



Second Independent Evaluation

Japanese Trust Funds at the IDB



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ABBREVIATIONS AND ACRONYMS

CDN	Child Nutrition
CLE	Child Labor Eradication
COA	Community - Agribusiness
COH	Community - Handicrafts
COO	Community Organization
COT	Community - Tourism
CSC	Citizen Security
CSS	Comprehensive Social Services
DIS	People with Disabilities
EA	Executing Agency
EDU	Education
ENG	Energy Generation and Transmission
ENV	Environment and Natural Disaster Risk Management
EXD	Office of the Executive Director for Japan
GoJ	Government of Japan
GOV	Governance and Public Management
HOU	Housing
HQ	Headquarters
HSS	Health Systems and Services
ICI	Individual Consultants to IDB
IDB	Inter-American Development Bank
IFD	Institutions for Development Thematic Area
IND	Indigenous Groups
INE	Infrastructure and Environment Thematic Area
IRG	Irrigation
JCF	Japanese Consultancy Services Fund
JPO	Japan Special Fund Poverty Reduction Program
JSF	Japan Special Fund
JSM	Job and Labor Market Skills
JTF	Japanese Trust Funds
JTF1	First OVE Independent Evaluation
JTF2	Second OVE Independent Evaluation
LAC	Latin America and the Caribbean
LED	Local Economic Development
LMS	Loan Management System
LOG	Transportation and Logistics
LPG	Loan Preparation Grant
M&E	Monitoring and Evaluation
MOF	Ministry of Finance of Japan
NRTC	Non-Reimbursable Technical Cooperation Activities
ODA	Official Development Assistance
OIN	IDB Operational Inputs
OVE	Office of Evaluation and Oversight
REE	Renewable Energy and Energy Efficiency
SAG	Stand Alone Grant

SCL	Social Thematic Area
SEM	Seminars
SWM	Solid Waste Management
TC	Technical Cooperation Operations
URB	Urban Development
VLS	Values and Life (or Labor) Skills
WOM	Women
WSS	Water and Sanitation
YAR	Youth at Risk

DEFINITIONS

1. The **Inter-American Development Bank** is referred to as the 'IDB' or the 'Bank'
2. The projects under evaluation financed with the Japanese Trust Funds are referred to as: 'TC', 'technical cooperation', 'grant', 'project', 'intervention' or 'operation', unless the context clearly shows a different meaning.
3. Country Groups (As per IDB's internal definition):

Group A. Argentina, Brazil, Mexico, and Venezuela

Group B. Chile, Colombia, and Peru

Group C. Bahamas, Barbados, Costa Rica, Jamaica, Panama, Suriname, Trinidad and Tobago, and Uruguay

Group D. Belize, Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Nicaragua, and Paraguay.

EXECUTIVE SUMMARY

Background

The Government of Japan (GoJ) has established Japanese Trust Funds (JTF) at the Inter-American Development Bank (IDB) to promote economic growth in the Latin American and Caribbean Region via the financing of Non-Reimbursable Technical Cooperation Activities (NRTC). JTF consists of two major funds: (i) the Japan Special Fund (JSF), established in 1988, and (ii) the Japanese Consultancy Services Fund (JCF), created in 1995. JSF also includes a smaller set-aside fund called the Japan Special Fund Poverty Reduction Program (JPO), created in 2001.

Since its creation and until this evaluation's cut-off date on December 31, 2012, JTF funded about 500 operations for over US\$300 million. JTF is one of the largest of more than 20 national trust funds currently under IDB management, accounting for about a third of all trust-fund-supported NRTC at IDB. IDB also funds NRTC with its own resources, a method that has risen significantly since 2005. Overall, JTF now accounts for about 10% of all NRTC funding at IDB.

This evaluation was conducted by IDB's independent Office of Evaluation and Oversight (OVE) at the request of the Japan Executive Director's Office at the IDB, on behalf of the Government of Japan (GoJ). The purpose of the evaluation was to assess the results obtained with JTF financing and to point out any potential improvement in the future use of those funds. The findings were also expected to highlight topics related to the visibility of Japan's contributions and collaboration with Japanese agencies.

The review covered the entire JTF portfolio of country and regional NRTCs completed between January 2006 and December 2012 – a total of 265 projects with US\$96.7 million in disbursements from the JTF. These operations financed programs in 25 of the 26 countries of Latin America and the Caribbean via loan preparation grants (LPGs) or stand-alone grants (SAGs) in practically all areas of IDB's work. The majority of these projects were approved between 2005 and 2009.

The evaluation was based on a project-by-project analysis assessing key evaluative dimensions, including relevance, achievement of outputs (as a proxy for effectiveness), timeliness and use of funds (as indicators related to efficiency), and likely sustainability. Other JTF goals – including innovation, additionality, and visibility of the Japanese contribution – were also considered, along with monitoring and evaluation and fiduciary issues. This methodology is similar to the one utilized by OVE in 2006 to conduct an *External Independent Evaluation of the Japanese Trust Funds at the IDB* (CS-3746), covering all projects completed between January 2000 and December 2005 (JTF1).

In September 2011, IDB changed operating guidelines for NRTC funded operations (GN-2629), superseding procedures introduced in 2008 and amending guidelines specific to the JTF. Since the current evaluation portfolio covers operations approved prior to 2011 (with the exception of one project approved in 2011 that was completed by the end of 2012), the effects of these changes cannot be assessed in this evaluation.

Findings

The evaluation found that the JTF projects clearly added value to IDB and to the LAC region during this period. The issues identified by the projects and the activities they funded to address those issues were by and large relevant, and the promised outputs were delivered in the overwhelming majority of cases. A majority of projects provided some kind of innovation, mostly incremental improvements or adaptations of existing products or services to local contexts, and in a few cases supported the creation of goods and services that did not exist before.

The high relevance and achievement of outputs in JTF projects were accompanied by more moderate performance with regard to timeliness of implementation and sustainability. JTF projects were affected by implementation delays, as are the majority of projects in IDB's technical cooperation portfolio. On average projects lasted 3.8 years, two-thirds longer than originally planned. In the case of loan preparation grants, the delays were often connected to delays in the IDB loans they were designed to support. The stand-alone grants did not face such constraints, yet 83% suffered delays, possibly reflecting capacity constraints in executing agencies and/or over-ambitious project designs and timetables. Moreover, risks were not always identified or factored in, which also could have led to longer delays if those risks materialized. Those delays may have affected the efficiency of project spending, as only about half of disbursements could be directly attributed to the production of outputs, with the rest attributed to administration, audit, and other aspects of indirect project support, which tend to increase with delay.

Performance was also mixed with regard to sustainability. For those JTF-funded outputs for which sustainability was expected, 73% were judged by OVE to be sustained after the project ended – 74% for SAGs and 71% for LPGs. When compared to the production *rate* achieved during project implementation, the average production rate post-JTF support for those outputs that did continue to be produced was 73% for both SAGs and LPGs. Thus, combining the *extent* and *rate* of continued production, the amount of continued production post-JTF of those outputs originally expected to be sustained was 54% – 55% for SAGs and 52% for LPGs.

JTF also funded a group of 45 internal projects that included support for seconding 29 Japanese nationals at IDB, hiring 14 professional consultants for specific IDB initiatives, and conducting two seminars of interest to both IDB and Japan. The secondments and some consultant assignments were constrained by the need to find bilingual candidates and were further affected by less-than-fully clear objectives and performance expectations, as perceived by the participants themselves. Of the Japanese consultants supported, four remained at IDB after the end of their consultancies. These internal projects have also undergone changes over time, as only the Japanese consultancy/secondment effort remains in operation today.

In addition to the issue of delays noted earlier, other cross-cutting issues affecting all non-reimbursable trust-funded activities in the Bank – and non-lending activities more generally – also affected the JTF grants reviewed. First, while much knowledge was generated by the grants for the benefit of the projects' direct beneficiaries, there was limited capture and sharing of such knowledge for the benefit of future projects. Second, many JTF grants did not clarify relevant and realistic objectives and the means to achieve

them up-front, which hampered their performance downstream. Third, the monitoring and evaluation of development results was relatively weak. Fourth, institutional capacity constraints were common, likely also affecting success in achieving high-quality outputs and avoiding implementation delays. Finally, fiduciary processes were sound overall but were not fully tailored to each project's particular risks, particularly those posed by executing agencies with little procurement experience. While these issues are common in development projects, often reflecting the deep-seated capacity constraints that these projects are meant to address, continued efforts to address them can further enhance the overall results of future JTF initiatives and other technical assistance work in the Bank.

Recommendations

Given the findings summarized above, OVE offers the following recommendations for the Japanese authorities and IDB management:

- **Clarify the longer-term objectives of the JTF program, including whether it should stay as a general fund or should rather focus on fewer strategic areas.**

JTF's historical focus on a general goal of promoting development in LAC may have served the GoJ and IDB well in past decades, but now is a good opportunity for a review to ensure that the Japanese government and IDB continue to share a strong set of common goals. OVE recommends that: (i) these goals be concrete, manageable, expressed in terms of both outputs and mid-term outcomes; (ii) they be communicated and cascaded down to the projects teams in charge of achieving them so they can guide their performance; and (iii) they be regularly tracked and independently verified to promote accountability.

One important issue is whether the JTF should stay as a general fund or adopt a more strategic focus. Each approach has advantages – the former retains a demand-driven nature, flexibility, and close links with other Bank activities, while the latter approach can have greater visibility and a better ability to monitor and drive development effectiveness. To date JTF resources have been allocated across a wide range of thematic areas. Given that the project-level evaluations do not point to better results in some areas than others, the choice of potential areas of focus would need to be driven by strategic preferences of both the GoJ and IDB, while ensuring that these areas were supported by demand from the Region.

- **Promote clearer definition of objectives, greater realism of timeframes, and stronger M&E processes for each project to help strengthen development results and reduce implementation delays.**

JTF grants would benefit from strong upfront efforts to define their objectives (in terms of both the quantity and quality of outputs, and if possible desired outcomes) and indicators to measure them, as well as to ensure that resources are budgeted for monitoring and appropriate evaluation activities. Avoiding over-ambition in the definition of objectives and timetables for activities could also help reduce delays.

- **Pilot longer-term engagement with key EAs to help address capacity weaknesses, and consider aggregating management of smaller projects on a country or sector-specific basis.**

Evidence indicates that desired JTF project goals took longer to achieve than anticipated, needed to be flexibly adapted during execution, and needed to have the staying power to take advantage of opening windows of political opportunity. Not all EAs were well suited to meet these challenges. OVE recommends that JTF explore the possibility of creating selection criteria and openly bidding to engage a few strong EAs in LAC to manage multiple projects in particular strategic themes. Such “framework contracting” is allowed for IDB projects and could significantly reduce transaction costs and enhance longer-term capacity of EAs.

More generally, it is challenging and potentially inefficient for a trust fund program like the JTF and an organization like IDB to manage the funding of a very large number of relatively small projects on an individual basis. Engaging strong EAs to manage multiple grants across geographical areas and over time would help to capture efficiencies of scale, stimulate learning and knowledge sharing, and facilitate monitoring of development effectiveness.

- **Be more proactive in knowledge management.**

JTF grants generate potentially useful knowledge in the form of studies, diagnostics, toolkits and methodologies. This knowledge could be better leveraged for the benefit of future projects through better capture and storage. Concerted efforts to vet, catalogue and share knowledge products generated through JTF grants can have longer-term development benefits for LAC, while also helping promote the visibility of JTF activities. Efforts in knowledge sharing can also serve as a means to further engage Japanese agencies, the private sector, and civil society, to partner in promoting the visibility and scaling up of successful JTF initiatives.

