180,000 youth (50 percent of whom were girls) to attend school and for more than 380,000 children (50 percent of whom were girls) attending primary schools to receive quality hot meals daily. In parallel, government capacity to improve quality in education has been strengthened and policy development supported. The tuition waiver mechanisms developed by the Bank have been so successful and effective that they have been adopted by the government and other donors.
- Improved access to health and water and sanitation services, with a transversal focus

on the fight against cholera. More than three million people benefited from health and cholera education and prevention training; more than 600,000 received water treatment products and/or soap; 6,000 received health and hygiene education; and medical personnel received professional training. Two hundred cholera treatment centers and oral rehydration stations received staff and equipment; nearly 60,000 people in southern Haiti benefited from improved access to safe drinking water; and the National Directorate of Water and Sanitation launched its first sanitation roadmap to raise awareness and encourage households to build or maintain their own latrines.

Significant achievements were made in infrastructure recovery and reduced vulnerability to disasters as well as on housing and neighborhood reconstruction.



School in Port-au-Prince, Haiti. Photo: Mary Stokes/World Bank

IDA has also leveraged technology to become more agile in its interventions across sectors and has been using satellite data and spatial approaches to monitor the economy. These efforts have proven very effective when applied to the Bank's multihazard mapping efforts, infrastructure and roads mapping, connectivity analysis, and similar efforts. Results achieved in these interventions encompass the following:

- Reconstruction of infrastructure and enhanced capacity to respond to disasters. Support for post-earthquake reconstruction has included the completion of assessments of 450,000 buildings for structural damage, elaboration of six antiseismic construction guidelines, and training for 400 engineers and 15,000 masons on building safe housing. Moreover, over 1,000,000 square kilometers of debris were treated, more than 90 kilometers of roads were rehabilitated, one bridge was built, and the road linking Port-au-Prince to Jacmel was repaired, thus restoring access to the capital for half a million Haitians from the country's southern region.
- Reconstruction of neighborhoods and accompanying rapid and unregulated urban growth. Programs improved infrastructure for more than 200,000 people in neighborhoods

impacted by the earthquake, including access, solar street lighting, drainage adjustments, reinforced embankments, and gathering areas for social interaction. More than 50,000 displaced persons returned from camps to safer housing in neighborhoods through relocation grants and rental subsidies, with over 80 percent of renters remaining in their subsidized housing after the subsidy period expired. Furthermore, more than 400 community-selected and -implemented subprojects addressed gaps in service delivery and infrastructure, helping to improve living conditions for more than 270,000 people in urban areas; these subprojects included solar street lamps providing access to lighting for nearly 120,000 people, water treatment and distribution points benefitting 130,000 people, and more than 100 income-generating activities, including for female headed households.

- Strengthened efficiency, sustainability, and transparency in public services. As a crosscutting program of the World Bank's work in Haiti, IDA has been instrumental in supporting institutional development in a broad range of sectors by developing evidence-based data (the first poverty assessment in 12 years

took place in 2014, school mapping in 2015, a health center sample assessment in 2015, and a public expenditure review in 2015). This data serves as a basis for policy dialogue on sectoral organization, orientation, resource use, and effectiveness. Thanks to IDA support, the Haitian government's basic payment functions were restored and equipment and capacity building was provided to several government entities to continue functioning following the earthquake. Furthermore, when developing the Systematic Country Diagnostic and the Country Partnership Framework, given the importance of citizen engagement in improved quality and effectiveness of service delivery, citizen inclusion, and a strengthened social contract, extensive wide-ranging consultations were held to foster debate and identify issues that may have been overlooked. Beneficiary



Water sanitation program, Haiti. Photo: World Bank

surveys have been integrated into all operations and grievance and redress mechanisms, and feedback loops were incorporated in many project designs. These have proven to be very effective for implementing operations, empowering citizens, and fostering social accountability and inclusion.

- Assessment of damage and loss post–Hurricane Matthew. Immediately after Hurricane Matthew passed over Haiti, the World Bank prepared a damage and loss assessment (DALA) to determine the hurricane’s impact on the various aspects of the economy. The DALA became a blueprint used by the government to mobilize resources for post-Matthew rebuilding.
- Implementation and delivery of two critical products under the Haiti Disaster Risk Management program. The Atlas of Hazards and the open-data platform, HaitiData, disseminates, shares, and exploits GIS and cartographic data about Haiti. This idea was born after the earthquake of January 12, 2010. The first version of HaitiData has been used by several actors and partners involved in risk and disaster management, urban planning, agriculture and food security, spatial planning,

environmental management, infrastructure, statistics, tourism, topographic mapping, thematic mapping, and many other areas.

Despite continuous engagement through several interventions to move reforms forward—using a mix of tools, including investment financing, technical assistance, policy advice, international experience, investments from private investors, and others—IDA has not yet yielded satisfactory results on electricity or on public financial management. It has been unable to broker enough momentum for reforms aimed at increasing access and strengthening transparency in public investments, mostly due to lack of political will and strongly vested interests.

WORLD BANK GROUP CONTRIBUTION

The Haiti Urbanization Review was made possible by three grants: (i) support from the Global Facility for Disaster Reduction and Recovery (GFDRR); (ii) a grant from the World Bank’s Jobs Umbrella Trust Fund, supported by the Department for International Development/ UK AID, governments of Norway, Germany, and Austria, Austrian Development Agency, and by the Swedish Development Agency SIDA; and (iii) a grant from the Innovations in Big Data Analytics

program under the Global Data and Text Analytics Operations unit in the Global Themes Vice Presidency of the World Bank.

PARTNERS

The Bank has several development partners and actors in Haiti. After reaching a peak after the 2010 earthquake of over US\$3 billion from 37 multilateral and bilateral donors, however, partners' funding has decreased since 2013. In addition, absence of effective coordination by the government, combined with a lack of leadership and cohesive decision making, have led to a plethora of unchecked and unframed initiatives from donors. This fragmentation has undermined the efficiency and effectiveness of some interventions, despite their volume and scope, especially on service delivery.

The World Bank has continuously worked to achieve harmonization and efficiency in funding allocations from its partners.

In this role, the Bank has led several sectoral donor groups and often supports the leadership of other partners through analysis, sectoral dialogue, and alignment of instruments and/or financing where possible, as well as by supporting the government's efforts to encourage donors to support its objectives.

Partnerships of particular relevance are those with UN agencies, United States Agency for International Development, the U.S. Centers for Disease Control, and the French Agency for Development, yielding positive outcomes on health and education service delivery. Close collaboration and complementary coordination with the Inter-American Development Bank is helping to close the gaps on education access and quality as well as to extend water and sanitation service coverage. The disaster response agenda is seeing some positive developments thanks to close collaboration with Japan and the United Kingdom. Finally, while significant results have yet to be sustained, Haiti's energy reforms are receiving support from multiple donors.

MOVING FORWARD

The World Bank Group will continue to support Haiti through its existing program, closely aligned

with government priorities, as expressed in the 2012 Strategic Development Plan for Haiti (PSDH) and the Memorandum of Economic and Financial Policies for 2015–2018, with the goals of maintaining macroeconomic stability while sustainably increasing and improving efficiency in development spending. The World Bank will emphasize helping Haiti to achieve the following three objectives: (i) fostering inclusive growth, through support for development of greater economic opportunities beyond Port au Prince; (ii) enhancing human capital by supporting poverty reduction through investments in education and health; and (iii) strengthening resilience by helping Haiti prepare for and prevent natural disasters. To improve the government’s effectiveness, the World Bank will support transparency and accountability, including in public financial management, and strengthened institutions and government capacity to produce essential data, manage sectors, and set evidence-based policy priorities.

The World Bank also aims to improve fiscal sustainability in the context of rapidly declining external financing by strengthening fiscal reporting and accountability and increasing the capacity to finance basic service delivery. In implementing the CPF, the WBG also seeks to promote a productive



Haitian children, Haiti. Photo: United Nations

dynamic between the state and its citizens to contribute to reducing fragility. IDA, Trust Fund, and IFC resources and MIGA guarantees will be provided. Combined financial and knowledge services will be used to implement the program, including IDA financing, guarantees, analytical work, just-in-time advice, short-term technical assistance, IFC investments and advisory services, and investment climate support.

BENEFICIARIES

Joseph Woaly, a young-looking man sitting at a desk at the crossroad of several classrooms, has been a censor in the primary school La Ruche Enchantée overseeing students for more than seven years. Small children in pink uniforms, laughing girls with pink ribbons in their dark braided hair,



Teacher Joseph Woaly with his children, Haiti. Photo: World Bank

walk by. Joseph's dream was to have his children study in the same school in which he worked because of the school's good performance. All the kids in the school gradually enrolled under the tuition waiver program, including his five children, one after the other. His oldest son, Woade, is 10 and wants to be an eye doctor.

"It is my duty to send my children to school," Woaly says with a smile, when asked what he would do without the waiver program. He doesn't seem to know how he would pay, but Woaly, who "completed his primary education at age 17 and his secondary education at age 25," said he was happy to see his five children in classes corresponding to their ages, thanks to tuition waivers.



Young Haitians practice basketball, Haiti. Photo: United Nations



Empowering women in Oaxaca, Mexico. Photo: Jessica Belmont / World Bank

INCREASING SOCIAL PROSPERITY
AND PROMOTING INCLUSIVE AND
SUSTAINABLE GROWTH IN MEXICO

MEXICO

Building on a long-standing relationship with Mexico, the World Bank Group continues to support the country in addressing its development challenges. The results of the partnership are evident across the four central areas of WBG engagement: unleashing productivity; increasing social prosperity; strengthening public finances and government efficiency; and promoting green and inclusive growth.



