

# The IDB Group in the Central American Isthmus and the Dominican Republic

**Activities Report 2016**



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Washington, D.C. 20577

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This document was coordinated and prepared by a team from the IDB's Country Department Central America, Mexico, Panama and the Dominican Republic, with contributions from the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF) of the IDB Group.

As of the publication date of this report, IIC operational data is preliminary and could be subject to change.

Graphic design: ULTRAdesigns.  
Printed in Washington D.C.

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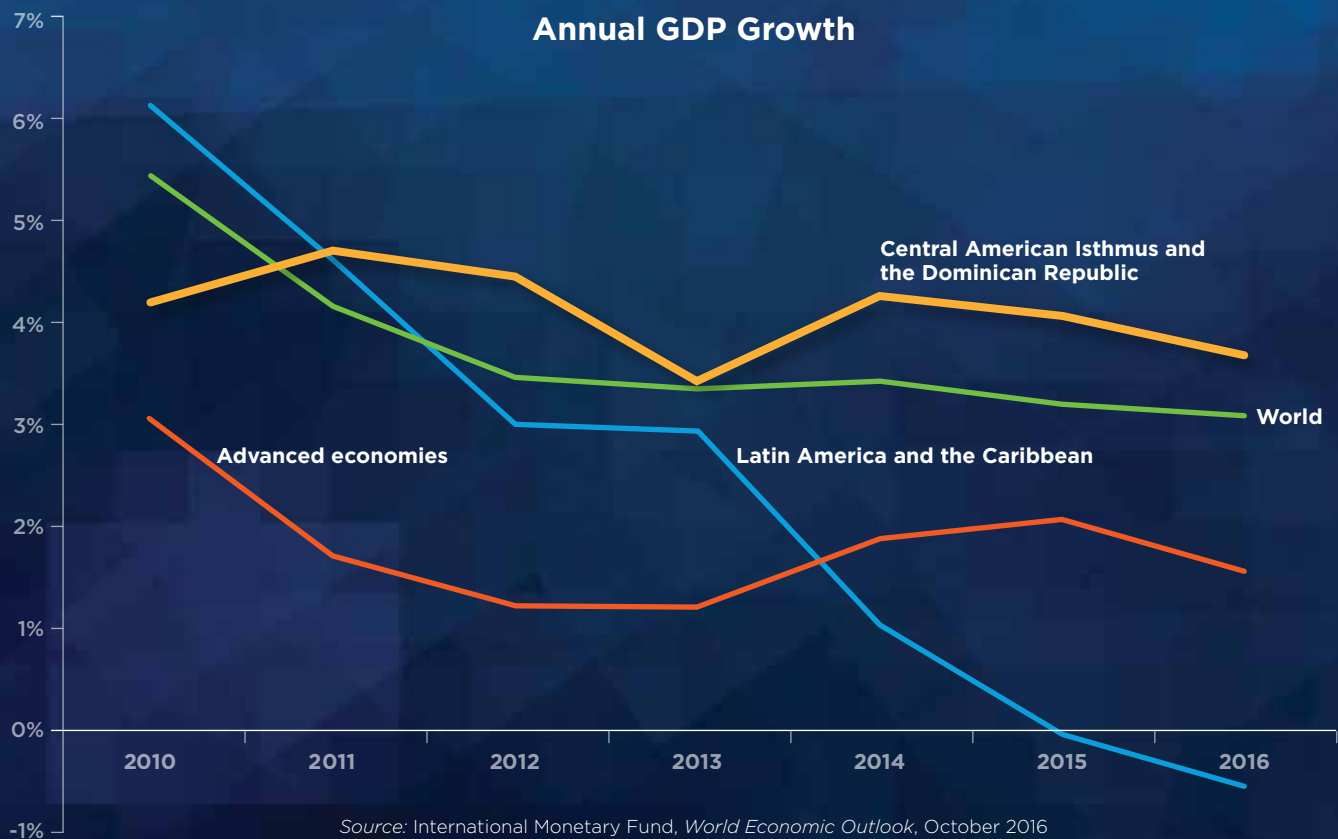
# The IDB Group in the Central American Isthmus and the Dominican Republic

## Activities Report 2016

Report prepared for the XXXI Meeting of Governors of the  
Central American Isthmus and the Dominican Republic

Washington, D.C., February 8–9, 2017

In 2016 the region's economy, stimulated by a favorable external environment, grew by 3.7 percent, higher than the Latin American and Caribbean average of -0.5 percent.