I. JAPANESE TRUST FUNDS AND THE EVALUATION APPROACH

- 1.1 Non-reimbursable technical cooperation (NRTC) of the Inter-American Development Bank (IDB) has played a key role in supporting loan preparation, loan enhancement, and capacity building projects in the Latin America and the Caribbean (LAC) Region. IDB finances NRTC projects via its own resources as well as through trust funds. The trust funds provided by Japan are among the largest of about 20 national trust funds currently under IDB management. Over the 2006-2012 evaluation period, Japanese trust funds accounted for about a third of all trust-fund-supported NRTCs at IDB. Since its inception, the Government of Japan (GoJ) has committed about US\$300 million in support of projects at IDB.
- 1.2 On behalf of the GoJ, Japan's Executive Director's office at IDB requested that IDB's Office of Evaluation and Oversight (OVE) conduct this Second Independent Evaluation of the Japanese Trust Funds (JTF), complementing a prior evaluation conducted by OVE in 2007.¹

A. Japanese Trust Funds at the IDB

- 1.3 The evaluation covers the two main trust funds at IDB: the Japan Special Fund (JSF) and the Japanese Consultancy Services Fund (JCF).² JSF also includes two set-aside programs: the Japan Special Fund Poverty Reduction Program (JPO) and the Japan Program. The Japan Program was excluded from this evaluation because it consists of one large umbrella operation which was still ongoing at this evaluation's cut-off date.³
- 1.4 The Japan Special Fund was established through an agreement signed in 1988, making it the oldest donor trust fund at IDB.⁴ It has a wide-ranging purpose to benefit countries in LAC through financing the following activities: (i) IDB loan preparation; (ii) pre-investment and institutional support for IDB loans; (iii) small projects; (iv) co-financing IDB supported policy loans; (v) emergency assistance; (vi) technical assistance to local financial institutions for project preparation and institutional support; and (vii) other activities consistent with IDB's purpose and function.
- 1.5 Like most NRTC operations at IDB, JSF projects fall - although not always clearly - into two main typologies, loan preparation grants (LPG) and stand-alone

¹ OVE is independent from IDB's Management and reports directly to IDB's Board of Executive Directors, which approved this activity in RE-421-1: OVE's Proposed 2013-2014 Work Program and Budget. The GoJ funded most of this evaluation through a Regional Technical Cooperation: RG-T2303: Japanese Trust Funds at the IDB - Second Independent OVE Evaluation.

² A third trust fund, the Japan Scholarship Program (JSP), which was established in 1991 to enhance human resource development in the Region, is not included in this evaluation.

³ The Japan Program was established in 1998 with the objective of creating opportunities for the exchange of expertise, knowledge, and best practices between Asia and LAC. JSF provided US\$29.7 million in funding, and its projects were last evaluated in 2004.

⁴ This agreement was amended twice: once in 1994 to allow the JSF operations to be denominated solely in US dollars, and again in 1995 to allow for greater flexibility.

grants (SAG). LPGs aim to provide technical assistance to enhance the quality of IDB lending operations, and SAGs aim to develop capacity in recipient countries for policy formulation and implementation, or support civil society's development initiatives. A majority of JSF projects were SAGs; the share of LPGs has decreased over time due to Japan's interest in minimizing support to IDB's own loan preparation costs. Examples of SAGs and LPGs in various sectors are shown in Table 1.

- 1.6 In order to implement these activities, JSF can fund the hiring of consultancy services or the purchase goods and services from any IDB eligible country. As established in the Letter of Agreement between the GoJ and IDB in 1988, "the Grants will be utilized in accordance with the Bank's policies, procedures and practices." The maximum amount allowed per JSF operation is US\$1.5 million.⁵ JSF accounted for 110 operations or 58% of funds committed to the JTF operations that concluded between 2006 and 2012, amounting to US\$56.5 million.⁶
- 1.7 JSF funding priorities have shifted over time. Although JSF has not targeted any specific sector, there was an initial focus on infrastructure. In 1998, the GoJ realigned its support along the lines of IDB-8, towards social and emergency management issues.⁷ In 2001, the GoJ further reaffirmed its interest in social development by defining "social protection, women in development activities, as well as nutrition, health and education" as priority areas. At the same time, the GoJ established the dedicated Japan Special Fund Poverty Reduction Program (JPO).
- 1.8 As noted above, the JPO is a specialized sub-part of the JSF. It was established in 2001 through a US\$30 million set-aside from JSF. JPO aims to: (i) support well targeted poverty-reduction and social development activities impacting vulnerable groups that are socially and/or economically disadvantaged; (ii) improve the capacity of the poor to help themselves; (iii) stimulate widespread stakeholder participation at the community level; and (iv) contribute systematically to operations and programs of community organizations that are working to reduce poverty.
- 1.9 JPO itself has been divided into two sub-programs: (i) the *Community Based Program (CBP)*, which supports community organizations with small projects of up to US\$150,000 for basic social services, community based productive activities, and capacity building; and (ii) the *Loan Enhancement Program (LEP)*, which finances poverty reduction activities that target particularly impoverished groups in the context of IDB loans. CBPs are almost exclusively stand-alone projects (SAGs), while LEPs are generally classified as LPGs. Funding for LEPs was discontinued in 2011. JPO accounted for 96 operations or 19% of funds

⁵ Japan Special Fund (JSF) and Japanese Trust Fund for Consultancy Services (JCF) Operating Guidance for Application and Implementation (January, 2011; p.2).

⁶ Project information dataset retrieved from the IDB data warehouse in February 2013.

⁷ IDB-8 and IDB-9 are the Eighth and Ninth General Capital Increases at IDB conducted in 1994 and 2010 respectively.

committed to the JTF operations that concluded between 2006 and 2012, amounting to US\$18.5 million.

Table 1: Examples of JTF Grants in Various Sectors

	Stand-Alone Grant	Loan Preparation Grant
Social Issues	VE-T1011 Strengthening The Formation Program of Huellas Juvenile Group (Venezuela): ‘Huellas’ is an NGO focused on leadership development for vulnerable children and youth through the promotion of social and civil values. The project aimed to improve the group’s educational program by updating the curriculum and teaching materials and building capacity of teachers.	EC-T1161 Support for Universal Basic Education (Ecuador): The project aimed to support the government in evaluating innovative strategies to ensure universal basic education. It sought to enhance the impact of policies and strategies in the area of education, including those addressed through an IDB loan (EC-L1018).
Infrastructure and Environment	CO-T1052 Sustainable Energy and Biofuel Strategies (Colombia): The project sought to give the government a framework and information to enable investment in sustainable energy and biofuels. It conducted a life cycle assessment for biofuels, developed a toolkit to promote investments and exports in the biofuels sector, launched a pilot program to promote efficient use of energy and biofuels production among small biofuel entrepreneurs, and supported the National Coordination for the Sustainable Development of Biofuels.	TC0002071 Sustainable Market for Clean Rural Energy Services (El Salvador): The project’s objective was to enable market-oriented enterprises to implement rural energy projects in a sustainable way by creating a Rural Electrification Unit within the Ministry of Energy. The project sought to prepare and implement an Action Plan to promote rural energy service business models and a national rural energy information system. This TC project also sought to help consolidate a National Rural Energy Expansion Plan and prepare the basis for an on and off-grid rural energy loan proposal (ES-0153).
Institutions for Development	EC-T1065 - Strengthening Productive Chain and Commercialization of Textile Crafts (Ecuador): This project’s objective was to support the improvement of living standards of the indigenous Kichwa communities in Cuicuno, Tilipulo, and Santo Samán by strengthening the supply chain and marketing of handmade textiles as a process of cultural preservation, product diversification, and opening of markets. It supported the production and marketing of handmade textiles through training, strategic planning, organizing local artisans, designing a marketing and commercialization plan, strengthening the productive chain, improving artisanal textile production, and strengthening the local organization of weavers and spinners.	HA-T1043 Rural Supply Chain Market Linkage Services (Haiti): This project aimed to help build profitable business ventures between rural producers and buyers along priority supply chains. It was designed to complement the loan "Rural Supply Chain Development Program" (HA-L1003). The project sought to improve the ability of the associations to provide market linkage services directly to entrepreneurs and rural producer groups by developing business and marketing plans, identifying sources and mechanisms for financing specific ventures, and identifying producer organizational options and mediating buyer-producer pilot efforts.

- 1.10 JCF was created in 1995 and aims to facilitate the application of Japanese know-how and development experience in LAC. JCF finances activities related to the preparation and execution of: (i) pre-feasibility and feasibility studies, including environmental impact assessments; (ii) project appraisals; (iii) implementation

and supervision of loans; (iv) enhancement of existing loans; (v) ex post evaluations; and (vi) other activities that can leverage Japanese expertise in the developing member countries of the IDB.

- 1.11 JCF was initially designed to engage large Japanese consulting firms in IDB projects. They in turn frequently subcontracted to local consultants in LAC. Over the past few years, JCF has refocused its efforts on bringing Japanese individuals to different IDB departments to perform professional work assignments. IDB acts as executing agency for these projects. The maximum amount per JCF operation is US\$1.5 million. JCF accounted for 59 operations or 22% of funds committed to the JTF operations that concluded between 2006 and 2012, amounting to US\$21.6 million.
- 1.12 The JTF projects under evaluation were implemented mostly during the 2000s, a boom and bust period that culminated in the global financial crisis. Thus the need for JTF funding varied greatly during the evaluation period. In addition, IDB's NRTC resources have more than doubled since 2005 - largely due to IDB's use of its own net income from Ordinary Capital. This significantly eased restrictions that had previously limited NRTC funding only to the poorest C and D countries, to a few thematic areas, or to hiring consultancy services from trust funds' national constituencies. By contrast, throughout this period JTF has provided flexible funds available to all countries and sectors. Eligibility was also open to all project types: country-specific, regional, and private sector.⁸

B. The Evaluation Methodology and Portfolio

- 1.13 To carry out this evaluation OVE analyzed all JTF projects completed during the review period, producing a template for each one with information gathered from numerous sources. These sources include, among others, IDB project documents, in-person and virtual interviews with project beneficiaries, executing agencies, bank staff and other stakeholders. Conducting these extensive in-country interviews presented a logistical challenge. OVE addressed it by engaging local evaluation experts in every country to conduct the interviews and data gathering. A further description of this process is contained in Annex 1.
- 1.14 The evaluation assessed the 265 JTF operations that completed implementation between January 1, 2006 and December 31, 2012, amounting to US\$96.7 million in actual disbursements.⁹ This follows a similar independent assessment conducted by OVE in August 2007, which covered all 129 JTF projects implemented prior to December 31, 2005. The operations were implemented in

⁸ Direct support to IDB's private sector lending has been rare in recent years.

⁹ In strict terms, only 225 operations involving \$89 million in funding from Japan had completed all disbursements in this period; and OVE committed in its proposal to evaluate only these 225 operations. However, in conducting the evaluation it became apparent that 40 additional operations had virtually completed disbursement, but were not registered in IDB's systems as "completed" because of a remaining undisbursed balance of less than 1% of the project's budget. Therefore, OVE also included these 40 projects in this evaluation.

- 25 of the 26 IDB borrowing countries, and in some cases on a regional level.¹⁰ Most of the projects under evaluation (183) were approved between 2005 and 2009 (Table 2). The average duration of projects was 3.8 years.¹¹ Of the 265 operations, 220 were conducted for the benefit of LAC countries or other external parties, hereafter referred to as “external projects”. The remaining 45, referred to as “internal projects”, supported internal IDB needs.
- 1.15 As noted above, the external projects (mostly JSF/JPO) include both stand-alone grants (SAGs) and loan-preparation grants (LPGs). It is important to separate these two for purposes of project-level results evaluation, because the former can be evaluated on their own merits while the latter are closely connected to the success of the IDB loan they support. Of the 220 external projects reviewed for this evaluation, 128 were SAGs and 92 were LPGs (Table 3). SAGs accounted for half of total JTF disbursements during the period (US\$48.4 million), with slightly less going to LPGs (US\$44.2 million) and only US\$4.1 million going to internal projects.
- 1.16 The average size of JTF grants (measured in actual disbursements) was US\$365,085 – US\$421,118 for external projects and US\$91,149 for internal projects. The largest was a grant for wastewater treatment in Panama City for US\$1.5 million and the smallest was an internal TC “Consultancy Services for Financing” for US\$10,170.¹² Almost half of the 265 grants were small – under US\$150,000, and an almost equal number were between US\$150,000 and US\$750,000. Only 25 grants were above US\$750,000 (Table 3). The great majority of both the small and the large grants were SAGs, while LPGs clustered more in the middle size range. Many of the smaller SAGs were JPO projects, whose average size was US\$193,881.

¹⁰ The countries with fewer operations were all in the Caribbean. Bahamas was the only borrowing member country with no JTF operations in this batch. Barbados and Guyana had one operation each that met the criteria to be included in this evaluation, while Trinidad and Tobago had two operations. All the other countries had at least 3 JTF operations under evaluation.

¹¹ The duration of a project is the time between approval and closing date. Three projects lasted 10 or more years; one from Barbados (1991-2006), one from Brazil (1998-2008), and one from Guatemala (2001-2011).

¹² Actual disbursements were even less in two grants that were cancelled before implementation: “Social Inclusion for Women at Severe Risk” in Uruguay (US\$150,000 approved) and “Sustainable Development for the Chorotega and Huetar Norte Regions” in Costa Rica (US\$600,000 approved). In both cases, there were virtually no disbursements.