Population: 129,163,276

GDP (trillions): US\$1.15

GNI per capita: US\$8,610

*IBRD/IDA lending commitments approved in FY17: 350 million
New and supplemental Projects approved in FY17: 3*

CHALLENGE

Mexico has one of the highest per capita incomes in Latin America. A member of the Organisation for Economic Co-operation and Development and the G20, the country has maintained solid macroeconomic stability in times of crisis and financial sector resilience. While the Mexican economy continues to grow, the external environment for structural reforms is a challenging one, with modest global growth, stagnant trade, and heightened policy uncertainties. A net exporter of oil, Mexico's economy has also been affected by a sharp drop in the price of oil, falling oil production, modest global demand, and international financial volatility.

Moderate economic growth in Mexico over recent years has hampered significant poverty reduction and improvements in shared prosperity.

Income inequality in the country is high and stagnant, and poverty is particularly concentrated in a few states. In 2014, more than 42.4 percent of the poor were concentrated in just five of Mexico's thirty-two states.

APPROACH

The World Bank Group's (WBG) Country Partnership Strategy (CPS) for Mexico aligns fully with the country's current National Development Plan. The CPS's flexible design enables the WBG to adjust and/or deepen areas of engagement in response to emerging government priorities. Government demand for WBG services and comparative advantages has converged on the complementarity of WBG financing, provision of cutting-edge global knowledge, and ability to provide development solutions despite the country's complex needs. Through its results-based thematic engagement program, integrating financial, knowledge, and convening services, the WBG has delivered a package of development solutions tailored to Mexico.

WBG support for the urban sector exemplifies this approach: An in-depth urbanization review financed by the Bank, followed by Reimbursable Advisory Services (RAS) on options for low-income



Metrobus in Mexico City. Photo: Isabelle Schaefer / World Bank

housing and urban planning, led to an investment operation in the housing sector that expects to help approximately 30,000 people gain access to formal housing. Programmatic analytical and advisory services are a feature of the WBG's strategic knowledge program and have proven effective in providing a flexible multiannual framework that integrates several types of support under one umbrella objective. This approach has allowed timely response to medium- and short-term demand. RAS have proven to be particularly effective for collaboration at the subnational level and remain in great demand at the federal level as well.

Measures of social deprivation (as quantified by non-monetary measures of welfare such as education, water, sanitation, electricity, and housing quality) have shown significant

improvement over the last 20 years as social spending has expanded and become more progressive. Further declines in social deprivation will remain central to further poverty reduction.

RESULTS

The following are among the results achieved between 2013 and 2016 through the WBG's customized package of financial, knowledge, and convening services in its four primary areas of engagement:

- **Unleashing productivity.** The Bank assisted the country in bringing more than three million new clients into the formal financial sector. Of the one million people financially included under the Technical Assistance Program for Rural Microfinance project, nearly 60 percent were women. Moreover, through advisory services, the Bank supported the implementation of key aspects of Mexico's Financial Reform Law, such as the analysis of competition in financial markets.
- **Increasing social prosperity.** The WBG supported Mexico's efforts to develop a more inclusive, effective, and integrated social protection system. The Bank contributed to the redesign of the conditional cash transfer

program, relaunched under the name PROSPERA, to reflect its additional attention to access to higher education and formal employment. Positive results in nonmonetary dimensions of welfare reflect the significant progress made in the social protection system. Between 2010 and 2014, for instance, lack of access to health care services was reduced from 29.2 percent to 18.2 percent.

- Strengthening public finances and government efficiency. Bank support can be credited with helping the government of Mexico to manage medium-term fiscal challenges. Playing a key advisory role, the Bank's Public Expenditure Review provided inputs to Mexico's fiscal consolidation program and the preparation of the 2016 budget. Bank technical assistance fostered adoption of modern public sector management and information systems, as evidenced in the state of Oaxaca, for instance. Policy-making processes also benefited from WB inputs. A RAS on disaster risk management (DRM) provided recommendations to strengthen Mexico's DRM structure at the federal and subnational levels, enabling the federal government to promote cost-efficient disaster risk reduction investments to manage disaster risk.

- Promoting green and inclusive growth. Progress was made in reducing greenhouse gas emissions by promoting low carbon initiatives in the transport, housing, solid waste, and energy sectors. Four integrated mass transit corridors, for instance, reduced emissions by 1.43 metric tons of carbon dioxide equivalent (MtCO₂e). Bank support also sponsors optimal use of natural resources. Through an International Bank for Reconstruction and Development (IBRD) loan in forestry, 1.8 million hectares have been brought under conservation or sustainable management practices since 2011, and more than 1,000 communities and ejidos now benefit from National Forestry Commission (CONAFOR) programs. With the support of several GEF



Apparel jobs created in Mexico. Photo: Maria Fleischmann / World Bank

grants, the Bank also contributed to bringing 11,861 hectares under enhanced biodiversity protection and encouraged small and medium-sized agribusinesses to adopt environmentally sustainable technologies.

Across all areas of engagement, the Bank's concerted attention to gender issues has had a demonstrable impact. Between fiscal years 2014 and 2016, all of Mexico's newly approved projects incorporated gender considerations in at least one of the three dimensions of analysis, action, and monitoring and evaluation.

WORLD BANK GROUP CONTRIBUTION

Mexico is IBRD's third-largest borrower, with outstanding debt of \$14.8 billion as of the end of June 2017. The Bank's active portfolio focuses support on social protection and education programs, green and inclusive growth agendas (energy, environment, water, agriculture, and transport), and financial inclusion programs. Net commitments at the end of June 2017 total \$2.5 billion. In addition, the Bank manages a wide grant portfolio of approximately \$274 million that supports activities primarily in the areas of environment and energy.

A strategically aligned program of advisory services and analytics is an equally important WBG contribution, providing timely inputs in such critical areas as climate change, urban development, water, and transport, among others.

IFC's committed portfolio in Mexico as of the end of June 2017 was \$1.29 billion own account plus \$1.04 billion in mobilization in 77 active projects. It is IFC's sixth-largest portfolio worldwide and second regionally. In terms of commitments (including mobilization), the top sector is chemicals (27 percent), followed by ports (23 percent), telecom (9 percent), construction materials (9 percent), oil and gas (9 percent), agribusiness and forestry (7 percent), financial markets (7 percent), funds (3 percent), health and education (1 percent), and others (5 percent). MIGA currently has no exposure in Mexico.

Such utilization of the full suite of World Bank Group services and instruments of engagement with the public and private sectors exemplifies its relevance in upper middle-income countries like Mexico.

More broadly, the WBG remains highly relevant in paving the way for solutions that can be scaled up, thus creating global public goods in many areas.

PARTNERS

The WBG engagement in Mexico is selective by design, focusing on areas aligned with its twin goals, with country demand, and with WBG's comparative advantages in the country. Harmonizing efforts with other development partners and promoting country ownership are core tenets of the WBG's engagement in Mexico, as is the objective of leveraging funds. Exemplifying the latter, the China-Mexico Fund (CMF), a \$1.2 billion private equity fund managed by IFC's Asset

Management Company, aims to attract commercial risk capital to support Mexico's reform agenda by "crowding in" equity investors in sectors including infrastructure, oil and gas, manufacturing, agribusiness, services, and banking.

Established in December 2014, the CMF is consistent with IFC's role in mobilizing capital to support private sector growth in middle-income countries. IFC has supported new players' entry into the oil and gas industries via the CMF, for example, its \$200 million commitment in Citla energy. Combined IBRD-Global Environment Facility (GEF) support for Mexico's energy sector has resulted in reducing approximately 9.15 MtCO_{2e} of emissions from 2012 to 2016. The World Bank has facilitated additional GEF grant financing, helping to enhance biodiversity protection, environmentally sustainable technologies, and the reforestation of mangrove ecosystems and riparian zones. The World Bank and IFC have collaborated to provide technical assistance to the National Infrastructure Fund (FONADIN) to improve the efficiency of its Municipal Solid Waste Program (PRORESOL).

MOVING FORWARD

The productivity agenda is among the areas for which the government has sought deepened WBG support. Productivity increase is a government imperative across many sectors, including the rural economy and the social protection agenda. Other critical areas of increased demand are linked to Mexico's economic and fiscal management, such as follow-up support to the Public Expenditure Review completed in 2016 and analytical work to support implementation of the new Fiscal Discipline Law for Subnational Entities and related public sector management practices. At the same time, Mexico remains committed to the low-carbon urban development path it has chosen, and it has requested additional support in this area. The CPS maintained its flexibility to respond to client requests through the elections in 2018, and Policy Notes are being prepared to provide advice to the in-coming administration.

BENEFICIARIES

Community-run forest programs in Mexico provide livelihoods and jobs for many people while supporting climate goals. Take the story of Maribel Xochitl, a single mother employed as a forest ranger in the mountainous village of La Trinidad, in the state of Oaxaca. *"It's a great opportunity to*

work," she says. "We are not just useful for staying at home or working in the kitchen, but also for doing this kind of work.... Now I have a salary. On Sundays, I can tell my children, 'Let's not cook at home today. Let's go eat out. And I have the satisfaction of saying, 'I'll pay.'"



Beneficiary Maribel Xochitl Mexico. Photo: World Bank

From Maribel's own work maintaining the communally owned forest, to carpentry businesses using the forest's sustainably harvested lumber, to the operation of an ecotourism lodge, half of the jobs in La Trinidad are now forest-related. All profits from the forest program return to residents, who decide how best to spend them. Investments have included paved roads, a library, and a youth recreation center.