# Introduction

2016 was a year of moderate growth in the world economy, estimated at 3.1 percent, and of relative stability in the price of oil and other raw materials, which seemed to end the abrupt fall in commodities prices evident since 2013. This growth stemmed from economic expansion in emerging and developing countries, especially in Asia, while the dynamism of activity in advanced economies remained weak and below expectations. In particular, the growth of the US economy, though positive, was below the level initially envisaged.

For the countries of the Central American isthmus and the Dominican Republic (hereinafter, the region), these circumstances presented an external context that, while less favorable than 2015, continued to stimulate economic activity in the region. Those conditions, in conjunction with the dissipation of the effects of the El Niño phenomenon, which in 2015 significantly affected the agricultural sector in some countries, were reflected in regional economic growth of 3.7 percent, lower than in 2015 but higher than the average for Latin America (-0.5 percent) and the world. Internal demand developed positively on the basis of an increase in consumption and, to a lesser extent, investment.

Stability in the terms of trade, and especially low oil prices, coupled to prudent monetary policies, helped sustain price stability in the region, and the year ended with inflation at 2.4 percent, far below the historical average for 1980–2015 (9.2 percent). Economic growth led to a decline in unemployment, while positive real interest rates brought about the capitalization of banking systems and the growth of credit for the private sector.

Nonetheless, the region faces significant challenges that, if they are not addressed promptly, to varying degrees will continue to condition each country's capacity to increase and maintain economic growth, boost resilience to downturns in external conditions and to natural disasters, and ensure a sustainable reduction in poverty.

The persistence of high fiscal deficits and low levels of tax pressure, in addition to creating substantial financial risks, constrains the public sector's ability to make investments that foster economic growth and reduce poverty over the medium term. In 2016 the region's average fiscal deficit stood at 3.3 percent of GDP, only slightly below the 3.6 percent recorded in 2015, and thus public debt rose from 37.5 percent of GDP in 2007 to 47.2 percent by the end of 2016. Fiscal balances have improved but low levels of tax revenue and public spending, coupled to problems in the implementation and targeting of social spending, indicate a need to continue taking measures to address these vulnerabilities.

On the external front, the region has taken advantage of the positive effects of the fall in oil prices, but not enough to strengthen the external accounts. The average oil trade deficit has declined in the past decade as a result of the fall in fuels prices and stood at 3.8 percent of GDP in 2016, but deterioration in the non-oil accounts led to a trade deficit of 16.2 percent of GDP in 2016, a level similar to 2015. The current account deficit remained at 5.1 percent of regional GDP, and hence the region must strive to create conditions whereby the gain from the lower oil price is translated into higher levels of external savings that reduce the region's vulnerabilities to a change in market conditions.

Finally, current gaps in education and health care are becoming barriers to facilitating the poorest inhabitants' integration into the labor force and

improving their contribution to productivity growth. Even in the region's high-growth economies, therefore, the impact of growth on the most vulnerable among the population has been less than hoped for. Poverty has been reduced in some countries but still affects 29 million people, close to half the region's inhabitants, and in general inequality has not narrowed.

There are opportunities to leverage the countries' efforts to tackle these challenges. In the fiscal arena, low oil prices offer some room to revise energy subsidies and consider alternative mechanisms that improve risk sharing between electricity consumers and governments.

Intraregional exports have grown in the past decade, and thus the regional market is now as important as the US market for the region's exporters. Intraregional trade has served as a platform to make the export basket more sophisticated, and 65 percent of sales in the region are now manufactures. Such trade offers potential to strengthen this trend, which could also reduce the external sector's vulnerability to weather events and natural disasters that affect agricultural commodity exports. To realize this potential, efforts should be made to accelerate initiatives to improve the region's road, logistics and energy infrastructure.