Table 2. JTF Evaluation Portfolio by Approval and Closing Year

Closing Year	Approval Year														# of Projects	
	1991	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		2011
2012							1		1	4	2	10	10	2	1	31
2011					1	1	1		3	7	18	13	6	3		53
2010									6	15	12	5	1			39
2009				1	1	1	4	3	10	16	12	5	1			54
2008		1	2	2	3	7	3	1	8	8	2					37
2007				2	2	7	5	1		2						19
2006	1		2	1	4	6	8	4	5	1						32
	1	1	4	6	11	22	22	9	33	53	46	33	18	5	1	265

Table 3. JTF Evaluation Portfolio by Disbursements, Size and Type

Size		Internal	LPG	SAG	Total
0 to 150,000	Projects	38	19	67	124
	Amount	1,971,924	1,736,872	8,946,057	12,654,853
150,000 to 750,000	Projects	7	66	43	116
	Amount	2,129,798	34,345,587	21,415,389	57,890,773
750,000 and above	Projects	0	7	18	25
	Amount		8,135,265	18,066,697	26,201,962
Total	Projects	45	92	128	265
	Amount	4,101,721	44,217,725	48,428,142	96,747,588

1.17 External projects focused on three broad areas of development: (i) Social, (ii) Infrastructure and Environment, and (iii) Institutions for Development. Table 4 shows the distribution of both LPG and SAG projects among these thematic categories. Almost half of total JTF disbursements (US\$47.2 million) supported infrastructure and environment, divided almost equally between LPGs and SAGs. About 37% of total disbursements (US\$35.4 million) were for social projects, also about equally divided in disbursement terms between LPGs and SAGs (though there was a larger number of SAGs than LPGs). About one-tenth of disbursements (US\$10 million) went to Institutions for Development projects. The average size of infrastructure and environment grants (US\$629,617) was almost double that of social grants (US\$327,981). Most of these external projects were allocated to particular countries, with only 13 having a regional focus (Box 1 and Annex 3).

Table 4. JTF Evaluation Portfolio by Thematic Area and Sector

Area	Sector	LPG		SAG		Total
		# of Projects	Disbursed Amount (USD)	# of Projects	Disbursed Amount (USD)	# of Projects
Social	Social Development	25	12,567,625	18	5,843,225	43
	Youth & Citizen Security	10	3,672,155	16	3,750,605	26
	Values & Labor Skills	0	-	17	3,951,893	17
	Equal Opportunity	3	1,416,725	19	4,219,715	22
		38	17,656,504	70	17,765,437	108
Infrastructure and Environment	Local Economic Development	21	10,992,814	10	8,311,729	31
	Environmental Management	3	1,158,297	10	5,920,701	13
	Sustainable Energy	6	1,887,504	7	5,551,140	13
	Water Management	12	9,329,665	6	4,069,434	18
		42	23,368,279	33	23,853,005	75
Institutions for Development	Community Productive Activities	8	1,804,471	14	1,960,798	22
	Community Organization	2	911,657	9	3,643,024	11
	Public Sector Support	2	476,813	2	1,205,878	4
		12	3,192,941	25	6,809,700	37
TOTAL		92	44,217,725	128	48,428,142	220

1.18 Social projects were of four types. Social development projects aimed to promote social development by improving health, education and social security services; youth and citizen security projects aimed to eradicate child labor and improve citizen security; life values and labor skills projects aimed to increase labor productivity and reduce labor market inefficiencies; and equal opportunity projects aimed to create opportunities for disadvantaged groups.

Box 1. Regional JTF Projects

The JTF regional programs accounted for 13 operations with an average disbursement of US\$561,344. Three were LPGs and 10 were SAGs (with average disbursements of US\$467,212 and US\$589,584, respectively). Three projects were focused on social issues, 5 on infrastructure and environment, and five on institutions for development. Type of projects varied. For example, one funded pilot initiatives to strengthen the response of education sector in the prevention and mitigation of HIV/AIDS in the Caribbean Region. Another sought to improve the capacity of municipalities to reduce vulnerability to environmental hazards in urban settlements of Guatemala, Honduras and Nicaragua. And a third provided technical assistance and training to develop a self-sustaining regional network and information platform to support organizations for the elderly poor in Argentina, Chile, Peru, and Uruguay.

	SAG	LPG
Social	3	-
Infrastructure and Environment	4	1
Institutions for Development	3	2
Total	10	3

1.19 Infrastructure and Environment projects were also of four general types. Local economic development projects sought to identify productive activities in housing, transportation and logistics, and urban development. Environmental management projects aimed to improve natural disaster risk management and solid waste

management. Water management projects sought to enhance irrigation, water and sanitation services. Sustainable energy projects sought to improve energy generation and transmission, renewable energy, and energy efficiency. The infrastructure and environment projects focused largely on the following development issues: coverage gaps, access barriers for disadvantaged groups, and market failures.

- 1.20 Institutional projects were of three types. Community organization projects aimed to increase social cohesion at the community level. Community productive activities projects aimed to identify income generation opportunities through agroindustry, handicrafts, and sustainable tourism. Miscellaneous public sector support aimed to improve governance and public management at the national level. The institutional projects as a whole focused largely on addressing access barriers for disadvantaged groups, coverage gaps, and collective action failures.
- 1.21 Finally, JTF supported IDB with internal projects (Table 5), which accounted for 17% of projects but only about 4% of the funding (US\$4.1 million). A majority of these projects (Individual Consultants to IDB) involved the contracting of Japanese nationals for a fixed period to provide services at IDB. In a few cases these individuals became staff members at the IDB. Another type (IDB Operational Input) financed consulting firms or specialists for specific initiatives of interest to JTF. JCF provided the main source of funding for these appointments and assignments. In addition, JTF funded a few seminars connected to common interests of IDB and the GoJ.

Table 5. JTF Internal Project Portfolio

Sector	# of Projects	Disbursed Amount (USD)
IDB Operational Input	14	2,360,362
Internal Individual Consultants to IDB	29	1,536,350
Seminars	2	205,009
	45	4,101,721

C. Findings of the First JTF OVE Evaluation and Recent Changes

- 1.22 In 2006, OVE conducted the first comprehensive *External Independent Evaluation of the Japanese Trust Funds at the IDB* (CS-3746). It covered all JTF projects completed between January 2000 and December 2005 - a total of 129 operations, involving US\$71.3 million from JTF. The evaluation was widely disseminated, and the GoJ has continued to commission similar independent evaluations at other International Financial Institutions (IFIs) that manage Japanese Trust Funds, including the World Bank (WB), the International Monetary Fund (IMF) and the Asian Development Bank (ADB).
- 1.23 JTF1 found JTF program level objectives to be too general to drive prioritization. Yet JTF projects were found to be generally relevant, meeting specific development needs in the Region and targeting priorities in their respective thematic areas. The majority of them also effectively delivered the products intended in their design. JTF1 verified that there was an appropriate level of internal control, with proper adherence to expected procedures in procurement

- and other administrative areas. In contrast, JTF1 pointed to improvement opportunities in monitoring and evaluation, innovation, additionality, enhancing visibility of the Japanese contribution, and overall efficiency in the use of Japan's resources.
- 1.24 JTF1 made recommendations on two fronts. The first concerned the need to tighten up JTF Operating Guidelines to address the operational issues identified by the evaluation. Areas to be strengthened included evaluability, independent verification of results, risk management, visibility and collaboration with Japanese counterparts, stakeholder participation, innovation, additionality, and the systematic development and use of lessons learned. The second front concerned the need to ensure coherence by *“fully integrat[ing] JTF into the IDB’s programming activities [to ensure] that the use of JTF resources [better target] the demands from the LAC Region ... better incorporate Donor’s needs and requirements.”*
 - 1.25 A key cross-cutting finding of JTF1 was that the projects’ levels of success were associated with the processes used by the Bank to manage them, particularly monitoring, supervision, evaluation, and dissemination. As a follow up, OVE produced an Evaluation of the Bank’s Processes for Managing Technical Cooperation (RE-364).
 - 1.26 In September 2011, IDB changed operating guidelines for NRTC-funded operations (GN-2629), superseding procedures introduced in 2008 (GN-2469) and amending guidelines specific to the JTF. Since the current evaluation covers operations approved prior to 2011 (with the exception of one project), the effects of these changes cannot be assessed in the context of this evaluation.

II. RESULTS AT THE PROJECT LEVEL

2.1 This chapter summarizes the findings of the evaluation at the project level. The first part of the analysis focuses on the 128 stand-alone JTF projects (SAGs), which did not have any clear linkages to an IDB loan and were thus presumably independently designed and implemented to achieve results.¹³ In recent years the JTF has shifted its funding increasingly to these types of grants, and a careful analysis of recent results can help to shed light on lessons for the future. Results of these projects are reported along four core evaluative dimensions: relevance, achievement of outputs (as an indicator related to effectiveness), timeliness of implementation (as an indicator related to efficiency), and sustainability (where applicable). Other goals include the extent of innovation, additionality, and visibility. Broad data on the use of funds is also noted, and the quality of monitoring and evaluation in these projects is also reviewed. Results for the loan preparation grants (LPGs) and internal projects are discussed separately later in the chapter.

A. Performance of Stand-Alone Grants (SAGs)

2.2 As noted above, 128 projects out of the total 265 projects reviewed for the evaluation were grants for stand-alone activities. These projects were designed and implemented to achieve certain results on their own. As wholly separate and stand-alone activities, they can potentially be evaluated using the standard criteria applied to projects of all multilateral development banks – relevance, effectiveness, efficiency, and sustainability. The overall performance on indicators related to these four core criteria, and on several other dimensions of interest to JTF, is discussed in the following sections. Results for JPO projects are summarized in Box 6 later in the chapter.

1. Relevance

2.3 *Relevance* measures whether projects addressed key development needs and priorities of the countries concerned, including whether they identified those needs and priorities (relevance of objectives) and whether the projects were appropriately designed to address them (relevance of design). Relevance along both dimensions rated favorably for the great majority of the evaluated SAG projects (77%).

2.4 With regard to *relevance of objectives*, on average each project appeared to address several key development issues, which were clearly defined in 80% of the cases. The clarity and relevance of issues to be addressed was particularly high (over 90%) in infrastructure and environment SAGs and somewhat lower for projects addressing equal opportunity and community organization needs – perhaps not surprising given the inherent complexity of the latter. With regard to *relevance of design*, a clear connection between the outputs of the projects and the outcomes desired could be made in three-quarters of the projects. This measure of design relevance was highest on average – almost four-fifths – in smaller

¹³ Since JTF projects are not automatically classified into SAG and LPG categories, OVE looked for specific references to linkages to IDB loans in the JTF project documents.

projects, and somewhat lower (about two-thirds) in the largest projects. Box 2 provides an illustration of projects with highly relevant objectives and design, respectively.

Box 2. Examples of Projects with Strong Relevance

A SAG with highly relevant objectives was *Sustainable Urban Transportation Systems*, approved in 2009 for Brazil. This project sought to facilitate the design and implementation of sustainable transportation programs in three medium-sized cities in Paraná by developing and testing a pilot model for sustainable urban transportation systems. The project addressed the clearly defined development issue of traffic congestion (caused by declining use of existing public transportation systems) in city centers by building institutional capacity in Paranacidade, a non-profit entity that acted as the executing agency for the Paraná State Secretariat of Urban Development (SEDU). It supported Paranacidade by developing an information system for the participating municipalities and a plan for sustainable urban transportation, and it helped the municipalities to implement the plan.

A second example is *Integrated Management of Solid Waste Generated in the San Andres Valley*, a SAG approved in 2007 for El Salvador. The TC identified a development problem and the affected/target population (300 families and 9 microenterprises of garbage collectors from three municipalities of San Andres). It had a clear objective – develop a model of integrated management of solid waste with the collaboration of local stakeholders, and this objective was clearly associated with four components – organization and association of garbage collectors, training and technical assistance to garbage collectors and municipalities, strengthening municipal capacities to improve the regulatory compliance concerning solid waste management, and model systematization and dissemination. Finally, each component had defined activities and measurable objectives.

2. Achievement of Outputs

- 2.5 As noted above, this evaluation used achievement of outputs as an indicator of effectiveness, given that JTF projects generally defined their objectives only in terms of outputs.¹⁴ By that partial metric SAG projects had high success rates, producing on average 92% of expected outputs. Medium-sized projects produced 94% of outputs, while smaller and larger projects lagged only marginally at 91% and 87%, respectively. Similarly, projects in all country groupings and across all thematic areas achieved high degrees of success in the production of outputs (Table 6).