Beneficiaries from water project, Panama. Photo: Jessica Belmont / World Bank

STRENGTHENING SHARED
PROSPERITY IN PANAMA:
FOSTERING INCLUSIVE GROWTH
AND BETTER OPPORTUNITIES FOR
THE MARGINALIZED AND
VULNERABLE

Panama's economic and social development agenda has aimed to maintain its macroeconomic sustainability and enhance its productive capacity to reduce poverty and income inequality. Panama has also worked to upgrade the quality of life of its marginalized and vulnerable groups through better access to basic services and resilience in dealing with natural disasters.

PANAMA



Population: 4,098,587

GDP (billions): US\$61.83

GNI per capita: US\$13,100

*IBRD/IDA lending commitments approved in FY17: 365 million
New and supplemental Projects approved in FY17: 2*

CHALLENGE

Panama's economic growth has been faster than that of any other country in the Latin American and Caribbean (LAC) region over recent years, averaging 7.2 percent from 2001 to 2013. The country's rapid growth has translated into significant poverty reduction. Between 2007 and 2012, poverty declined from 39.9 percent of the population to 26.2 percent, and extreme poverty declined from 15.6 percent to 11.3 percent. During the same period, income growth for households in the bottom 40 percent of population increased 8.2 percent, compared to the average per capita income, which grew by 6.6 percent.

Although growth at the aggregate level has been largely pro-poor and inequality has declined, not everyone has shared equally in Panama's prosperity. The indigenous peoples living in semiautonomous territories (*comarcas*) and groups living in remote rural areas suffer from higher poverty levels and significant gaps in access to basic services as compared with the rest of the country. For instance, in the poorest *comarca* with the largest population, Ngäbe Buglé, poverty rates reach 93 percent and extreme poverty 83 percent. In addition, most of the poor are settled in areas vulnerable to natural disasters.

For Panama to maintain its level of growth and for all Panamanians to benefit from it, economic, social, and environmental challenges must be addressed.

These include ensuring a well-educated workforce with relevant skills to sustain economic growth, inclusion of marginalized groups and indigenous peoples, adequate and modern infrastructure to support a high-performing economy, strengthened public sector institutions that promote efficiency and transparency, compliance with international financial standards to maintain investment flows, and sustainable natural resource management and resilience to natural disasters.

APPROACH

Given Panama's unique development challenges and the sophistication of its economy, the World Bank Group (WBG) has supported the country's efforts to maintain high growth while ensuring that benefits reach all. The World Bank has been a key

partner on policy reform for fiscal sustainability, enhanced targeting of social protection programs, and modernization of the public sector planning and budgeting system with enhanced transparency. Moreover, the World Bank program has had a clear focus on poverty and shared prosperity, supporting social inclusion by building productive alliances to help increase producer incomes, increasing the percentage of women receiving prenatal care, and improving water and sanitation services in rural and poor communities. In addition to financing, the WBG has provided high-quality technical assistance and cutting-edge knowledge, particularly in managing fiscal risks stemming from natural disasters. WBG engagement in Panama also includes International Finance Corporation (IFC) investments and Multilateral Investment Guarantee Agency (MIGA) guarantees, which have supported



Yamitzia, beneficiary from water project, Panama.
Photo: Jessica Belmont / World Bank

the core growth sectors of the economy, centered on the Panama Canal, urban transportation, energy, trade, and financial services.

RESULTS

World Bank (IBRD) financing helped achieved the following results from 2008 to 2015:

Increased income and productive capacity of small-scale producers. Financing and technical assistance for access to markets was provided to 152 productive alliances of small-scale producers in high-poverty areas, including indigenous areas. Producers benefited from increased agricultural productivity and a 23 percent increase in sales. Around 4,600 producers (30 percent women) received investment and technical support through 130 subprojects covering a range of agricultural activities.

Improved targeting of social transfer programs and increased social security coverage. By improving the targeting of the *Red de Oportunidades* program (“Network of Opportunities”), the government channeled resources to the poor in remote geographic areas that had largely been excluded in the past, increasing coverage in the indigenous comarcas—

from 50 percent in 2008 to 70 percent in 2014—such that 46 percent of all beneficiary households were in indigenous *comarcas*.

Improved households' access to quality basic health and nutrition services. Under the Coverage Extension Strategy, by 2014 mobile health units had provided regular access to a basic package of health services to 149,028 beneficiaries from 47 poor rural communities; 86 percent of pregnant women received at least three prenatal controls (compared to 20 percent in 2010), and 96 percent of children under age one received full vaccinations (compared to 26 percent in 2010).

Enhanced capacity for disaster risk management and adaptation to climate change. The Disaster Risk Management Development Policy Loan with a Catastrophe Risk Deferred Drawdown Option has proven to be a quick and flexible instrument for addressing the national drought emergency triggered by the El Niño phenomenon (2015–16), including support for development and implementation of the National Water Security Plan under the Water Security High Level Committee. Most World Bank disaster risk management support was provided through technical assistance activities; foremost among

the results were development of the first Disaster Risk Finance and Insurance Framework in Latin America and strengthened emergency preparedness and response capacity at the subnational level.

WORLD BANK GROUP CONTRIBUTION

Following a decade of limited engagement, the World Bank Group partnership with Panama was rejuvenated in 2005. Since then, the World Bank has delivered US\$1.1 billion, including operations addressing education, health, social protection, land administration, rural productivity, rural and urban water and sanitation, disaster risk management, public sector efficiency, and the environment. Along with financial assistance, the Bank has provided high-quality technical assistance and cutting-edge knowledge—in urban planning, urban transport system reform, disaster risk management, and logistics—to leverage the increased economic activity resulting from the reversion of the Panama Canal in 1999. IFC and MIGA have provided support for private sector investments and employment generation. IFC's investment in Panama grew from nine projects totaling US\$166 million from 2002 to 2006, to 28 projects representing US\$ 1.2 billion gross investment from 2007 to 2014. These include support for the Panama Canal Expansion Project

and the Penonomé Windfarm. MIGA's role has been central to improving urban mobility through its guarantee for the Metro Line 1.

PARTNERS

Several operations have been implemented jointly or in close coordination with other donors. This was done successfully with the water program, for example, in part by providing a platform for dialogue on policy reform. Both the Metro Water and Sanitation Project and the Water Supply and Sanitation in Low Income Communities Project were coordinated with the Inter-American Development Bank (IDB) and the Development Bank of Latin America, covering distinct geographic areas. This proved to be a good model, allowing each multilateral to manage and develop its project activities in its separate areas. Knowledge services were provided for the Public Expenditure and Financial Accountability assessment, conducted jointly with IDB to identify challenges in Panama's public financial management system.

MOVING FORWARD

The WBG will continue its partnership with Panama, in line with the current Country

Partnership Framework (CPF), to help reduce extreme poverty and promote shared prosperity by supporting the country's growth while ensuring inclusion and opportunities for marginalized groups and bolstering resilience and sustainability.

The CPF features a mix of instruments, drawing on the strengths of the WBG institutions to provide Panama with the package of assistance that will best address its development needs.

Leveraging the comparative advantages of the World Bank, IFC, and MIGA will facilitate delivery of a complementary suite of services and partnerships with the private sector. The World Bank and IFC already collaborate closely in the energy sector, where the Bank supports sector modernization by eliminating distortions and promoting new legislation to diversify the generation matrix, while IFC invests in renewable energy (wind). MIGA will explore guarantees

for energy and other infrastructure investments. During the CPF period, WBG institutions will further explore potential synergies to accelerate progress towards the twin WBG goals for its work with Panama.

BENEFICIARIES

Hilaria Palacios, the mother of five children, is four months pregnant with her sixth. Previously, Hilaria found it difficult to access health services because she had to walk long distances or pay prohibitively expensive transport costs to reach the local clinic. Thanks to community visits by a mobile team of health professionals, including a doctor, a nurse, a technician, a nutritionist, an environmental health sanitation specialist, and a driver, health now comes to Hilaria. This approach will provide Hilaria with monthly access to quality basic health services throughout her pregnancy.

Hilaria comments on the difficulty of accessing care prior to the mobile health teams: *“I had to walk or take a boat to receive check-ups. It was very difficult.”* Today, Hilaria receives care from the mobile health teams: *“Here, I receive monthly check-ups from the Doctor.”*



Water project beneficiary, Panama. Photo: Gerardo Pesantez / World Bank

“It’s much better than it used to be,” says Bertha de Vitola, a resident in Colón’s Davis neighborhood.

“We now have the collection facilities in a central location that provides easy access to all the communities. Now all we have to do is make sure we pay our bill on time. We now have water access 24 hours a day, and good water pressure, too.”



Yamitzia, beneficiary from water project, Panama. Photo: Jessica Belmont / World Bank



Girl in Paraguay. Photo: PAHO

PROMOTING INCLUSIVE AND
SUSTAINABLE GROWTH AND
IMPROVING WATER, ROAD, AND
ENERGY INFRASTRUCTURE IN
PARAGUAY

PARAGUAY

Paraguay and the World Bank Group have long been core development partners, with the Bank supporting the country's National Development Plan (2013–2030) prioritizing eradication of extreme poverty. To this end, the World Bank has been working with Paraguay to strengthen resilience to risks and volatility; boost pro-poor delivery of public goods and services; and promote agricultural productivity and market integration.



Population: 6,811,297

GDP (billions): US\$29.73

GNI per capita: US\$3,920

*IBRD/IDA lending commitments approved in FY17: 100 million
New and supplemental Projects approved in FY17: 1*

CHALLENGE

Paraguay has achieved impressive economic and shared prosperity over the last 15 years. The economy grew at 4 percent per year on average during 2014–2017, slower than the annual 4.7 average growth seen between 2004–2014 but faster than most of its regional comparators. Paraguay’s rapid growth in the past decade is attributable to its fertile land and agriculture, its water resources and hydroelectric energy, and its sound macroeconomic management. The country has made good use of its traditional comparative advantage in natural capital.