In the medium and long terms, the region's demographic transition provides an opportunity that will continue to confer an economic advantage on most countries—especially Honduras, Belize and Nicaragua, and to a lesser extent Costa Rica and Panama. Urbanization, particularly in countries where a significant percentage of the population still lives in rural areas, offers additional opportunities to foster and upscale government efforts to improve the provision of basic services and increase the return on investment in human capital, as well as to create economic opportunities in line with the needs of a labor force that requires the expansion of the productive sector.

The Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF), which together comprise the IDB Group, will continue to support the region in identifying, designing, and implementing solutions that make it possible to address these challenges and take advantage of the opportunities to attain higher, sustainable, and inclusive growth. This report summarizes the financial and non-financial activities undertaken by the IDB Group in 2016 and the roadmap for 2017 to achieve these purposes, in line with national priorities and the Bank's institutional strategy.

The challenges facing the region in the future include public finance management that is conducive to investment, finding new trade opportunities, and strengthening human capital.

Innovation for inclusive growth — Drones transport medicines and clinical analyses to isolated communities.







**The IDB Group  
approved 26 loans  
totaling almost US\$1.8  
billion for the region  
in 2016 to foster social  
inclusion, productivity,  
and regional  
integration.**

Panama Canal expansion.

## **Distribution of IDB Group loan approvals**



Social  
inclusion

**40%**



Productivity  
and innovation

**30%**



Economic  
integration

**30%**





# IDB Group Activities in 2016

## Approvals

In 2016 the IDB Group, which includes the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IIC), and the Multilateral Investment Fund (MIF), approved 26 lending operations totaling US\$1.78 billion for the countries of the region. Eighteen of these, totaling US\$1.62 billion, are loans to the public sector while eight of them, amounting to US\$155 million, are for the private sector.

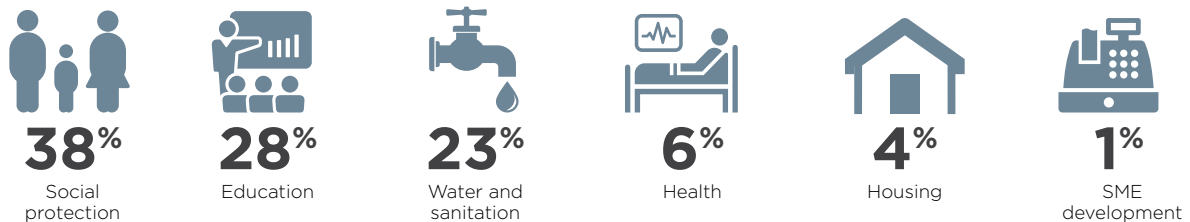
2016 was the new IIC's first year of operations following the consolidation of the Bank's private sector windows. This allows the IDB Group to promote greater private sector participation in the countries' growth agenda, increase its development impact, and strengthen its relevance as a strategic partner for the region.

The approved operations, developed jointly with the countries, promote social inclusion, productivity and innovation, and regional integration.

## Social Inclusion: US\$708 million

### Loan approvals for social inclusion

Sectoral distribution



With 29 million people or more than half of the region's population still living in poverty, closing the gaps in the provision of basic services, especially education and health care in rural and periurban areas, remains a central goal on the countries' agendas. In 2016 the Bank continued to support this goal with the approval of nine operations totaling US\$708 million (39.9 percent of the total) in the areas of health, social protection, early childhood development, and water and sanitation.

In the health sector, the project approved for Nicaragua will narrow the country's regional gaps in maternal and child mortality, the intervention being targeted on rural and municipal communities.

In social protection, the conditional transfer program approved for Honduras prioritizes the poorest municipalities in the western region, and the Ciudad Mujer program benefits about 100,000 women in departments marked by high rates of teenage pregnancy, violence against women, and low incomes. In Panama, the Bank approved a policy-based loan covering the implementation of measures to improve the targeting of social protection spending for those living in poverty and extreme poverty.

A loan to the Dominican Republic will support the government's early childhood strategy, which seeks to improve the quality and expand the supply of services for under-fives living in poverty. The initiative takes account of best practices in the sector, with a view to consolidating a system that generates the positive impacts of such interventions on the human development of the beneficiary children throughout their lives, and is an effective means of promoting equality of opportunities.

As regards the provision of basic infrastructure, two new investment programs will help support the proper disposal of solid waste in Belizean households, and the provision of water and sanitation services in Panama City's periurban districts of Arraiján and La Chorrera; these programs complement the countries' initiatives to enhance the impact of health interventions.