¹⁴ At the time neither JTF grants nor IDB non-lending technical cooperation grants more generally were required to include results frameworks and indicators for outcomes. OVE collected information on overall progress in the development issue areas addressed by JTF grants and found that there had been progress in those issue areas for about 70% of the grants reviewed, though that progress could not be attributed directly to the grants.

Table 6. Achievement of Outputs by Size, Thematic Area and Country Group

Achievement of Outputs					
Size	0 to 150,000	91%	Country Group	A	90%
	150,000 to 750,000	94%		B	94%
	750,000 and above	87%		C	82%
Area	Social	92%	D	92%	
	Infrastructure and Environment	90%	Regional	95%	
	Institutions for Development	94%			
All (SAG)		92%			

- 2.6 The overwhelming majority of SAGs produced the outputs promised. One example was *Ciudad Vieja Center for Employment Development*, a SAG for Uruguay that designed and implemented a pilot program to help improve the economic situation of families living in poverty due to unemployment. More beneficiaries than originally planned were trained in business management, given access to microcredit, and placed in the job market.
- 2.7 On the other hand, there were a few exceptions to this strong output performance, such as the *Strategic Plan for Revitalizing Veracruz Historic Center*, a SAG approved in 2007 for Mexico. The plan had three components – development of a strategic plan, creation and startup of a tripartite executing body, and institutional strengthening. The municipal administration changed during project implementation, which led to differing views on the relevance of the project, and the second administration did not think the outputs could be fully utilized.
- 2.8 Table 7 gives a sense of the types of outputs produced by SAG projects. Over half of the projects funded reports, whether diagnostic reports, evaluations, audits, guidelines, or manuals. Almost four-fifths funded training, about half provided advisory services, and about a quarter provided administrative coordination of supported activities. Highlighting the experimental nature of the projects, about three-fifths supported pilots, while a third funded dissemination events. Just over half included the provision of some materials, equipment or fixed assets. In general, the smaller projects tended to focus somewhat more on training, pilot projects, and dissemination, while the larger projects focused more on reports.

Table 7. Distribution of Types of Outputs on SAG Projects

SAG	Survey, Data Collection	Diagnostic	Evaluations and Audits	Guidelines, Manuals, Frameworks	Dissemination	Training
		17%	36%	43%	58%	32%
	Administrative Coordination	Advisory, Know-How	Materials, Equipment	Pilot Projects, Seed Funding	Other	# of Projects
	27%	55%	52%	59%	14%	128

Box 3 - Quality Also Matters

OVE's index for the achievement of outputs measures only production, not quality. Indeed, OVE was unable to fully judge the quality of the outputs of JTF projects, and the projects themselves did not generally have independent means of quality verification. In most cases the only verifications conducted were done for the purposes of processing payments to consultants contracted to produce them. It is clear, however, that outputs can be more or less effective in practice depending on their quality and the extent of dissemination. Two examples are outlined below.

Support for the Preparation of Aurora Cañas Central Corridor Project (GU-T1076). The project objective aimed to support the municipality of Guatemala in finalizing the Aurora Cañas Central Corridor Master Plan to drive a radical transformation in the city's infrastructure, recovery of public spaces, improved mobility and accessibility. The plan was prepared by the municipality through Urbanística, a municipal bureau, created specifically to promote the city's development. The team not only gained technical capacity with this project, but was also incorporated as a permanent department within the municipality. The quality of the Master Plan was recognized internationally and awarded a prize for its innovative approach in implementing a revitalization project in a non-historical area. IDB technical specialists also verified the outputs and disseminated the experience throughout LAC.

Rainbow Project: Health & Opportunities for Vulnerable Children, Youth and Women (DR-T1015). The project was designed as an integrated approach to alleviate poverty in the Dominican Republic by reducing the medical burden of childhood illness and generating income for mothers' handicrafts micro-enterprises. The project addressed key development issues in relation to high incidences of controllable childhood diseases as well as the deficiency of the local health services in identifying vulnerable children -- "missed opportunities" within the public health system. Separately, it was supposed to develop a marketing plan for handicrafts. The first output -- related to children's health -- was produced and available but was never verified because the Executing Agency closed immediately after the end of the project. The second output -- marketing plan -- could not be located for review, nor is it certain that it has been produced. Neither of the two activities was followed up after the EA left the country.

2.9 The JTF program does not have a means to independently check the quality of project outputs, relying instead on the verification by IDB's and EA's project team leaders. This evaluation was not designed to assess the technical merits of each one of the project outputs that encompass almost all areas of IDB activity. However, OVE was able to locate records for most of the outputs funded by the JTF projects and prima facie found few evident shortcomings. Yet, it is clear that there are examples of both stronger and weaker quality outputs (Box 3).¹⁵

3. Timeliness of Implementation

2.10 OVE measured timeliness of project implementation, one aspect of project efficiency, by contrasting actual closing dates with those originally estimated. A second indicator, the attribution of funding to the production of outputs, is discussed in Box 4. The great majority of operations had no explicit cost-benefit analyses -- which would have been an optimal means to assess efficiency -- though these two indicators provide relevant and useful information broadly related to the efficient use of funds. The extent of implementation delay is related to efficiency in part because delays may increase overhead costs. The attribution of funds to specific outputs gives a sense of how funds were used.

¹⁵ OVE was, however, able to indirectly collect information about the quality of outputs through qualitative observations about each product, the identification of any materialized risks affecting the project's outputs, and the estimation of whether in retrospect the allocated budgets and time frames were sufficient to achieve the outputs.

- 2.11 As is the case with other IDB-managed trust funds (see para. 2.15), delays in implementation of stand-alone JTF projects were common, with 83% of SAGs exceeding their originally planned implementation periods. The average delay for the SAG projects evaluated was 491 days (or 1.34 years), a time equivalent to 67% of the originally expected average project implementation period of 733 days (or 2 years).
- 2.12 Delays were the norm in all types of SAGs, but the magnitudes of those delays varied somewhat (Table 8). Though almost all smaller SAGs suffered some delay, on average the delay extended expected implementation time by only about half of the originally estimated period, for a total implementation period one and one-half times the original. In contrast, delays for larger SAGs led to almost a doubling of implementation times. In the most extreme case “Improvement of Living Conditions Survey (Mecovi)” in Guatemala, the delay was 2,831 days – or 7.75 years.¹⁶
- 2.13 Among country groupings, the delays were considerably longer – over 500 days on average – in the higher-income A and B countries, while they were considerably lower – both in absolute terms and as a share of the originally anticipated duration – in C and D countries. This points to the likelihood that project-specific factors are more responsible for the delays than the broader institutional or economic context of the projects.
- 2.14 The thematic trends are also interesting. The longest delays in SAG implementation were in projects focusing on environmental management (878 days delay on average), water management (757 days), and sustainable energy (1,082 days). In all three cases delays led to more than a doubling of implementation periods. In contrast, delays were less, typically leading to increases of about 50% in implementation times, for SAGs in the social and institutional thematic areas.

¹⁶ This project aimed to improve the management and data flow generated by the Guatemalan National Institute of Statistics (INE), so that its information could get to stakeholders (state agencies, universities, research centers, NGOs, etc.) in a timely and safe fashion. The TC lasted ten years, as it was approved in 1991 and was completed in 2011. The project contributed to the training of INE specialists on IT, to data analysis software, and to the creation of a harmonized information system that is still used by the government. However, the program faced considerable delays in its implementation, driven mainly by constant personnel turnover (including three different INE managers throughout its implementation) and the lack of engagement by the Inter-institutional Committee of Mecovi.

Table 8. SAG Delays by Size of Operation and Thematic Area

		% of Projects with Delay	Delay (Average # of Days)	Delay as % of Originally Expected Period	
Size	0 to 150,000	80%	301	54%	
	150,000 to 750,000	81%	664	80%	
	750,000 and above	100%	776	85%	
Area and Sector	Social	Social Development	88%	534	60%
		Youth and Citizen Security	81%	461	57%
		Life Values and Labor Skills	80%	321	42%
		Equal Opportunity	94%	360	83%
	Infrastructure and Environment	Local Economic Development	82%	549	68%
		Environmental Management	90%	878	116%
		Water Management	100%	757	113%
		Sustainable Energy	100%	1082	110%
	Institutions for Development	Community Organization	67%	410	58%
		Community Productive Activities	57%	238	37%
Public Sector Support		100%	239	17%	
All (SAG)		83%	491	67%	

- 2.15 It is important to note that delays are common in development work and not just a feature of JTF projects. OVE compared the delays of the JTF projects with those of other trust funds administered at IDB, finding that delays faced by JTF projects fell very close to the average of the Bank's NRTC portfolio.

Table 9. Delays of other selected NRTCs at IDB closed during the same period as the JTF portfolio under evaluation (2006 to 2012)

Fund	Name	Delay as % of Originally Expected Period	Observations
NFC	NORWEGIAN FUND CONSULTANT	150%	11
SWC	SWEDISH FUND SERVICES & TRAINING	111%	20
IID	ITALIAN FUND INFORMATION TECH.	102%	16
ITC	ITALIAN FUND MIF PROJ. PREPARATION	88%	14
STC	SWISS FUND CONSULTANTS & TRAINING	81%	14
ITM	ITALIAN FUND MIF PROJ. PREPARATION	79%	35
CCT	IDB-CANADA TRADE FUND	78%	36
GMF	GENDER MAINSTREAMING TRUST FUND	77%	29
FGE	SPANISH FRAMEWORK GENERAL FUND	76%	144
KPR	KOREA POVERTY REDUCTION FUND	74%	38
JTF	Japanese Trust Funds (SAG projects)	67%	128
IDB	IDB NRTC Average - Same Period	64%	878
FTC	FRENCH FUND FOR CONSULTING SERV.	60%	22
MTP	TRADE AND POVERTY TRUST FUND	54%	14
NSI	SOCIAL INCLUSION FUND	52%	81
NFM	NORWEGIAN MICROENTERPRISE DEV.FUND	41%	17
SCE	SOCIAL CAPITAL, ETHICS AND DEV. FUND	37%	12

Source: Oveda, February 2014. Delays are measured as the difference between the current and original disbursement expiration dates. Cancelled or active operations were not included. The funds selected in the table for illustration purposes had at least 10 operations closing in the same period as the JTF portfolio under evaluation. The IDB average includes all trust-funded NRTC, not only the ones displayed in the table.

- 2.16 Delays in JTF implementation resulted from a variety of factors, the most common being weak administrative and technical capacity in the executing agency, political obstacles or objections from various stakeholders, and interagency coordination problems. While these factors are no doubt constraining, the fact that delays are the norm rather than the exception (a problem that also affects other IDB lending and non-lending activities) indicates that initial expectations tend to be unrealistic and project designs overly complex.

Box 4 – The Uses of JTF Funds

The extent to which JTF resources provided “value for money” was not directly measurable given the data available. OVE did review available records regarding the use of JTF funds and the extent to which these resources could be linked to the production of the outputs pursued by the operations. Several findings emerged:

Financial reporting and audits. Available financial records in IDB’s financial management system (LMS) fully account for the funds disbursed, and projects were subject to audits as planned.

Ex-ante budget-setting. Ex-ante budgets for JTF projects were submitted for approval as part of their Plans of Operation. Almost all operations under evaluation - and all approved after 2008 - broke down the proposed budget by line item (e.g, consulting contracts), but most did not link these line items to the specific outputs expected. These plans were subject to a Quality and Risk Review (QRR) meeting that was usually held virtually among selected IDB participants. OVE reviewed a sample of comments received in QRRs and found little evidence of close scrutiny of the rationale for the costing of the proposed outputs contained in the budget proposals.¹⁷

Ex-post budget allocation. Project disbursements were documented only in aggregate terms in ex-post project financial reporting. On average about one-half of total project expenditures could be clearly linked to the production of specific project outputs, typically via consulting contracts stipulating the production of these outputs. The remaining funds were classified as administrative costs or overhead, and their connection with specific project outputs could not be clearly established.

4. Sustainability

- 2.17 Sustainability was judged by the presence and extent of continued production of the outputs that were expected to be sustained after the completion of the projects. Sustainability was not expected for all JTF outputs; for example, some of them were one-off studies. Overall, 71% of SAG outputs were expected to be sustained.¹⁸
- 2.18 Of these 71% of SAG outputs where sustainability was expected, OVE judged that sustainability was likely in 74% of cases. The *rate* of continued production of these SAG outputs varied greatly among these 74%, averaging 73% of the

¹⁷ GCM reviews proposals before sending them to the Donor, but it is unclear to what extent the proposed budgets are scrutinized, e.g., by comparing against a database of unit cost information based on past experience.