Due in large part to the strong performance of its agricultural exports (soy and beef), Paraguay stands out in the region for the positive contribution of net trade to growth.

Although Paraguay has achieved high economic growth, strong poverty reduction,

and macroeconomic stability over the last 15 years, important challenges remain given its current growth composition and the risks to its sustainability. To deliver lasting and sustainable wealth creation, especially for the bottom 40 percent, Paraguay’s development model must evolve. First, the incorporation of land into the productive process should be limited by the need to contain deforestation and avoid depleting Paraguay’s natural capital with a shift in focus from agricultural production to increased productivity. Second, human capital must play an increasing role in economic growth. The demographic dividend will continue for the next few decades, but its contribution to growth impact will slowly decline. Educational attainment has increased in recent years, and this trend should be matched by improvements in learning outcomes. Social protection policies should also focus more on human capital generation, assigning more resources to children (and, particularly, early childhood development). The growth of the youth population—which requires an estimated 65,000 new jobs every year until 2030—combined with the rapid and insufficiently planned urbanization process, will demand a dynamic economy and efficient public policies that promote job creation, particularly in urban areas. Lastly, institutional

changes are taking place, but these will need to advance rapidly to respond to the population's expectations, especially young people.

APPROACH

The World Bank program supports Paraguay by financing projects in strategic areas such as rural development, water and sanitation, energy and roads, and both reimbursable and nonreimbursable technical assistance. Advisory services have expanded considerably, covering topics such as financial inclusion, agricultural risk, macroeconomic volatility, education, state-owned enterprise reform, poverty/equity analysis, and public expenditure reviews in the social sectors. Some analytical work has resulted in tangible outcomes, such as the *Bolsa Agrícola* (operational since December 2017), which provides more



Doña Luciana, Water project beneficiary, Paraguay. Photo: World Bank

transparent and predictable prices for Paraguayan grains. Additionally, Doing Business advisory work on promoting economy formalization has helped to reduce the hurdles to company registration, simplify insolvency mechanisms, and improve access to credit for small and medium enterprises through secured lending; a related bill is currently under legislative discussion.

The Bank's analytical work on financial inclusion was followed by government implementation of a national strategy, leading to a 350-percent increase in the number of adults with accounts since 2011. Substantive analytical work on fiscal policy and equity has provided a basis for the current dialogue on fiscal reform and tax progressivity. The demand for WBG advisory services remains high and has led to an important engagement through reimbursable technical services (RAS) on strategic areas for Paraguay, such as governance, transparency, management of the environment, and education.

RESULTS

International Bank for Reconstruction and Development financing helped Paraguay to achieve the following results:

- **Improved agricultural productivity.**

The Sustainable Agriculture and Rural Development Project (PRODERS), the main government tool for fighting rural poverty, has provided agricultural services, particularly technical assistance, to 240,000 beneficiaries overall, in 48,251 households. A recent random sampling of 1,029 households from among those benefiting from the *estrategia campesina* (strategy for farmers) between 2011 and 2016 concluded that 24,875 poor households in Eastern Paraguay can be expected to report an increase in real agriculture incomes by 2018. At the local level, the project has also built significant capacity and commitment in more than 600 rural communities to plan and execute local development interventions. As a result, by 2018, 180 indigenous communities have prepared and are implementing socioeconomic development plans, surpassing by far the original target of 130 communities.

- **Improved access to quality water**

and sanitation services: The Water and Sanitation Sector Modernization Project has supported the strengthening of the water and sanitation sector's institutions from the policy maker, regulator, environmental authority as well as water providers. The project

has contributed to improve the sanitation environment for 270,000 persons in the urban area (10% of greater Asuncion) by helping in the development of the first ever sanitation masterplan for the Greater Asuncion, that is now under full implementation. The project has funded the rehabilitation of 57 drinking water distribution networks, rehabilitation of 8.4 km of sanitation networks, and the construction of 33 primary sewerage collectors. The project is preparing the grounds for the first wastewater treatment plant in Greater Asuncion. In addition, the project has supported the construction of 60 rural water systems - half are attending indigenous communities in Chaco - benefiting about 11,000 people in eastern Paraguay and about 6,000 people in Chaco.



Rural road rehabilitation, Paraguay. Photo: World Bank

- Improved road infrastructure in target areas, particularly benefiting the rural population.** The Road Maintenance Project expanded rural connectivity and helped strengthen government capacity to define investment priorities and develop efficient work programs aligned with existing budgets. Institutional improvements have also been supported by legal actions in five key areas: passage of a transit and road safety law; passage of a law to amend the classification of the road system; creation of a planning department in Minister of Public Works (MOPC); increases in toll rates to cover the costs of the system; and creation of a department charged with ensuring transparency and public participation. The project financed improvements to about 141 kilometers of unpaved roads and many bridges in the three targeted departments and contributed to the introduction of performance-based contracts, with three contracts implemented for a total of 624 kilometers.
- Increased efficiency of the transmission network.** The energy supply through the transmission network has increased by 65 percent, from 3,000,008 to 4,949,000 kilowatt hours. The project was successful in modernizing the communication system used

by La Administración Nacional de Electricidad (National Electricity Administration), improving the quality of access by reducing service cuts and repair times.

This increased efficiency has benefited 2.5 million people in the Asuncion Metropolitan Area, of whom approximately 15 percent are below the national poverty line.

WORLD BANK GROUP CONTRIBUTION

The World Bank's active lending portfolio in Paraguay totals US\$401 million and consists of four investment lending projects: Rural Development, Improvement of Electricity Delivery, Transport Connectivity, and Improved Water and Sanitation. The Transport Connectivity project (US\$100 million) became effective in January 2018. The RAS portfolio (US\$5 million) in Paraguay began in 2016 and has been very successful to date in channeling demand for knowledge services to high-priority areas. The RAS portfolio includes activities with

the Central Bank; the Social Protection Institute; Itaipú Binacional, a major producer of hydroelectric power; and the Ministry of Finance and Minister of Education. Two new RASs are in preparation in the social protection and health sectors.

PARTNERS

The World Bank has maintained close partnerships with other donors, especially the European Union on the education and social protection agenda, the United Nations in the agricultural sector, and the Inter-American Development Bank on infrastructure initiatives. Other partnerships to

promote dialogue on the country's development challenges include those with leaders from the private sector, such as the Club of Executives of Paraguay, and from civil society organizations, such as Club de las Ideas and Paraguay Debate.

MOVING FORWARD

The World Bank is preparing a new Country Partnership Framework (CPF) for the period from fiscal years 2019 to 2023, aligned with the objectives of Paraguay's National Development Plan 2030 and the five-year strategy laid out by the incoming Abdo Benitez Administration in



Power network maintenance, Paraguay. Photo: National Electricity Administration

its Plan de Gobierno 2018–2023 “Paraguay de la Gente.” The CPF is built around three focus areas: (i) promoting accountable institutions and an improved business climate; (ii) natural capital management and integration into sustainable value chains; and (iii) building human capital. In addition, recognizing that socioeconomic progress is highly contingent on strengthening the social contract between the government and the population, the CPF will also encompass a cross-cutting emphasis on transparency, results orientation, and accountability.

BENEFICIARIES

Librada González, a rural producer and beneficiary of PRODERS, the rural development project, carefully arranges the products of her garden in two large baskets, preparing to take them to the municipal market of Caaguazú, about 20 kilometers from her farm, in the community of Cantera Boca in the east of the country. Librada, along with 20 other women, works in a community garden growing produce sold at the weekly village fair. To become small producers, she and her associates received financial support and training on producing sustainably.

“Thanks to our garden we have a weekly income with which we can feed our children and buy school supplies,” says Librada.



Uruguay. Photo: World Bank

BECOMING RESILIENT:
STRENGTHENING URUGUAY'S
FISCAL MANAGEMENT AND
INVESTMENT IN HUMAN CAPITAL
TO TACKLE CHALLENGES POSED BY
AN UNCERTAIN FUTURE

URUGUAY

As a small and open economy vulnerable to external shocks, Uruguay must invest in human capital while preparing itself to reduce the impact of potential external risks. World Bank Group engagement with Uruguay has focused on the design of innovative instruments to tackle these challenges and has provided a model for replication by other member countries.



Population: 3,456,750

GDP (billions): US\$56.15

GNI per capita: US\$15,250

IBRD/IDA lending commitments approved in FY18: 54 million

New and supplemental Projects approved in FY18: 2

CHALLENGE

Uruguay stands out as a success story in Latin America for its prolonged and broad-based economic growth, track record of macroeconomic stability, transparent institutions, and deep social commitment to equity.

With the largest middle class of any Latin American country, Uruguay is also notable for its high per capita income and the nearly complete absence of extreme poverty.*

**US\$21,090 in purchasing parity income in 2016.*

The country grew at an average pace of 4.54 percent between 2003 and 2016, mainly attributable to stable macroeconomic policies and a favorable external environment. Due to weakening exports, investments, and consumption, this positive trend came nearly to a halt in the final quarter of 2015 and the first half of 2016. Growth

accelerated again in 2017, however, and is expected to surpass 3 percent by 2019.

The country's strong economic performance and progress have been framed by two fundamental features: (i) Uruguay's status as a small, open economy (defined as an economy participating in international trade but small enough compared to its trading partners that its policies do not alter world prices, interest rates, or incomes) and (ii) its strong social compact. These attributes also present Uruguay with important challenges that can potentially block its development path. Its status as small, open economy, exposes Uruguay to spillovers from events in its larger neighbors, possibly resulting in volatility adversely affecting national growth and welfare. Uruguay must also



School in Montevideo, Uruguay. Photo: Presidencia Uruguay

access international markets to ensure growth. Regarding social impact, emerging tensions related to an aging society, social mobility, quality of education, and labor markets may jeopardize the country's growth model, including improvement in productivity levels, and disproportionately affect vulnerable populations.