¹⁸ OVE found that 90% of SAG projects had at least one output that was still being produced at the time of the evaluation, after JTF support had ended. This constitutes evidence that most executing agencies maintained at least some level of activity post-JTF support.

production rate reached during project implementation. Thus, the actual post-project production of those outputs that were expected to be sustained was calculated by OVE to be about 55% (74% times 73%) on average for all SAGs.

- 2.19 This overall sustainability rate was slightly higher for larger projects over US\$750,000 than for smaller projects under US\$150,000 (55% and 52%, respectively). The level also appeared to be slightly higher in A and B countries (55%) than in C and D countries (49%). Social projects fared somewhat worse (49%) than infrastructure and environment projects (62%). Consistent with these patterns, JPO projects performed worse than average on sustainability (Box 6). Common reasons given for weak sustainability included insufficient financial resources, insufficient personnel and technical capacity, and inadequate facilities of the executing agencies.
- 2.20 The capacity of executing agencies is an important contributor to sustainability. As discussed in chapter 3, ensuring and supporting capacity of executing agencies is a challenge common to JTFs and other NRTCs. Overall sustainability rates were best in SAGs executed by government agencies, particularly at the state level (60%). Overall sustainability was lower for SAGs executed by NGOs (51%). Finally, SAGs implemented by IDB were assessed as having the highest overall sustainability rate (68%).

Box 5. Example of High Sustainability – Assisted School Trajectories in Argentina

The project, approved in 2007, aimed to improve quality and level of education of Aboriginal populations of Formosa in Argentina. It supported the development of a teaching model, family involvement in school education activities, and community involvement in other related activities. The main activities included in the project were a local linguistic diagnostic, the developing of a training program for teachers in primary and secondary education, and the design of a video showing the use of the local Aboriginal language and booklets on local environmental management practices.

The project performed well in sustainability because: i) it was executed by a local NGO (“Educación Para Todos”) who understood the context; ii) it forged strong alliances with the Ministry of Education iii) it was scalable in other parts of the Region; and iv) it involved schools and the community. Moreover, the booklets on environmental practices and video remained in the community and could be used with other school cohorts. Due to the substantial improvement in school teaching practices, the project can be replicated in other regions of Argentina.

Box 6. Japan Special Fund Poverty Reduction Program

The Japan Special Fund Poverty Reduction Program (JPO) was established in 2001 as a US\$30 million set-aside of the Japan Special Fund (JSF). JPO aims to: (i) support well targeted poverty-reduction and social development activities impacting vulnerable groups that are socially and/or economically disadvantaged; (ii) improve the capacity of the poor to help themselves; (iii) stimulate widespread stakeholder participation at the community level; and (iv) systematically contribute to operations and programs of community organizations that are working to reduce poverty. During the review period the JPO financed external projects, 82% of them stand-alone grants. Two-thirds of these grants financed projects addressing social issues, of which almost a third focused on creating conditions of equal opportunity for beneficiary populations and over a quarter on providing life values and labor skills to the young. In contrast, about one-quarter of JPO projects focused on institutional strengthening (of which two-thirds supported community productive activities) and only 5% addressed infrastructure and environment. Most (77%) JPO projects were small, with the average disbursed amount being US\$193,881 compared to US\$559,849 for non-JPO JSF projects.

JPO projects under evaluation were either Community Based Projects (CBP) or Loan Enhancement Programs (LEP). This division followed the JPO Operating Guidance of 2004, which conceived CBPs as projects to support community based activities with a direct effect on poor and vulnerable groups. The financing of LEPs was later discontinued in the 2011 Operating Guidance. CBPs respond directly to the needs of socially and/or economically disadvantaged people by building capacity of organizations that work with low income communities or by stimulating widespread stakeholder participation (NGOs, civil society groups, and local governments) at the community level. LEPs also assist poor and vulnerable groups but are different from CBPs in that they finance activities related to IDB loans. Over 87% of the JPO projects in the evaluation portfolio were CBPs and 13% were LEPs. In addition to all LEPs, five CBPs also fit into the broader classification of loan preparation grants (LPGs). One example is “Minuto de Dios: Capacity Building for Income Generation Activities”, a Colombia project aimed at improving the income generating capacity of the members of 12 community associations. The members of the community associations were supposed to become beneficiaries of a future housing program called “Corporación Minuto de Dios: Support to Low Income Housing Program” (COL1060), but the related IDB loan was never approved.

In terms of performance, JPO projects performed better on OVE’s criterion of execution delays than non-JPO JSF projects, perhaps because the small JPO community projects aimed at relatively simple products (such as short-term training, advisory services for vulnerable groups, and school curriculums). However, execution delays varied considerably. While the average delay of a JPO project was close to a year (compared to more than 2 years for non-JPO JSF projects), they ranged from zero to seven years. On the other hand, JPO projects underperformed relative to the overall portfolio average in sustainability and assignment of funds to identifiable outputs, possibly because the small NGOs that act as executing agencies tend to be inexperienced and lack capacity to sustain production after IDB assistance has ended. JPO performance on relevance and achievement of outputs were similar to those for the non-JPO JSF portfolio.

5. Other Goals

- 2.21 In addition to the core goals of most development activities – relevance, effectiveness (or achievement of objectives), efficiency (including timeliness), and sustainability, the JTF program had several other objectives.
- 2.22 **Innovation.** Innovation was a generic goal of the JTF program, and an explicit objective of a majority of JTF projects. Innovation measures whether projects introduced products, services, or processes new to a given geography or sector. JTF guidelines suggest a desire for “innovative” proposals, and fostering the transfer of “Japanese knowledge, expertise or best practices”. The expected

- innovations were usually circumscribed to the adaptation of existing services or processes to local contexts.
- 2.23 Almost two-thirds (62%) of SAGs sought to produce at least one innovative element. Most involved incremental improvements or adaptations of products or services to local contexts or the adoption of new processes. A few involved the creation of goods and services that did not exist before. The Panama project, for example, developed a water transportation system using underground tunnels that had not been used before, and it also adapted an anaerobic wastewater treatment approach that was more efficient than the approach originally planned.
- 2.24 **Additionality.** On the financial side, OVE sought to assess additionality by considering the likely availability of alternative funding if JTF funding had not been available.¹⁹ In almost three-fifths of projects the recipient was unable to identify other possible sources of funding for the project outside of IDB at the time of the JTF project's approval. While the recipient's view does not necessarily reflect the true counterfactual, this can be viewed as a rough indicator of financial additionality. Interestingly, smaller SAGs were more likely to report possible alternate sources of funding than larger ones.
- 2.25 More than half of the remaining two-fifths of projects mentioned one other potential source of funding, with a smaller share mentioning two or more.²⁰ These were seen as possible sources of funding primarily because they had funded similar interventions or targeted the same beneficiaries in the past.
- 2.26 Non-financial additionality is somewhat easier to assess than financial additionality, because recipients can often identify unique contributions of IDB in the trust-funded activities it engages in. OVE found that 84% of SAGs reported at least one value-enhancing action. The two most common - each noted as the most important non-financial additionality in about one-third of SAGs - were: (i) process improvements and (ii) knowledge and expertise gained as a result of collaboration with the IDB. *Process improvements* were particularly important in the case of smaller SAGs and C&D countries, while *knowledge and expertise* dominated in larger SAGs and A&B countries. Other forms of non-financial additionality included access to strategic partnerships, stronger relations with governments, leveraging of the IDB's brand name, and quality control.
- 2.27 **Visibility.** Visibility of the Japanese contribution was an explicit JTF objective and was promoted to some extent in virtually all stand-alone projects – a significant improvement over JTF1, where only one-third of projects had any visibility enhancing activity. Most projects had 3 or 4 visibility-enhancing activities, the most common being events and seminars, followed by exchanges with similar projects, use of electronic media, and ad-hoc meetings. About half were geared toward the general public, one-fifth to officials from central and local

¹⁹ Financial additionality was analyzed from the perspective of the recipient government or agency looking at IDB as a whole, without considering whether other trust funds or other funding sources within IDB might have been available to fund the same activity.

²⁰ Commonly mentioned sources included national or local governments or other multilateral or bilateral donor agencies, particularly the World Bank.

governments, one-fifth to IDB personnel and experts, and a smaller percentage to Japanese officials, the private sector, and international organizations and NGOs.

- 2.28 JTF also engaged in visibility activities at the program level, including dissemination conferences in Paraguay, Colombia, El Salvador, Panama and Japan. However, JTF still lacks a substantial number of effective alliances with local or international strategic partners to further enhance visibility.²¹ In a few projects, EAs themselves coordinated exchanges with other international organizations, national development agencies, or NGOs.

6. Monitoring and Evaluation

- 2.29 There are two dimensions of monitoring and evaluation: the monitoring of the compliance with IDB administrative and financial procedures, and the monitoring and evaluation of the results intended for each operation. With regard to the first dimension, all JTF operations were comprehensively tracked in the IDB Loan Management System (LMS) and all disbursements were registered in accordance with the team leaders' authorizations and IDB requirements. With regard to the second dimension, monitoring and evaluation tools included EA periodic reports, inspection visits, consultant assessment, ongoing evaluations, ex-post evaluations, and Project Completion / Progress Monitoring / Performance Monitoring Reports (PCR/PMR/PPMRs). OVE found that most projects focused on the first type of monitoring geared towards compliance, with only a minority having any type of monitoring or evaluation aimed at tracking results. Almost all project lacked baselines, project completion or monitoring reports were produced in only 21% of SAG projects, and some kind of ex post evaluation was conducted in about one-quarter of the projects.²²
- 2.30 Monitoring of operations relied mostly on self-reporting by EAs themselves, without independent verification outside of the parties involving in the execution of the projects. Over half of the projects relied on periodic reports produced by the EAs, while only about one-third received regular inspection visits by IDB.
- 2.31 Overall, 47% of projects earmarked resources for monitoring and evaluation (M&E), and these budgets were considered adequate in most cases (70%).²³ Projects conducted M&E activities in isolation and results were not systematically aggregated or shared at the program level. OVE's review found that almost all projects identified some kind of lesson learned, and slightly fewer than half

²¹ These activities took place in 2012 and 2013. They included interactions with JICA and Japanese Embassies with the objective of strengthening the visibility of JTF.

²² Due to the lack of information on project results, OVE gathered all available evidence which could help their assessment, such as EA periodic reports, consultant reports, and intermediate or final project evaluations. However, as neither JTF nor IDB have an organized repository that facilitates access to these documents, in 95% of cases OVE had to collect this information through administrative systems for procurement and disbursement, interviews with EAs, consultants, beneficiaries and other stakeholders.

²³ A 2011 change in JPO guidelines allows up to 5% of JPO funds to be allocated to supplementary M&E activities. See rule 12 of "*Japan Special Fund Poverty Reduction Program (JPO) Operation Guidance for application and Implementation*" (January, 2011)

included them in some type of dissemination material. Yet OVE could not find evidence that these lessons were later utilized to benefit future operations.

B. Performance of Loan Preparation Grants (LPGs)

- 2.32 Ninety-two JTF grants were explicit in their objective to support the preparation or enhancement of IDB loans. This type of Loan Preparation Grant (LPG) was highly prevalent until about 2007, when the GoJ decided to de-emphasize the direct support of IDB's lending. After this point, the only loan-support line remaining was provided via JPO, which in 2001 started funding Loan Enhancement Projects (LEP) aimed at improving the focus of IDB loans on otherwise overlooked poor and vulnerable groups. In 2008, funding for LEPs was also discontinued.
- 2.33 Various objectives were served by LPGs in connection with IDB loans. About 70% of LPGs were intended to help prepare future IDB loans. Another 20% aimed at enhancing aspects of existing IDB loans, especially those related to poverty and equal access for indigenous populations issues. Finally, 10% of LPGs were approved after the conclusion of IDB loans, mainly to support the continuity of key technical personnel at Executing Agencies that would have been otherwise disbanded due to government changes. In several cases, these LPGs also prepared the ground for future loans by helping address key country issues.

1. Relevance and Achievement of Outputs

- 2.34 The overall relevance of the LPGs appears to have been quite similar to that of the SAGs, with about four-fifths of the projects identifying clear development issues and about three-quarters having a clear link between expected outputs and the outcomes desired. As compared to SAGs, there was a relatively modest variation of relevance among LPGs by size or thematic focus.
- 2.35 It is more difficult to judge the success of LPGs on their own merits than in the case of SAGs, because the performance of LPGs is to a significant extent dependent on the performance of the loans with which they are associated. It is interesting to note that slightly over one-half (53%) of all LPGs were associated with loans that were subsequently approved, while 17% of all LPGs intended to support a future IDB loan that ended up not being approved.²⁴ Yet, it must be noted that the extent of eventual loan approval is not an accurate measure of quality or effectiveness, as the grants could have also been valuable in determining that project ideas were not appropriate for the situations intended.
- 2.36 OVE was able to measure the achievement of outputs in LPG projects - a partial measure of effectiveness (as noted above for SAG projects). As with SAG projects, most LPG projects (84%) produced the outputs expected. There was more variation according to size than in the case of SAG projects, with only 61% of smaller LPG projects (less than US\$150,000) achieving their outputs compared to almost 90% for larger ones. There is also more variation in the LPG portfolio

²⁴ Within this group, one-quarter of the associated loans were formally approved by IDB but not ratified by the countries, while three-quarters never went forward to IDB approval.

by thematic area, with regional and public sector projects showing much poorer performance than other ones.

- 2.37 While most LPGs achieved expected outputs, there were a few exceptions (as with SAGs, as noted earlier). For example, two public sector projects with particularly weak achievement in terms of outputs were the “Strengthening of the Public Investment System” for the Dominican Republic approved in 2004 and the “Panama Land Policy Program” approved in 2009. The former did not produce some outputs because the issues were purportedly being tackled in other contemporaneous loans,²⁵ while the latter failed to produce certain outputs due to a weak institutional framework and coordination during implementation.²⁶ In the Panama project, there were also several failed attempts to agree on the terms of reference of three of the key consultancy services to be hired, which ultimately resulted in the cancellation of the project.

2. Timeliness, Sustainability, Innovation and Visibility

- 2.38 With regard to timeliness of implementation, LPGs suffered even longer delays in implementation than those of SAGs discussed earlier. But unlike stand-alone grants, delays in LPG implementation are likely to have been associated with many of the same constraints that have affected Bank project preparation more generally. The average implementation delay in the 92 LPGs evaluated was over

²⁵ The project was a loan preparation grant that supported the creation of the legal and institutional framework of the National System of Public Investment in the Dominican Republic. The objective was to ensure that this framework reflected the objectives of the national development strategies, particularly the goals of the Poverty Reduction Strategy (ERP). The legal and institutional framework was later consolidated by the Social Management Reform Program financed by an IDB loan (DR-0150). The project set out to support the creation of the framework by (i) introducing reform that ensured the integration of the National System of Public Investment within the existing systems of public management, and (ii) developing the methodology to produce and implement local action plans framed within the ERP. For the reform, the project hired consultants to help integrate the systems, set up a bill to reform the National System of Public Investment, and prepared a study about public management of resources for local public investment. All of these products were delivered in full. For the methodology, the project set out to hire a consultant to define procedural guidelines and three consulting firms to conduct a pilot on the methodology, but it did not achieve any of these products to any extent. The EA and IDB thought that implementing these activities would mean a duplication of effort because these issues were also being tackled in other contemporaneous loans.

²⁶ The project complemented the work already being undertaken by three loans: The National Land Administration Program (PRONAT) (1427/OC-PN), the Metropolitan Region Cadastre Loan (1885/OC-PN), and the Municipal Development and Decentralization Support Program (1522/OC-PN). The project was intended to review and rationalize the existing legal and institutional structures in Panama by developing a comprehensive legal package that would rationalize the assignment of roles between government entities, as well as establishing a sustainable national land use policy. The project would do this by hiring consultants to prepare land policy strategic and institutional analyses, a white paper policy document, legal reviews and preparation of legal documents, and a capacity building plan and implementation of the land use policy. However, the project was cancelled and none of the activities were implemented. This was the result of weak institutional capacity and coordination during implementation, reflected in long delays to assemble working teams and to process contracts and payments. There were also several failed attempts to agree on the terms of reference of three of the key consultancy services to be hired, which ultimately resulted in the decision not to ask for continuation of the project.

two years (781 days), extending the original life of the project (averaging 1.5 years) by 142% (for a total implementation period 242% of that originally planned). These delays were concentrated in the larger LPGs, with those over US\$750,000 having average delays of 3.25 years (1,183 days). Average delays were somewhat longer (892 days) in the lowest-income D countries than in the higher-income A countries (609 days). Unlike SAGs, the longest LPG delays were not necessarily focused in infrastructure and environment but were equally extensive in the social areas (though less in institutional areas). The longest delay - 4,490 days, or over 12 years - was in an LPG for Barbados, "Rationalization of the Health Sector."

- 2.39 While sustainability is a clear and important concept in the case of many SAGs, it is less clear whether it can be independently measured in the case of LPG projects, given that they are by definition connected with larger IDB projects. However, OVE found that 71% of the LPG outputs for which sustainability was expected were judged by OVE as likely to achieve such sustainability. They did so at an average production rate of 73% of that achieved during the project execution period, leading to an overall sustainability of LPG outputs of 52%. LPGs of all sizes had similar results, but the extent of overall sustainability of production post-project was slightly lower in C & D countries, at 49%. Unlike SAGs, infrastructure and environment LPGs fared slightly worse (51%) in terms of likely sustainability than social projects (55%).
- 2.40 Innovative elements of some type were noted in just under half of LPG projects, somewhat lower than in SAGs, but still significant. Visibility activities were also lower in LPGs, which is perhaps not surprising given that LPG activities are driven to some extent by the larger project they are supporting.

C. Internal JTF Projects

- 2.41 Forty-five JTF projects (involving about US\$4 million in JTF resources) funded activities within IDB. Internal projects were of three types: 29 supported Individual Consultants to IDB (ICI), 14 provided IDB operational inputs (OIN), and 2 supported IDB seminars (SEM).
- 2.42 Individual Consultants to IDB (ICI) operations financed individual Japanese consultants to perform specific roles at IDB, usually for fixed annual periods that could be extended up to three years. These consultants provided sector expertise, operational support, and general research /project viability support.²⁷ All ICI projects were funded by JCF, thus only Japanese nationals were eligible.²⁸ Japanese nationals secured roles at IDB in two ways: (i) competitive hires where applicants were invited to apply to positions posted on IDB's career website, with eligible candidates being short-listed, interviewed and hired at IDB; and (ii) secondments where staff from Japanese organizations (usually banks) were placed on work assignments at IDB for a period of up to three years via a closed invitation process, in

²⁷ Sector experts included, for example, finance officers or environmental experts.

²⁸ In almost every instance, JTF paid slightly more than half of ICI and OIN project costs, while IDB departments paid the remaining balance.

- order to strengthen partnerships with these Japanese entities.²⁹ About two-thirds of these consultants were brought from Japan, while the rest were recruited in the US or LAC. Four consultants remained at IDB as staff after the end of their contracts.
- 2.43 IDB operational input (OIN) operations financed consultancies by individuals aimed at refining IDB products or methodologies. OIN projects were funded by both JCF and JSF, and thus were also open to non-Japanese nationals. Focus areas included transportation and logistics, disaster prevention and reconstruction, forest conservation and biological diversity, social and environmental sectors. About 75% of OIN consultants had prior work experience at IDB, which lowered the risk of hiring them, since consultants were already familiar with IDB operations and methodologies. JTF stopped funding projects in this group as of October, 2009.
- 2.44 The objectives of ICI consultancies were often less clear than those of OIN operations, according to the perceptions of the individual consultants participating in the assignments. In six out of 29 ICI projects, consultants stated that it would have been beneficial to have received some training, or examples of expected outputs, that could serve as guidelines. By contrast, the assessments of all consultants made by their supervisors indicated that they added value, meeting and often surpassing the general roles they were asked to fill.
- 2.45 All these internal projects provided visibility to Japanese support to varying degrees. For competitive openings, JTF support was highlighted in IDB job postings. Similarly, JTF support to seminars was promoted via the respective dissemination materials. The longer-term visibility of ICI projects was lower, largely due to the little information disseminated on results, both externally and internally within IDB. Furthermore, participating consultants interviewed by OVE considered that there was little systematic information about consulting opportunities for Japanese nationals at IDB available to them in Japan, except for that posted on the IDB website.
- 2.46 Methodologies and products stemming from OIN and ICI projects were used by a number of departments within IDB, with a reported utilization rate above 80%. The relevance of SEM projects was measured after the sponsored events had ended. In one of them, high profile panelists guided discussions on the Millennium Development Goals. Participants viewed these discussions as providing a good context for dialogue on pressing development issues.
- 2.47 IDB seminar (SEM) grants funded two brief (2 to 3 day) events to showcase topics of common interest to Japan and IDB: "Investment Opportunities in Central America and the Dominican Republic" (04/09/05 - 04/11/05) and "Meeting the MDGs: Sharing Best Practices between Asia and LAC" (4/7/05 - 4/8/05). These IDB-managed events offered a platform for discussion, networking and exchange of practices. Both of these seminars were funded by JSF.

²⁹ In this report, the terms "secondments" and "secondees" refer to consultants who come to IDB from another organization with the intention of returning to that organization after a period of time. These secondees were financed partially by their institution of origin and partially by JTF.

2.48 Internal projects were especially affected by changes in JCF and JSF funding priorities. In 2009, JCF reduced its support for financial specialists assigned to IDB's private sector, requesting that secondees be partly subsidized by their parent organizations. Around this time, JCF also stopped funding IDB operational input (OIN) projects. SEM projects were not omitted from these cutbacks: JSF funded the last SEM in 2005. More recently, JCF has focused on funding only Individual Consultants to IDB (IIC). This decision was partly motivated by a desire to offset a perceived under-representation of Japanese professionals at IDB.³⁰

³⁰ As per the 2012 IDB Group Human Resources Dynamics Report, 19 out of 1,986 IDB staff were Japanese nationals.

III. CROSS-CUTTING ISSUES

- 3.1 The JTF operates within IDB's overall system for NRTC management, which has changed over the evaluation period towards greater standardization of procedures, independently of the funding source. The GoJ is a traditional IDB partner, and an early contributor to IDB's NRTC. Starting in 2005, NRTC funding sources at IDB have significantly changed, with the entrance of other traditional and non-traditional donors, as well as the growing use of IDB's own resources for NRTC activities. In this context, IDB has sought to standardize NRTC procedures and pool resources into multi-donor, strategic thematic funds.
- 3.2 Most aspects of JTF performance are common to all NRTC at IDB. In fact, the performance of the evaluated portfolio has been strongly determined by JTF's reliance on IDB's system to manage NRTC. This system was revised in 2011, but the results of the 265 evaluated operations cannot reflect the effects of these recent changes. Nevertheless, it is clear that many of the JTF operations reviewed suffered from some of the challenges that trust funds - and non-lending in general - have faced at IDB, as documented in prior OVE evaluations.³¹ Box 7 provides a summary of feedback from a survey conducted by OVE of the opinions of executing agencies and IDB staff as to the relative advantages and disadvantages of JTF as a source of funding; and Box 8 describes many of the salient features and some of the key challenges related to IDB's NRTC processes. Five important cross-cutting issues are highlighted further below.

A. Knowledge Capture and Sharing

- 3.3 One of the key challenges with NRTCs at IDB – and IDB non-lending work more generally – is knowledge capture and sharing. Today, the knowledge created through JTF grants resides primarily with EAs or consultants and appears generally to be gathered, if at all, in an uncoordinated manner during project implementation. The great majority of projects appear to have produced practical knowledge for the direct beneficiaries, such as diagnostic reports, guidelines, manuals, methodologies, toolkits, and frameworks. Yet little of that knowledge appears to have been shared more widely or preserved after the projects ended. This knowledge could be better leveraged for the benefit of future projects through better capture and storage.³²

³¹ “Knowledge Products”, Background paper to IDB9 Mid-Term Evaluation (RE-428), December 2012; “Evaluation of the Bank's processes for Managing Technical Cooperation (RE-364), May 2010.

³² OVE conducted detailed field interviews, either directly or through local consultants trained by OVE. Findings from these interviews are available upon request in templates documenting the analysis. From these interviews, OVE estimates that 55% of all JTF projects under evaluation had no specific dissemination activities. The projects that had some dissemination activity relied mostly on personal contacts and the forwarding of written reports. By contrast, publications, media, special events and blogs were used in less than 10% of cases.

Box 7: Executing Agencies' and IDB Users' Perceptions of JTF

OVE conducted a survey of executing agencies, IDB staff, and project consultants involved in the projects evaluated (154 respondents). Respondents were asked to rate JTF as compared to other funding sources according to several criteria, including ease of access, flexibility to accommodate changes, level of support to project design and execution, and non-financial value-added in terms of expertise or networking. OVE found general agreement between IDB staff and EAs, except on EA sustainability issues.