APPROACH

Based on the challenges presented by the country's two fundamental features, the dialogue between the World Bank Group and Uruguay revolves around a partnership focused on innovation, expertise, and global knowledge exchange. Particular highlights of this collaboration are (i) the development of tailored financial risk management products and (ii) new areas of engagement to support the nation's poverty reduction strategy. Financial management efforts include innovative operations such as a weather and oil price insurance transaction (2013), a fully contingent investment lending project (2014) for reducing exposure to low rainfall and costs of electricity production, and an oil hedging program (2016), all designed to protect the economy from abrupt changes in international crude prices and to shield the country's fiscal position from external risks. In support of poverty reduction efforts, the World Bank helped elevate attention



Sewage water plant construction, Uruguay. Photo: Presidencia Uruguay

in the national agenda to key issues surrounding human capital investment, such as the future of work, demographic change, education, and social inclusion of vulnerable groups.

RESULTS

Measuring the impacts of financial risk management products can be challenging, mainly because the benefits only become apparent when external shocks take place. Nonetheless, the following program results can be noted:

- **Weather insurance.** As the largest transaction of this kind in the market (US\$450 million), and the first instance of a public utility company using this financial tool, this operation reduced the country's exposure

to the costly fiscal liabilities that can result from low rainfall and high oil prices. This approach fostered proper and responsible fiscal management and buffered fiscal impact, thus protecting Uruguay's most vulnerable electricity consumers from sudden price rises. This operation was announced in December 2013 and insured the public company for the following 18 months.

- **The Drought Events and Impact Mitigating Investment Project** (US\$200 million). This contingent investment project financing was approved in December 2014 in a period when Uruguay's response to droughts was to switch to thermal energy sources, increasing production costs. This project's innovative operation provided a three-year contingent buffer, allowing the government to avoid shifts in spending that might affect public services or lead to increased tariffs, both of which disproportionately affect the poor. It also allowed an increase in the use of renewable energy sources. The project was canceled in May 2017.
- **Oil hedge.** This was the first commodity hedge transaction between an emerging market and the World Bank. Announced in June 2016, the

transaction, which covered approximately half of Uruguay's total annual oil imports for 12 months, moderated the impact of potential oil price increases on Uruguay's fiscal budget and the overall economy.

Major achievements in the area of human capital investment included the following:

- A final technical assistance report related to demographic change and social policies was disseminated to inform the government's agenda for elaborating its National Strategy to 2050. Demographic change is now a central topic under discussion for inclusion in this document.
- The Full-Time School model (FTS), supported by the Bank, has shown preliminary positive



Pediatric health center in Salto, Uruguay. Photo: Presidencia Uruguay

quality results. Between 2013 and 2016, sixth-grade students' test scores increased 6.4 percent for mathematics and 3.8 percent in reading. The project directly benefited an estimated 61,791 students, of whom 49.1 percent were female.

With WBG support and facilitation, the country has participated in 17 South-South initiatives on a variety of subjects, such as road maintenance and performance-based contracts with Morocco, ICT in education with Armenia, and information systems in agriculture with Mexico.

Uruguay has also hosted delegations from Kyrgyzstan (on improving its application of information systems in the electric national company), Zimbabwe/Botswana (to inform

their reforms on program budgeting), Nicaragua (to improve the country's statistical capacity), and Costa Rica (to share the country's experience with nonrenewable water management) and received representatives from Uganda's private sector (sponsored by IFC under the framework of the Global Animal Protein advisory project).

WORLD BANK GROUP CONTRIBUTION

World Bank Group operations have included a mix of financial, knowledge, and convening services with a focus on innovation and results. The current International Bank for Reconstruction and Development portfolio consists of six projects valued at US\$581 million, covering governance, education, transport, agriculture, water, and fiscal management.

Advisory services and analytics financed by the Bank have focused on efficient and sustainable use of natural resources, such as climate-smart agriculture, green growth, REDD+ (reduced emissions from deforestation and forest degradation), and so on; increased efficiency of public investments (governance of state-owned enterprises); transport (LC7 Farms-to-Markets Study, smarter urban mobility, clean bus systems);

labor skills (demographic change and social policies, technological change and labor markets); education (education reform); and, funded by the Korean Green Growth Trust Fund, social inclusion of vulnerable groups (accessible tourism).

Since Uruguay joined the International Finance Corporation (IFC) in 1968, IFC has invested US\$573 million in Uruguay's private sector, including US\$150 million mobilized from third parties. As of August 31, 2018, IFC's committed portfolio in Uruguay stands at US\$15 million. The institution has three active clients in the dairy, citrus, and financial technology (fintech) sectors. IFC's most recent investment was a US\$0.8 million rights issue for the fintech company Scanntech, committed in 2017.

MIGA has one guarantee in Uruguay, valued at \$439 million, covering equity investments and shareholder loans by Banco Santander's local subsidiary. The mandatory reserves coverage is for a period of up to 10 years, allowing the bank to reduce its capital requirements and thus freeing up capacity under the existing limits on a consolidated basis. This allows the private institution to provide additional lending to SMEs, a highly unbanked segment in the country.

PARTNERS

The partnership between Uruguay and the World Bank Group has been productive and mutually beneficial. In line with an innovative approach to development, the WBG has provided Uruguay with targeted technical advice in critical priority areas with global and regional significance, while Uruguay has developed and tested products and solutions that are informing WBG practices and engagements with other member countries.

Uruguay's experience has produced important lessons that have placed the country in a leading position for knowledge exchange with other countries.

To accomplish this, strong relationships have been cemented with several line ministries, public entities, local governments, and other institutions, with the Bank as a central partner in providing knowledge and leveraging resources. Among others, this relationship underpinned



Children in Toledo, Uruguay. Photo: Presidencia Uruguay

work carried out with the World Bank Treasury for the application of novel financial instruments; an analytical partnership with United Nations Economic Commission for Latin America and the Caribbean for the preparation of a report on demographic change and social policies; and active collaboration with Columbia University on the analysis of climate-smart agriculture techniques, for which Uruguay is a leader.

In addition, and in coordination with the government, the World Bank has worked in close alignment with other relevant multilateral financial institutions in the country (that is, the Inter-American Development Bank and the Development Bank of Latin America) to support Uruguay's development agenda. An example of the cooperative efforts of these three multilateral

organizations include an in-depth analysis of the opportunities and constraints in areas relevant to Uruguay's development, producing policy notes that informed the new Country Partnership Framework (2016–2020).

MOVING FORWARD

Further consolidation of recent gains in poverty reduction and further progress in economic growth and social cohesion will require a broad inclusion agenda. In a country like Uruguay, which is small, with an open economy and a strong social compact, a long-term strategy for poverty reduction and inclusion requires focusing on issues such as demographic change and education, with attention to early childhood development and skilled youth. Attention to the latter is highly complementary with the challenges presented by an aging population. A productivity boost will be needed that will enable all citizens to contribute to the economy. The Bank is delving into these issues and stands ready to further its engagement, beyond Advisory Services and Analytics, in education, social development, and labor inclusion of identified vulnerable populations. Success in meeting these challenges will not only generate positive results for Uruguay, it will also provide important lessons for the region.

This dynamic also applies to the development of innovative financial risk management products, where the World Bank and the Uruguayan government will jointly continue to explore and test innovative modalities, with a focus on complementarity, synergies, and sustainability. These exchanges have led to consideration of several other projects, including the potential for fully contingent investment project financing in Brazil, the application of a Catastrophe Deferred Drawdown Option in Uruguay, and also in Uruguay, analysis of the economic and social

impacts arising from existing gaps in access to selected markets, services, and spaces of the most vulnerable groups (afro-descendants, LGBTI individuals, and people with disabilities).

BENEFICIARIES

“The sun is very strong, and if planting is not done with shade, the sun will burn everything,” farmer Orlando Marengo says as he proffers one of his most prized products: sweet cherry tomatoes. Although the plot where Marengo also grows



Farmer Orlando Marengo, Uruguay. Photo: Presidencia Uruguay

peppers, squash, and sweet potatoes has nothing unusual about it, he says it was necessary to introduce technological improvements to mitigate the impact of insufficient rains. *“The weather is difficult, and there is nothing we can do except adapt to it,”* he adds.

Marengo’s story is just one of many about how Uruguayan farmland is being adapted to climate change: a problem that is no longer part of the future, but here and now. The Sustainable Management of Natural Resources and Climate Change project has provided support to 4,900 farmers to date to adopt improved agricultural technologies. At project closure in November 2021, the total number of beneficiaries is expected to reach 7,000.

In addition to the concrete actions Uruguay is implementing to reduce greenhouse gas emissions and apply technology to improve agricultural production, one of the country’s most interesting advances is the development of the National Agricultural Information System. The platform, which has World Bank financial support, will also help predict, control, and plan for different climate scenarios.



Elementary school in Arima, Trinidad. Photo: GEF

TRANSITIONING TOWARD A BLUE
ECONOMY IN GRENADA
AND OTHER
EASTERN CARIBBEAN STATES

The blue economy, defined as a sustainable ocean economy that balances economic activity with preserving the long-term capacity of healthy coastal and marine ecosystems, has provided a means of addressing the Eastern Caribbean region's poverty and unemployment challenges through sustainable financing mechanisms and enhanced capacity for effective management and protection of the environmental base needed for future economic growth.

OECS



Population: 7,284,294

GDP (billions): US\$69.33

GNI per capita: US\$8,985

*IBRD/IDA lending commitments approved in FY18: 0.5 million
New and supplemental Projects approved in FY18 1*

CHALLENGE

The small island countries of the Organisation of Eastern Caribbean States (OECS) face serious development challenges, coupled with low growth, natural disasters, high debt, unsustainable approaches to resource management, and limited fiscal space in which to maneuver around these problems. OECS countries have not reduced poverty and unemployment rates to levels compatible with their per capita income levels.

Despite recent improvements in the region's unemployment rate, joblessness remains higher among youth, exceeding 30% in most countries.

Furthermore, central elements for closing the poverty and unemployment gap (seafood production, tourism and recreation, shipping, and nature-based solutions to absorbing shocks from natural disasters) are undermined by unsustainable anthropogenic practices, including

poorly planned coastal development and overexploitation of marine resources. To combat unsustainable practices, continue reaping the benefits of the ocean economy, and maximize returns to eradicate poverty and catalyze sustainable development, OECS countries must focus on adaptive, fully collaborative, integrated management approaches.

APPROACH

A series of blue economy initiatives support the sustainable, integrated management of coastal and marine assets so fundamental to the region's economic growth. These include the following:

- Sustainable finance mechanisms, such as the Caribbean Biodiversity Fund (CBF) and associated National Protected Area Trust Funds (NPATF).
- The successfully completed Grenada—Blue Growth Coastal Master Plan (2016), the region's first, paving the way for dialogue and replication across OECS countries.
- The Caribbean Regional Oceanscape Program, providing nonlending technical assistance for developing the blue economy; enhancing shared learning, capacity, and conceptualization of



Tourist boat in Caroni swamp, Trinidad. Photo: GEF

strategies, visions, and action; and fostering investment and innovation.

- The Caribbean Regional Oceanscape Project (2017), the successful first investment project addressing the OECS blue economy, providing aid for developing coastal and marine spatial plans across OECS countries, enhancing capacity, and raising awareness.

RESULTS

Driven by client demand, efforts by the World Bank on behalf of the Caribbean's blue economy have delivered several concrete results, including the following:

- **Safeguarding the protection of coastal and marine assets through sustainable financing and enhanced capacity.** Sustainable finance plans were prepared for each participating OECS country, and mechanisms were successfully adopted for generating additional resources. The primary outcome was the Caribbean Biodiversity Fund (CBF), now fully operational, with a board, secretariat, asset manager, and work program. The CBF has built an endowment of US\$32 million, generating investment income of US\$2.4 million, surpassing its US\$0.25 million target.

- **Protecting the marine environment.** The marine protected area network for participating OECS countries was strengthened through training and sensitization workshops, held between 2014 and 2016, on using drone technology to manage and monitor marine protected areas. One result was Antigua and Barbuda’s national policy on drone use in protected areas.



Store Bay, Tobago. Photo: Patrizia Cocca / GEF

- **Building overall support for the blue economy as a way to address the region’s poverty gap and unemployment challenges.** Addressing the 38th Caribbean Community (CARICOM) Heads of State Meeting in July 2017, the Bank’s Vice President for Latin America and the Caribbean, Jorge Familiar, reiterated the importance of support for the blue economy. The multisectoral platform for engagement and new investments in the Caribbean set out in “Toward a Blue Economy: A Promise for Sustainable Growth in the Caribbean,” a Bank report published in 2016, guided the discussions.
- **Grenada’s plans for integrated ocean governance and shared prosperity.** In 2016, with the Bank’s technical support, Grenada became the first OECS member

country to develop a vision for protecting its “blue space” and mapping its road toward blue growth. Grenada’s Blue Growth Coastal Master Plan was designed to generate new jobs, foster alternative livelihoods, and expand the economy, all while preserving the natural environment. This pioneering work in Grenada has become a model for other OECS member countries to replicate and enhance.

- **Supporting Caribbean country governments in their dialogue, vision, strategies, and solutions for the blue economy.** The Caribbean Regional Oceanscape Program, the Bank’s regional programmatic instrument, and specific related projects facilitated use among the OECS countries of integrated, fully collaborative management approaches. Guided by “Toward

a Blue Economy” and by pioneering spatial planning work done in Grenada, integrated coastal and marine spatial plans for individual OECS countries have been embraced as central to ensuring sustainable management and equitable distribution of projected growth. Taken together, the national plans support a regional vision and strategy for ocean governance, with support across all OECS countries. In addition, a strategy for enhancing capacity at all levels and raising awareness among the region’s population will ensure proper execution and future support for the resulting spatial plans.

- **Sustainable Financing and Management of Eastern Caribbean Marine Ecosystems Project.** Between June 2015 and project closing in December 2016, this project provided 375 Ministry of Finance and Ministry of Fisheries staff with face-to-face training and webinars that strengthened their knowledge of protected area management and of drone use to monitor illegal construction on floodplains and in other protected areas. Survey results show that training on water improvement planning in Grenada, for example, encouraged stakeholders to engage with, support, and protect the nation’s marine protected areas.

WORLD BANK GROUP CONTRIBUTION

The World Bank Group partnership with the OECS has been scaled up in recent years and now includes various forms of support for countries transitioning to a blue economy. The Bank has delivered two investment operations, and blue economy policy reforms are incorporated in the upcoming fiscal 2018 “Grenada—Blue Growth Development Policy Credit.” Along with financial assistance, the Bank has provided high-quality technical assistance and cutting-edge knowledge, as detailed above.

PARTNERS

Bank partners in the region include the OECS Commission and its member states, which have supported these initiatives through both in-kind contributions and matching finance. The Global Environment Facility (GEF), another important contributor to blue economy initiatives in the region, supports projects such as the Caribbean Regional Oceanscape Project and learning and capacity development activities. The Caribbean Community has also been a great supporter and partner in endorsing the Bank’s report “Toward a Blue Economy.” Other partners include Virtual Educa, supporting capacity development activities, particularly those relating to innovation in ocean education, through both in-kind and financial

contributions, and The Nature Conservancy, a strong supporter in the region providing in-kind technical expertise and developing analytical products for biodiversity conservation.

Other partnerships have been established with the GEF-funded Caribbean Large Marine Ecosystem Project implemented by the United Nations Development Programme to improve assessment of the status of the ecological systems and the region's natural capital and to support policy recommendations for conservation. The Caribbean Challenge Initiative aims to support effective conservation and management of at least 20% of the marine and coastal environment by 2020, including sustainable financing mechanisms linked to the Caribbean Biodiversity Fund to cover long-term operating costs. Cross-collaboration and knowledge sharing with the Climate Resilient

Eastern Caribbean Marine Managed Areas Network Project, managed by the OECS Commission in partnership with The Nature Conservancy, aims to establish new marine managed areas while providing improved livelihood opportunities to the people living in the Eastern Caribbean.

MOVING FORWARD

In line with the Regional Partnership Strategy FY 2015–2019 Framework, the Bank will continue its partnership with the OECS. The blue economy approach fits directly into the Bank's overarching goals of eradicating extreme poverty and promoting shared prosperity by working toward longer-term objectives of food security, jobs for coastal populations, and resilience to climate variability among those dependent on marine resources, currently among the region's poorest and most vulnerable. Supporting the blue economy aligns well with regional policies and priorities, particularly the Eastern Caribbean Regional Ocean Policy and the associated Strategic Plan, which provides the framework for enhanced coordination and management of ocean resources in the Eastern Caribbean, where OECS plays a key role in regional ocean governance.



Elementary school in Arima, Trinidad. Photo: GEF



Buccoo Reef in Tobago. Photo: Patrizia Cocca / GEF



Destruction after 2017 hurricane in the Caribbean. Photo: GFDRR / World Bank

DEVELOPING A COST-EFFECTIVE STRATEGY FOR DISASTER RISK FINANCING TO INCREASE FISCAL RESILIENCE IN THE OECS COUNTRIES

Caribbean countries are highly vulnerable both physically and fiscally to natural hazards, and as these events continue to intensify due to climate change, past development progress can be jeopardized. Grenada and St. Lucia have been working to improve their fiscal resilience through greater understanding and quantification of their sovereign contingent liabilities to natural disasters and by developing integrated disaster risk financing strategies.

OECS



Population: 7,284,294

GDP (billions): US\$69.33

GNI per capita: US\$8,985

*IBRD/IDA lending commitments approved in FY18: 0.5 million
New and supplemental Projects approved in FY18 1*

CHALLENGE

Grenada and St. Lucia are exposed to high levels of risk from meteorological and geophysical hazards that can have significant negative impacts on their economic stability. In Grenada in 2004, for example, Hurricane Ivan caused damages estimated above US\$900 million—over 200 percent of GDP. Between 1980 and 2014, hydro-meteorological disasters and earthquakes in Grenada and St. Lucia led to losses estimated at US\$1.098 billion and US\$879 million, respectively (according to the DesInventar loss database).

Disasters can have a large, direct impact on economic conditions through reduced productivity and increased national debt due to reconstruction costs.

After Hurricane Ivan, Grenada's economy contracted, as evidenced by a drastic drop in annual GDP growth from 10 percent in 2003



Aftermath 2017 hurricane in the Caribbean. Photo: GFDRR / World Bank

to -1 percent in 2004. Compounding this, the government incurred high reconstruction costs, resulting in the need to restructure its debt to meet its payments. Meanwhile, the impact of disasters is sometimes disproportionately felt by low-income families. Rapid damage and loss assessments of conditions in St. Lucia following the 2013 trough disaster, which caused flooding and landslides, showed the greatest impact in geographical areas with the highest poverty levels, including Anse-La-Raye and Soufriere, where 44.9 percent and 42.4 percent of the population, respectively, live in poverty. In addition, among the productive sectors, agriculture suffered the greatest damage (13

percent of the total), placing vulnerable families, dependent on agricultural production, at even greater risk of falling below the poverty line. As the frequency and severity of disasters increase due to climate change, the intensified shocks will likely push people back into poverty, create debt burdens on future generations, and erode development progress. The need to help governments understand their fiscal risk and create cushions against adverse economic impacts is more urgent than ever.