About three quarters (73%) of EAs and IDB staff stated that one of the main advantages to using JTF over other funding sources was that documentation requirements for project approval were very clear and concrete. Some EAs stated that the approval documentation requirements allowed them to capitalize on their own institutional processes and administrative regulations. However, about half of EAs (43%) and a third of IDB staff (29%) reported that the documentation requirements during project implementation were too cumbersome, particularly given the relatively small amounts involved.

About three quarters (77%) of IDB staff and EAs rated highly the flexibility of JTF to accommodate changes during project implementation. These included changes to activities, plans of acquisitions, and consultants. However, monitoring and evaluation lagged in terms of appropriate use of “instruments to evaluate the quality of [products and] EAs [to make] sure that they are not trying to only benefit themselves.” Respondents also recommended “creating a tool for measuring the performance of EAs at the end of projects and publishing the results in order to help prepare new operations.”

More than three quarters of IDB staff (77%) appreciated JTF's flexibility in choosing consultants and the ability to fund larger sized NRTCs. However, two-thirds (67%) of staff and EAs considered that the speed of access to JTF funding could be improved. Some observed that “JTF timelines do not necessarily match the needs of project operations.” Others perceived that “decisions [we]re made in Japan, which slow[ed] down the process.” It should be noted that this is a feature common to most bilateral trust funds, not only the JTF.

About two thirds of EAs and staff (71%) considered that support during design and execution “lacked technical [focus, and was rather] limited to administrative issues.” Respondents also considered that JTF could have been better at providing access to Japanese know-how and expertise, with only about 20% of EAs providing favorable assessments in this area. Finally, EAs and IDB staff expressed high interest in participating in networking events (85%), webinars (75%), and blogs (62%). They also suggested courses, meetings, and conversations with organizations working on similar topics; as well as dissemination via presentations, written articles, and project multimedia material.

B. Clarity and Realism of Objectives

- 3.4 Development projects of all types tend to achieve better results when they have clear and well-articulated project objectives and means to measure their achievement. That was the case with JTF projects as well, as projects that specified their goals in greater detail performed better on average. However, fewer than half of projects reviewed had clear objectives. While most operations had implicit logical frameworks, these rarely entailed clearly defined outputs, baselines and targets. Virtually all (97%) grants were approved under the assumption of a zero baseline. Similarly, targets were not clearly specified, but at least could be inferred from plans of operations, procurement plans, project monitoring reports, or budgets for 98% of the products.
- 3.5 Realism of objectives and design is also critical to success. As noted in chapter 2, almost all JTF projects have suffered delays in implementation. While delays in LPGs may be related to larger issues with the IDB projects they are supporting, the stand-alone projects do not have any such constraints. It is likely that overambitious designs and timetables were at least part of the reason for these delays.

Box 8 – The Bank’s NRTC Process

Standardized processes. All JTF operations under evaluation were executed utilizing IDB’s standard processes for managing NRTCs. The GoJ’s role was limited to providing the funds, setting basic priorities for its use, and agreeing with IDB on suitable operating guidelines. In 2008, IDB replaced its long-standing donor-driven NRTC system to promote the pooling of resources into multi-donor funds and standardize operations’ processes independently of their funding source.

Programming. JTF mostly uses a “first-come, first-served” approach to programming. It responds to specific requests without the guidance of either a strategy of its own or focused IDB sector priorities. In 2011 JTF sought to address this gap by setting some resource allocation priorities, including moving away from supporting IDB’s work and prioritizing projects in poorer C & D countries. JTF relies on IDB’s country and sector programming system, with operations informally checked with the JTF team before submission. JPO has also started piloting a call for proposals among NGOs to source some of its projects: so far 12 were selected among almost 2,000 submissions. The assessment of these recent changes is outside the scope of this evaluation.

Quality control. Project quality assurance centers on a Quality and Risk Review (QRR), consisting of a (virtual) meeting where IDB Departments send comments. As observed by OVE in prior evaluations, QRR comments are usually procedural rather than substantive, and they tend to be less substantial for smaller projects.¹

Procurement. EAs are responsible for final selection and contracting, but IDB may collaborate in vendor identification and selection. Upon beneficiaries’ special request, IDB may contract consultancies. IDB’s procedures also allow longer-term procurement framework agreements, but JTF has not yet used them. IDB staff salaries and travel are not eligible for JTF funding.

Extent of transactions. NRTCs involved 70% of IDB’s disbursement transactions in the Bank, despite representing less than 2% of IDB’s funding flows. Procurement was similarly transaction-intensive. More than three quarters of JTF resources funded consulting contracts that mostly (74%) ended up being awarded to providers with prior sector recognition or familiarity with IDB. Despite these predictable results, JTF projects still regularly conducted procurement processes.

M&E. About 50% of the projects under evaluation were technically not required to produce monitoring or final reports, as guidelines prior to 2011 required monitoring only for projects above US\$150,000 and longer than 1 year. As per current IDB’s guidelines, all projects should now include plans for periodic monitoring, and an evaluation mechanism for outputs and outcomes. However, a systematic process for reporting on NRTC progress is yet to be implemented. A large IDB IT initiative (Project Optima) is addressing this gap.

- 3.6 Recent changes in IDB NRTC procedures also sought to address this issue. Before 2011 there were incentives for operations to be planned to last up to 12 months and be below US\$150,000. At the time, these operations were delegated to the President for approval, and exempt from committing to a logical framework and submitting monitoring reports. Furthermore, there were no strict guidelines on the number of extensions that could be granted. Since 2011, all operations are required to have a logical framework and monitoring, extensions are limited and formalized, and the delegation of authority has been raised to US\$1.5 million.

C. Monitoring and Evaluation

- 3.7 Another key challenge with JTF grants, as with NRTCs and IDB non-lending work more generally, is the quality of monitoring and evaluation (M&E) and the measurement of development effectiveness. As noted in chapter 2, monitoring and evaluation at the project level was weak, being judged by OVE as minimally acceptable for only 42% of all external projects reviewed. Most projects monitored only compliance with procedures rather than results, and few had project completion reports, independent verifications or evaluations of any kind.

At the program level, IDB attempts to complement information about projects by administering an annual survey of EAs. In addition, the JTF team conducts supervision missions to selected countries at least twice a year to qualitatively assess the status and quality of JTF operations. The selection of the visited countries depends on the size and characteristics of the current and prospective portfolio in each country, as well as a desire to cover different types of countries and projects on a rotating basis. JTF produces annual reports for the donor, highlighting selected projects within the portfolio and documenting financial disbursements and dissemination activities. The latest 2012 report listed all approved projects of that year for each fund and provided what in practice amounted to a collection of “project success stories”. While it is helpful to highlight success, this singular focus may provide a biased perspective on overall accomplishments and reduce the opportunity to learn also from failure.

D. Institutional Capacity

- 3.8 Another issue common across NRTCs is the importance of the capacity of executing agencies (EAs). EAs’ years of experience, financial resources and availability of personnel were correlated with project performance along the dimensions measured by OVE. Providing support to strengthen EAs, which was common in JTF projects in areas such as M&E, appeared to have helped to build such capacity. The EAs’ prior experience in the sector or with IDB – present in about three-fifths of projects – also appears to have led to better performance.
- 3.9 Collaboration with IDB and other strategic partners helped to achieve results. JTF projects were able to leverage IDB’s brand name, its convening power and networks in two-fifths of projects; and IDB provided knowledge and expertise to EAs in about half of the projects. Almost all projects were also able to benefit from linkages to country governments or other strategic partners.

E. Fiduciary Issues

- 3.10 OVE reviewed the fiduciary policies and guidelines of IDB and JTF to assess whether they were adequate to assure proper utilization of Japanese resources. Although IDB systems for project management, procurement, and auditing were initially designed to handle much larger lending operations, they generally served these smaller grants well.
- 3.11 OVE also reviewed the application of project-level fiduciary processes, including procurement plans, training on IDB procedures, and institutional assessments of executing agencies. Procurement plans - which are now mandatory but were not when most of these JTFs were approved - were prepared for 70% of the projects, while two-thirds held training sessions on IDB procedures. Ex ante institutional assessments of EAs were performed for 58% of JTF projects. These assessments can help to tailor fiduciary activities to each EA’s risk profile.
- 3.12 The fiduciary processes supporting procurement were geared towards accounting for the use of funds rather than improving the EAs ability to manage risks, particularly those related to procurement. Most procurement (77%) dealt with consulting services, both from national and international individuals and firms. Goods and services (other than consulting) accounted for 18% of procurement,

and other categories, including software, accounted for the remainder. Fiduciary processes were sound overall but were not fully tailored to each project's particular risks, particularly those posed by executing agencies with little procurement experience.

- 3.13 Almost three-quarters (72%) of projects had at least one independent audit, mostly after the conclusion of the project. Audits were not readily available to other projects potentially facing similar issues, and there is no evidence of their findings having been used to improve the functioning of these future projects. Audit opinions were “clean” in 85% of the cases, and virtually all projects successfully resolved the pending issues identified by the audits.³³

³³ The only evaluated projects that triggered internal investigations as to allegations of improprieties by the IDB Office of Institutional Integrity were “*Programa de Prevención de Factores de Riesgos en Jóvenes Vulnerables*” (CO-T1041), and “*Proyecto Piloto para la Inserción Laboral de Mujeres Discapacitadas*” (NI-T1024). These investigations were concluded as per IDB standard procedures and involved less than 0.2% of the total JTF funding for the projects in the evaluation.

IV. CONCLUSIONS AND RECOMMENDATIONS

- 4.1 This evaluation has looked in depth at 265 projects funded by the Japanese Trust Fund between January 2006 and December 2012. Of these, 220 were external projects – 128 stand-alone grants and 92 loan preparation grants – and 45 were internal projects intended to assist IDB through secondments of Japanese experts, consulting assignments, and seminars. The projects varied in size, with almost half being small (less than US\$150,000), about 10% being large (over US\$750,000), and the rest in between. They addressed a wide variety of thematic topics under the three broad areas of social development, infrastructure and environment, and institutional development.
- 4.2 The evaluation found that the external JTF projects added value to IDB and to the LAC Region during this period. The issues identified by the projects and the activities they funded to address those issues were by and large relevant, and the promised outputs were delivered in the overwhelming majority of cases, though the quality of those outputs could not be independently verified. A majority of projects provided some kind of innovation, mostly incremental improvements or adaptations of existing products or services to local contexts, and in a few cases creation of goods and services that did not exist before.
- 4.3 There were, however, significant implementation delays, on average extending the life of projects by almost two-thirds of the original period. In the case of loan preparation grants, the delays could have been caused by factors affecting the larger projects they were designed to support. But stand-alone grants did not face such constraints yet still suffered widespread delays (83% of SAGs exceeding their original implementation period), indicating likely problems of EA capacity and unrealistic design. Indeed, specific and measurable performance objectives were missing in the majority of grants. Moreover, risks were not well identified or factored into project design, which also could have led to longer delays when these risks materialized. Finally, OVE also reviewed expenditure allocations and found that only about half of project disbursements were linked directly to the production of outputs. The remaining resources appear to have supported general administration, audit, and the ongoing operation of the EAs.
- 4.4 JTF projects had mixed results with regard to sustainability. Considering only project outputs for which sustainability was expected, 73% of these outputs for all JTF projects - 74% for SAGs and 71% for LPGs - were in fact still being produced after project completion. The production rate of these outputs was on average 73% of the levels achieved during project implementation, both for SAGs and for LPGs. Overall, the combination of discontinued outputs and lower production rates led to an aggregate sustainability of 54% for all JTF projects evaluated – 55% for SAGs and 52% for LPGs. Sustainability was lower, though timeliness somewhat better, for the smaller JPO grants.
- 4.5 The 45 internal projects included support for 29 secondments or consulting assignments of Japanese nationals in IDB, support for the hiring of 14 professional consultants for specific IDB initiatives, and support for two seminars of interest to both IDB and Japan. The secondments and consultant programs

have been constrained by the need to find bilingual candidates and have been affected by less-than-fully clear objectives and performance expectations for some assignments, as perceived by the participants themselves. Of the Japanese consultants supported by the program, 4 have remained at IDB after the end of the consultancy. These programs have been affected by changes in JTF priorities, and only the Japanese consultancy/secondment program remains in operation.