APPROACH

Evidence shows that when countries have a comprehensive disaster risk management (DRM) framework, including a disaster risk financing (DRF) component, the impact of direct damages and subsequent losses can be reduced. The World Bank Group established the Caribbean Resilience Initiative Programmatic Approach and Caribbean Disaster Risk Finance Program to build more resilient societies through better risk management, forward-looking strategies, and comprehensive investment programs. Four strategic pillars provide a guiding framework: (i) understanding disaster risk, (ii) disaster risk reduction, (iii) financial protection against disasters, and (iv) resilient disaster recovery.

To support Grenada and St. Lucia in increasing their fiscal resilience in the face of natural disasters, the following integral components were developed: (i) quantification of fiscal risk from disasters, (ii) resilience in the domestic catastrophe insurance market to risks from natural hazards, (iii) adoption of a disaster risk-layering approach combining different financial instruments, and (iv) integration of disaster risk into a comprehensive DRM framework (such as public finance reform).

- In addition, the Bank's standalone technical assistance (TA) has helped in the following ways:
- Disaster Risk Financing TA supported Grenada and St. Lucia in quantifying government contingent liability from natural disasters, identifying financial and nonfinancial options to reduce vulnerability to disaster-induced fiscal shocks, and developing disaster risk financing strategies.
- The Regional Caribbean Risk Information Program supports all OECS member states in creating and using risk information for physical and infrastructure planning to adequately inform DRM investment implementation with risk analyses.

- Hazard and Disaster Risk Assessment Framework TA supports St. Lucia’s development of a Climate Adaptation Financing Facility, a private sector–directed initiative under the Disaster Vulnerability Reduction Program. This initiative aims to increase the resilience of private housing and private sector assets and to build government capacity for watershed-level flood hazard modeling to further the development of watershed management plans.
- TA for Measurable Reduction of Public Sector Disaster Risk in St. Lucia (“Vision 2030”) helped provide a methodological framework to support prioritization of investments in specific public assets, based on their contribution to overall risk, and to ensure continuity of risk-development monitoring over time.
- St. Lucia Study to Measure the Impact of Disaster Events on Poverty and Social Vulnerability aims to improve understanding of the varying effects of disasters on different groups in society. The resulting insights will inform policies and programs to efficiently support those groups prior to, during, and after disasters.



Aftermath 2017 hurricane in the Caribbean. Photo: GFDRR / World Bank

RESULTS

The DRFTA program produced an ongoing integrated disaster risk financing strategy, with strong engagement from the Ministries of Finance (MoF) of Grenada and St. Lucia (as well as the non-OECS countries Belize and Jamaica) on the design and implementation of DRF strategies to reduce fiscal vulnerability to natural disasters. Other aspects of this achievement include:

- Throughout 2016, in partnership with their MoFs, the Bank team worked with Grenada and St. Lucia to complete the development of historical disaster loss databases and Country Disaster Risk Profiles.

- The Bank has undertaken further in-depth analysis of the public financial management of natural disasters in Grenada and St. Lucia and of the capacity of their private property insurance markets in relation to natural disasters.
- In-country analysis and reports completed in fall 2017 include recommendations for building national DRF strategies, with the central aim of improving governments' ability to understand, quantify, and manage disaster-related contingent liabilities. Outputs of technical assistance to St. Lucia already inform the design of that nation's Catastrophe Deferred Drawdown Option, currently under preparation.
- Technical assistance in Grenada has opened the way to ongoing dialogue with the government on potential next steps for DRF strategies.

WORLD BANK GROUP CONTRIBUTION

The World Bank, through the International Development Association, has supported the OECS countries in building their physical and fiscal resilience to natural disasters and the impacts of climate change through more than US\$210 million in investment lending, 46 percent of which

represents grants and concessional loans from the Climate Investment Fund's Pilot Program for Climate Resilience. These funds are being used to strengthen critical infrastructure as well as to build the countries' technical and project management capacity.

The Bank has also mobilized more than US\$4 million in standalone technical assistance to pilot innovative solutions to the ongoing challenges posed by natural disasters and climate change in the region.

Moreover, following the 2017 hurricane season, the Bank supported the OECS countries by (i) working with partners to support the governments in conducting damage assessments, (ii) preparing emergency response projects, and (iii) disbursing US\$7 million in cash transfers to Dominica's farmers.

The Caribbean Disaster Risk Financing Program, financed by the Trust Fund of the Africa, Caribbean, Pacific Region–European Commission (ACP-EU) for an aggregate amount of US\$1.2 million, is one of the region’s many Bank-executed DRM trust funds. Technical assistance also complemented Bank operations in the OECS countries, including the Regional Disaster Vulnerability Reduction Program. The current total value of the Bank’s DRM engagement in the eastern Caribbean exceeds US\$430 million and addresses disaster risk reduction, disaster preparedness, disaster risk financing, and resilient recovery.

PARTNERS

DRFTA is funded by the ACP-EU and implemented by the Bank’s Social, Urban, Rural, and Resilience Global Practice, in partnership with the Bank’s Disaster Risk Financing and Insurance Program, and jointly with the MoFs in Grenada and St. Lucia. This TA is anchored in, and will benefit from, ongoing dialogue under the Bank’s Disaster Risk Management and Climate Change Adaptation projects in Grenada and St. Lucia. The program, implemented in collaboration with the Caribbean Catastrophe Risk Insurance Facility Technical Assistance Program, also benefits from current risk financing initiatives in the Pacific region and

Indian Ocean Islands. (Ongoing Pacific and Indian Ocean catastrophe risk assessment and financing programs are financed by the ACP-EU Global Facility for Disaster Reduction and Recovery Program.) TA has contributed to efforts to draw donor attention to the region and has fostered additional funding opportunities.

MOVING FORWARD

DRFTA was completed in February 2018, following a decision review meeting held in November 2017. Given the quality and depth of the technical analysis conducted, the team will prepare, in addition to its final reports, an Executive Summary for each country highlighting its main findings, results, and recommendations and a two-page summary note and short video clip addressing a wider audience. Most importantly, the Bank is following up with each government to identify immediate next steps and priorities based on the recommendations outlined under the TA. The DRFTA team will also continue to work closely with groups both inside and outside the Bank to share and disseminate the knowledge created. In the meantime, the Bank will leverage the DRFTA findings to inform other Bank lending and TA projects, such as a Development Policy Loan with a Catastrophe Deferred Drawdown Option and

eGovernance, and will hold strategic dialogue with other OECS countries to extend implementation of DRFTA work to Dominica and St. Vincent and the Grenadines.