- 4.6 In addition to the common problem of implementation delay, other cross-cutting issues affecting all non-reimbursable trust-funded activities in the Bank – and non-lending activities more generally – also affected the JTF grants reviewed. First, because knowledge capture and sharing was limited, the learning that occurred through JTF activities, though useful to project beneficiaries, was not generally shared and disseminated more widely after project completion. Second, JTF grants did not typically clarify relevant and realistic objectives and the means to achieve them up-front, which hampered performance downstream. Third, monitoring and evaluation processes were only partially developed, budgeted, and implemented, making it difficult to document achievements. Fourth, institutional capacity constraints were common, likely also affecting success in achieving high quality outputs and avoiding implementation delays. Finally, fiduciary processes were sound overall but were not fully tailored to address each project’s particular procurement risks. While these issues are longstanding and inevitably involve tradeoffs, continued efforts to strengthen these systems can help enhance the overall results of the JTF program and non-lending work in the Bank more generally.

A. Recommendations

- 4.7 Given the findings summarized above, OVE offers the following recommendations for the Japanese authorities and IDB management:

- **Clarify the longer-term objectives of the JTF program, including whether it should stay as a general fund or should rather focus on fewer strategic areas.**

JTF’s historical focus on a general goal of promoting development in LAC may have served the GoJ and IDB well in past decades, but now is a good opportunity for a review to ensure that the Japanese government and IDB continue to share a strong set of common goals. OVE recommends that: (i) these goals be concrete, manageable, expressed in terms of both outputs and mid-term outcomes; (ii) they be communicated and cascaded down to the projects teams in charge of achieving them so they can guide their performance; and (iii) they be regularly tracked and independently verified to promote accountability.

One important issue is whether the JTF should stay as a general fund or adopt a more strategic focus. Each approach has advantages – the former retains a demand-driven nature, flexibility, and close links with other Bank activities, while the latter approach can have greater visibility and a better ability to monitor and drive development effectiveness. To date JTF resources have been allocated across a wide range of thematic areas. Given

that the project-level evaluations do not point to better results in some areas than others, the choice of potential areas of focus would need to be driven by strategic preferences of both the Government of Japan and IDB, while ensuring that these areas were supported by demand from the Region.

- **Promote clearer definition of objectives, greater realism of timeframes, and stronger M&E processes for each project to help strengthen development results and reduce implementation delays.**

JTF grants would benefit from strong upfront efforts to define their objectives (in terms of both the quantity and quality of outputs, and if possible desired outcomes) and indicators to measure them, as well as to ensure that resources are budgeted for monitoring and appropriate evaluation activities. Avoiding over-ambition in the definition of objectives and timetables for activities could also help reduce delays.

- **Pilot longer-term engagement with key EAs to help address capacity weaknesses, and consider aggregating management of smaller projects on a country or sector-specific basis.**

Evidence indicates that desired JTF project goals took longer to achieve than anticipated, needed to be flexibly adapted during execution, and needed to have the staying power to take advantage of opening windows of political opportunity. Not all EAs were well suited to meet these challenges. OVE recommends that JTF explore the possibility of creating selection criteria and openly bidding to engage a few strong EAs in LAC to manage multiple projects in particular strategic themes. Such “framework contracting” is allowed for IDB projects and could significantly reduce transaction costs and enhance longer-term capacity of EAs.

More generally, it is difficult and potentially inefficient for a trust fund program like the JTF and an organization like IDB to manage the funding of a very large number of relatively very small projects on an individual basis. Engaging strong EAs to manage multiple grants across geographical areas and over time would help to capture efficiencies of scale, stimulate learning and knowledge sharing, and facilitate monitoring of development effectiveness.

- **Be more proactive in knowledge management.**

JTF grants generate potentially useful knowledge in the form of studies, diagnostics, toolkits and methodologies. This knowledge could be better leveraged for the benefit of future projects by more widely preserving and disseminating it after the projects end. Concerted efforts to vet, catalogue and share knowledge products generated through JTF grants can have longer-term development benefits for LAC, while also helping promote the visibility of JTF activities. Efforts in knowledge sharing can also serve as a means to further engage Japanese agencies, the private sector, and civil society, to partner in promoting the visibility and scaling up of successful JTF initiatives.

ANNEX 1 EVALUATION METHODOLOGY

To carry out this evaluation OVE analyzed all JTF projects completed during the review period, producing a template¹ for each one with information gathered from numerous sources of information. These sources include, among others, IDB project documents, in-person and virtual interviews² with project beneficiaries, executing agencies, bank staff and other stakeholders. Conducting these extensive in-country interviews presented a logistical challenge. OVE addressed it by engaging local evaluation experts³ in every country to conduct the interviews and data gathering.

Local consultants were specifically instructed to populate this template as a final reflection of their overall evaluative judgment on the projects, and only after having conducted all their interviews and data research. OVE assured consistency in this evaluative judgment by utilizing an online tool to facilitate standardization of the data collected⁴. OVE also created online guidelines, as to how to interpret and answer each question; it also prepared four virtual training sessions⁵ to go in depth over the whole template with live participation from all consultants. Finally, all questions and clarifications requested by the consultants were posted along with the instructions on an online blog accessible to all consultants.

OVE centralized at IDB Headquarters certain tasks that either could be conducted more efficiently, or required a unified quality level. For example, all project documentation and queries on IDB's systems were performed by OVE in DC and uploaded to a shared drive containing background information for each project. In addition, OVE collected and made available to Local consultants all contact data for Executing Agencies and IDB Staff involved with the projects under evaluation. OVE, kept track of persons interviewed in the field and ensured that at least a minimum number of stakeholders had been interviewed. OVE also facilitated access to contacts by preparing IDB Introduction Letters, and made sure that some essential stakeholders— such as Japanese consulting companies – that presented some difficulties for the consultants to contact themselves were not missed.

¹ This template contains about 140 customized questions that can be used to assess results along a number of evaluative dimensions.

² More than 700 interviews were conducted for this evaluation. A portion of them is available as audio and video recordings.

³ OVE utilized the CLEAR network's database to advertise its interest in recruiting qualified local evaluators. CLEAR is a collaborative effort among donors and partner countries aimed at strengthening member countries' capacities and systems in monitoring and evaluation (M&E) and performance management (PM) to support a focus on results. More than 250 experts submitted their CVs. OVE preselected 50 finalists based on ten objective criteria, and conducted virtual interviews. Finalists were selected in each country – with the exception of Brazil where several consultants were selected to cover different regions - and offered assignments to complete the templates for the projects in their respective countries.

⁴ *Qualtrics* software enables users to do many kinds of online data collection and analysis. Quantitative statistical analysis performed with this tool is cited in a number of professional and academic journals and books.

⁵ The final training session was recorded: <http://idbjapanesetrustfund.wordpress.com/guides/>.





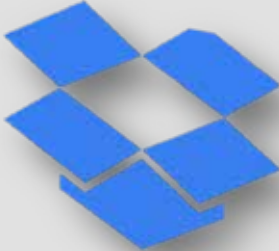

The quality of the information and the data gathered by the consultants was supervised by OVE Thematic Specialists at IDB Headquarters to oversee the production of the templates in their respective sectors. These Thematic Specialists were paired with the Local consultants on a rotating basis, serving as a sort of on-the job, “buddy-trainers”. Furthermore, OVE maintained a weekly calendar of “buddy” assignments and consultant template quality ratings. Lower quality templates were sent back for review and consultants were provided one-to-one training session on the evaluation criteria and proper techniques to obtain the information.

In addition, OVE implemented a number of quality assurance and cross-learning activities aimed at counteracting the potential silo effects derived from this project-by-project approach. First, OVE held validation sessions where all projects in a theme – originally analyzed by a number of different local consultants - were compared by the thematic specialists for consistency in quality of information and assessments. Second, OVE selected the three best performing local consultants to serve as peer reviewers of the final templates. They were assigned about a third of the portfolio each, in regions in which they had not worked themselves. Lastly, OVE organized ten thematic webinars to launch Networks for Evaluation and Knowledge (NEKs). The webinars organized by the thematic specialists featured practical experiences presented by local consultants, and had the active participation of Executing Agencies and Bank Specialists in the Area. All sessions were broadcast live and recorded.⁶

OVE also conducted a review of documentation and analysis of information on IDB systems. Similarly, OVE conducted surveys with Executing Agencies and IDB specialists and consultants to gather their perceptions on JTF’s role, advantages and disadvantages. Special emphasis was placed on highlighting both formal and informal practices, as well as identifying any changes that occurred over time. Finally, the evaluation team travelled to Tokyo to share the findings from the evaluation with country authorities.

⁶ The following sessions were available as webinars. October 15th: 1) Quality Education for All, 2) Nurturing our Future, 3) Weaving the Social Fabric; October 16th: 4) Equal Access for Disadvantaged Groups, 5) Community-Based Income Generation; October 17th: 6) Improving Safety Nets, 7) Local Economic Development, 8) Urban Revitalization; October 18th: 9) Closing the Gap in Water and Sanitation, 10) Promoting Sustainable Energy.

Consulting Team Selection and Preparation

Local Consultant Deployment	Project Template	Online Support
<p>Online sourcing and training (live/blog)</p> <p>Paid per unit (QA finished project)</p> <p>Local consultants in each country</p> 	<p>Templates for the consultants</p> <p>Actionable-lesson oriented</p> <p>Qualtrics programming and database analysis</p> 	<p>Detailed template instructions/Blog</p> <p>Interview scheduling and tracking tool</p> <p>“Virtual Buddy” system with sectors</p> 
Q&A Cross Learning	Centralized Services	Program Level Review
<p>Rating Normalization Sessions</p> <p>Executing agency mapping information and introductions</p> <p>Webinars to launch Networks for Evaluation and Knowledge</p> 	<p>JTF management processes</p> <p>Executing agency and IDB staff surveys</p> 	<p>Project documentation and verification searches</p> <p>Executing agency mapping information and introductions</p> <p>Contact support for essential stakeholders</p> 

ANNEX 2

JTF EVALUATION PORTFOLIO BY THEMATIC AREA, SECTOR AND SUBSECTOR

Thematic Area	Sector	Subsector	Project Count		
Social Issues	Social Development	Comprehensive Social Services (CSS)	13	43	108
		Health Systems and Services (HSS)	13		
		Education (EDU)	12		
		Child Nutrition (CDN)	5		
	Youth and Citizen Security	Child Labor Erradication (CLE)	5	26	
		Citizen Security (CSC)	10		
		Youth at Risk (YAR)	11		
	Life Values and Labor Skills	Values and Life Skills (VLS)	7	17	
		Job and Labor Market Skills (JSM)	10		
	Equal Opportunity	People with Disabilities (DIS)	4	22	
Indigenous Groups (IND)		9			
Women (WOM)		9			
Infrastructure and Environment	Local Economic Development	Housing (HOU)	4	31	75
		Local Economic Development (LED)	13		
		Transportation and Logistics (LOG)	7		
		Urban Development (URB)	7		
	Environmental Management	Environment and Natural Disaster Risk Management (ENV)	9	13	
		Solid Waste Management (SWM)	4		
	Water Management	Irrigation (IRG)	2	18	
		Water and Sanitation (WSS)	16		
	Sustainable Energy	Energy Generation and Transmission (ENG)	7	13	
Renewable Energy and Energy Efficiency (REE)		6			
Institutions for Development	Community Organization	Community - Organization (COO)	11	11	37
	Community Productive Activities	Community - Agribusiness (COA)	9	22	
		Community - Handicrafts (COH)	4		
		Community - Tourism (COT)	9		
Miscellaneous Public Sector	Governance and Public Management (GOV)	4	4		
Internal Projects	IDB Operational Input	IDB Operational Input (OIN)	14	14	45
	Individual Consultants to IDB	Individual Consultants to IDB (ICI)	29	29	
	Seminars	Seminars (SEM)	2	2	
Total				265	

ANNEX 3

JTF EVALUATION PORTFOLIO BY COUNTRY GROUP AND THEMATIC AREA

Thematic Area	Social Issues			Infrastructure and Environment			Institutions for Development			Internal Projects		
	Country Group	Number of Projects	Disbursements (US \$million)	Disbursements (%)	Number of Projects	Disbursements (US \$million)	Disbursements (%)	Number of Projects	Disbursements (US \$million)	Disbursements (%)	Number of Projects	Disbursements (US \$million)
A	20	4.6	13%	22	14.1	30%	4	0.9	9%	1	0.2	5%
B	30	11.2	32%	17	11.2	24%	7	2.2	22%	0	0.0	0%
C	18	7.0	20%	9	7.0	15%	6	0.8	8%	0	0.0	0%
D	37	10.8	31%	22	11.7	25%	15	3.9	39%	0	0.0	0%
Regional Projects	3	1.8	5%	5	3.3	7%	5	2.2	22%	44	3.9	95%
Total	108	35.4	37%	75	47.2	49%	37	10.0	10%	45	4.1	4%