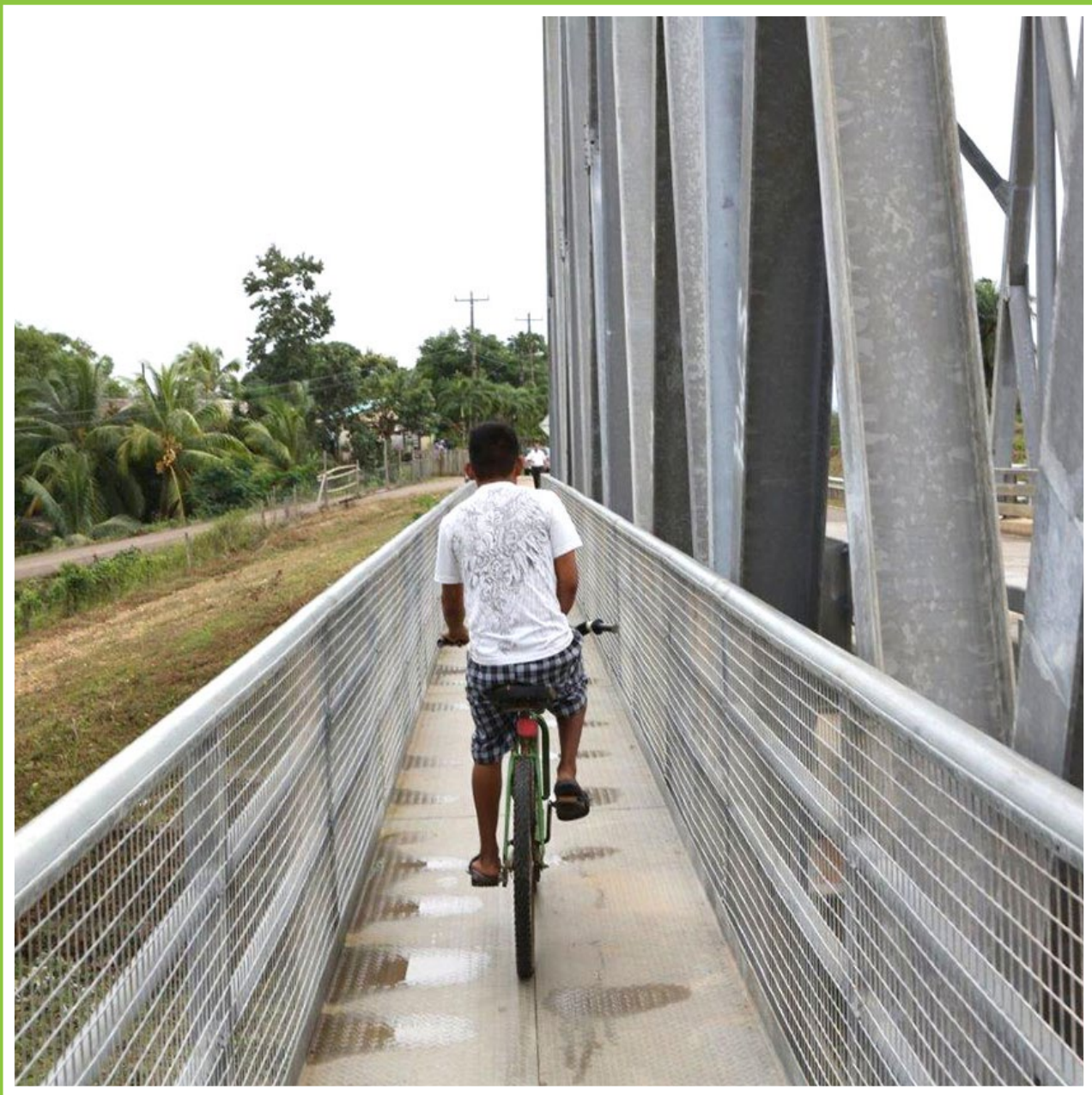
BENEFICIARIES

The DRFTA team organized and facilitated South-South knowledge exchange through a regional workshop on disaster risk financing, held in Barbados in October 2017. Delegates from MoFs of Grenada and St. Lucia and representatives from development partners, including the Caribbean Development Bank, the Caribbean Regional Technical Assistance Center (CARTAC), the UK's Department of International Development, and an EU delegation, attended. The workshop presented DRFTA's main findings and recommendations on quantifying pre- and post-disaster contingent liabilities to governments and public financial management. In addition, the team introduced an innovative, participatory post-disaster risk financing simulation that enables stakeholders and attendees to appreciate the importance of building a disaster risk financing strategy. As these strategies are more widely adopted and implemented in the OECS countries, the MoFs will become more financially prepared for and resilient against future natural disaster and climate

shocks. Subsequently, in post-disaster relief and recovery, governments should have the resources and means at their disposal not only to finance their direct contingent liabilities more efficiently but also to more effectively provide additional aid to small businesses and low-income farmers, who are disproportionately impacted by disasters.



Aftermath 2017 hurricane in the Caribbean. Photo: GFDRR / World Bank



Kendal Bridge, Belize. Photo: CDB

PROMOTING EVIDENCE-BASED
POLICIES FOR INCLUSIVE GROWTH
IN OECS COUNTRIES

OECS

The Commission and members of the Organisation of Eastern Caribbean States have developed policies to improve statistical capacity and produce comparable statistics for evidence-based policy making by addressing the limited capacity typical of small island developing states. Under a regional approach, member countries have benefited from economies of scale and South-South knowledge exchanges to build statistical capacity and to develop innovative, timely, cost-effective methods for data collection and data analysis.



Population: 7,284,294

GDP (billions): US\$69.33

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New and supplemental Projects approved in FY18 1*

CHALLENGE

The member nations of the Organisation of Eastern Caribbean States (OECS) are highly susceptible to external and climate shocks. While the OECS countries experienced high levels of growth in the 1980s, they have experienced significant growth slowdowns since the 1990s, with annual growth rates of 2 percent or less on average. Natural disasters are estimated to have cost an average of 3 percent of gross domestic product (GDP) in the twenty years through 2015. Preliminary estimates of damages in Dominica from Hurricane Maria in 2017 have reached as high as 200 percent of GDP.

Vulnerability and low levels of growth threaten the region's path to reduced poverty and shared prosperity.

OECS members neither collect nor monitor poverty indicators on a regular basis. The latest poverty estimates were produced by the Caribbean Development Bank (CDB) Country Poverty Assessment (CPA) between 2005 and 2009. The limited data suggests that over the past decade

poverty declined less in the Caribbean than in the Latin America and the Caribbean region overall. Moreover, given resource constraints, updated poverty assessments have not been completed. Targeted poverty-reduction interventions therefore lack current poverty data.

Weak statistical capacity is common among OECS members, especially human, technical, and financial resources. Several countries, including Antigua and Barbuda and St. Vincent and the Grenadines, have recently conducted their first labor force surveys. The latest Household Budget Survey (HBS) for many OECS countries was carried out in mid-2000s, financed by the Caribbean Development Bank (CDB). Frequently, data documentation and storage systems are lacking. These and other deficiencies result in substantial data gaps, and many Caribbean countries thus rank low on the World Bank's Statistical Capacity Indicator.

APPROACH

The Bank adopted the Caribbean: Poverty and Equity Programmatic Approach and related initiatives for tackling the limited statistical capacity typical of small island developing states. These efforts include the following:



School opening in St. Vincent & The Grenadines. Photo: CDB

- An innovative, cost-effective approach to data collection and analysis requires fewer human resources than traditional approaches. For example, computer-assisted personal interviewing (CAPI) methods were used for data collection, and automated economic analysis software was used for data analysis.
- A regional approach standardizing the statistical system allows OECS countries to benefit from economies of scale and South-South knowledge exchanges, using, for example, the OECS Regional Strategy for the Development of Statistics.
- A systematic approach gradually builds capacity from a simple survey, such as the Labor Force Survey (LFS), to more complex efforts, such as the Household Budget Survey, and improves

systems sequentially from the initial steps of data collection to the final steps of data dissemination.

RESULTS

- Bank lending, trust fund financing, and analytical support between 2014 and 2017 helped achieve the following results:
- Increased cost-effectiveness and timeliness of data collection. OECS member states received training and technical assistance in the use of CAPI methods for data collection. The advantages of using CAPI include (i) reduced turnaround time between survey collection and production of analysis, (ii) ability to program question checks and skips in questionnaires, and (iii) decreased number of data errors previously generated by the scanning process. St. Lucia and Grenada, early adopters of CAPI, now run the LFS on a quarterly basis.
- Adoption of harmonized statistics and statistical practices. The Bank and other development partners' support for a regional approach to building and strengthening institutional, organizational, and human capacity for statistical development across

the OECS region was expressed in the OECS Regional Strategy for the Development of Statistics (RSDS). The OECS countries have adopted the standardized Labor Force Survey and Household Budget Survey.

Labor market statistics are now comparable, helping to inform regional economic planning. Poverty assessments and a multidimensional poverty index were also developed at the regional level.

- Enhanced economies of scale and South-South knowledge exchanges. Integration of the OECS countries into an economic union allowed them to share fixed infrastructure costs and to rely on country connections to achieve some economies of scale in adopting new forms of technology, training, capacity building, and knowledge

dissemination. Several Bank trainings were conducted in regional workshops. Some OECS countries more advanced in adopting innovative approaches and producing statistics, such as St. Lucia, led the South-South knowledge exchange in workshops and consultations with other OECS members. The follow-up workshop on using CAPI for data collection, for example, was conducted by the Statistical Office of St. Lucia.

- Use of data for evidence-based policy making in some OECS countries. Grenada presented employment numbers in its budget and used the LFS to monitor labor market trends. St. Lucia regularly uses LFS for labor market monitoring and analysis. Antigua and Barbuda, St. Kitts and Nevis, and St. Vincent and the Grenadines are preparing their first labor briefs.

WORLD BANK GROUP CONTRIBUTION

The Bank, through the Trust Fund for Statistical Capacity Building, oversaw the distribution of project financing in the aggregate amount of US\$500,000. In addition, credits from the International Development Association financed the St. Vincent and the Grenadines Household Budget Survey and enhanced Country Poverty

Assessment (eCPA). Under this project, the harmonized HBS will be conducted using CAPI, a cost-effective approach. The new HBS and eCPA will help identify the poor and vulnerable, improving social protection policy targeting.

PARTNERS

Several project activities have been implemented jointly or in close coordination with other donors and development partners. The Caribbean Development Bank approved an enhanced 2015–2019 eCPA and is expected to finance the collection of the Household Budget Surveys and the eCPA for each member state. The Bank and the CDB co-financed St. Lucia’s 2015–2016 HBS, which is expected to become a model for other member states under the CDB eCPA project. The Bank is financing St. Vincent and the Grenadines’ 2018–2019 HBS and eCPA and, jointly with the United Nations Development Programme (UNDP) under the Department for International Development Externally–Financed Output (DFID-EFO), it supported the development of the OECS RSDS, which emphasizes the need to pilot innovative methods to collect, document, and disseminate data in the region. UNDP and CDB have also supported CAPI methods by supplying hardware.



Technology workshop in a school, Barbados. Photo: CDB

MOVING FORWARD

The Bank will continue its partnership with the OECS Commission and member states to promote evidence-based policy making that fosters inclusive growth, builds resilience and sustainability, and informs regional economic planning. The Bank will also continue to leverage its expertise and help mobilize other development financing to achieve sustainability and regional development, with these particular goals foremost: (i) to increase the frequency of data collection and poverty estimates, (ii) to produce comparable and timely statistics, and (iii) to support the design and formalization of the OECS Regional Statistical System.

BENEFICIARIES

National Statistics Offices in the OECS have moved from paper to electronic environments, facilitating data collection processes. Edwin St. Catherine, Director of St. Lucia's Central Statistics Office, has commented on this transition: *"It assists us in collecting interviews . . . and also allows us to collect better data. . . . What we are doing here today is sharing experiences in a South-South cooperation. Hopefully, [other member states] can take a lot of information back to their individual countries so data collection is done in a more effective way."*

Regular availability of current poverty and labor market statistics allows governments to make more effective policy decisions. The Honorable Oliver Joseph, Grenada's Minister for Economic Development, Trade, Planning, Cooperatives, and International Business, stated at the official launch of the OECS Regional Strategy for the Development of Statistics, *"These are the factors that have us, the policy makers, juggling scarce resources among demanding and competing public services. How much do we spend on roads? How much do we allocate to health services? To education? I can certainly attest to this daily challenge, having a portfolio for Economic Development, Trade, and Planning. My decisions and policy proposals are hindered without evidence: timely and relevant data."*



Students from a secondary school in Grenada. Photo: CDB



Habitantes de Limón, Costa Rica, Photo: Jessica Belmont / World Bank Collection



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