Operations with the private sector will foster social inclusion through two initiatives geared to the use of digital technologies in the education system, and broadening access to mortgage loans, both of them in Costa Rica.

## Productivity and Innovation: US\$509 millions

### Loan approvals for productivity and innovation

Sectoral distribution



While there are productivity differences among the countries of the region, in general the contribution of technological progress to growth remains limited in all cases. Bank estimates suggest that the contribution of total factor productivity to the region's growth was negative in the period 2006–2015 (–0.1 percent). This outcome has several causes but stems in particular, because of their importance, from shortcomings in infrastructure, human capital, and the institutional environment. To help tackle this challenge, the Bank approved projects amounting to US\$509 million, 29.8 percent of the approved total, in the sectors of state reform, urban development, and innovation. Additionally, the Bank strongly supports road and energy infrastructure development from a regional integration perspective, as described in the following section.

In Guatemala the Bank approved two programs to support the government's transparency agenda. One of these is devoted to improving the efficiency and revenue-raising capacity of the Superintendency of Tax Administration, as well as to preventing money laundering. The other program seeks to strengthen processes and capacity in the Public Prosecutor's Office with the aim of reducing impunity. These projects not only bolster governance but also help improve the business climate. Tax administration measures are also being supported in El Salvador, where a new operation seeks to establish greater balance in public finances

so as to provide the necessary fiscal space for investment in the social sectors and infrastructure.

Urban development, and especially the restoration of historical heritage, can raise the residential value and dynamism of economic activity in cities. The Integrated Tourism and Urban Development Program for the Colonial City of Santo Domingo will expand the capital's tourism offering, revitalizing public spaces and historic buildings while improving the residents' housing conditions; initiatives will also be undertaken to increase economic opportunities for the local population.

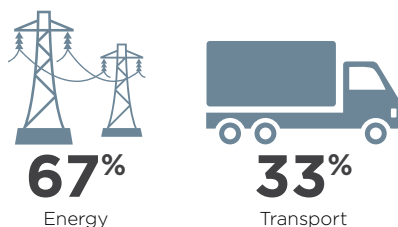
In the area of innovation, Panama has been a leader and the Bank has supported the country in this respect over recent years. In 2016, two new projects were added to those approved in earlier years, one to strengthen the National Innovation System by ensuring it has more researchers, and the "Panama Online" initiative to upgrade online access for businesses and citizens to conduct important bureaucratic procedures.

IIC financing to the private sector is promoting access to credit for small and medium enterprises (SMEs), especially for those headed by women, in Honduras, Panama and Costa Rica, and the development of local businesses with export potential in El Salvador, specifically two innovative enterprises that make natural pharmaceutical products and ceramics.

## Economic Integration: US\$538 million

### Loan approvals for economic integration

Sectoral distribution



Economic integration in the region is a strategic goal on the countries' development agenda, since it gives rise to a bigger market and promotes investment attraction.

Some 30.3 percent of the financing approved in 2016 (US\$538 million) is for projects that support that agenda, mainly targeting the energy, transport and logistics sectors. The Bank is also promoting and supporting various initiatives to strengthen regional integration in Central America and Mesoamerica through dialogue and technical assistance (see the section on regional initiatives).

Energy integration is one of the prime means of tackling the region's challenges in generating energy efficiently and sustainably, and of meeting growing demand. The startup of initiatives such as the Central American Electrical Interconnection System (SIEPAC) and the Regional Electricity Market (MER) are making it possible to develop bigger and more efficient regional generation projects featuring greater security and guarantee of supply, as well as a substantial reduction in energy costs. There are still challenges to full implementation, however, such as overcoming the deficiencies of the national networks that take up part of the regional line's transfer capacity. The geothermal exploration and transmission improvement program in Nicaragua, approved in 2016, will upgrade electrical transmission infrastructure to adapt the national

transmission system so that SIEPAC can reach its transfer design level of 300 megawatts. Another of the challenges and opportunities in the energy sector is the introduction of natural gas as an alternative, with a view to invigorating the market. The IIC's recent approval of the Northern Coast Power Generation and LNG Terminal in Panama offers an opportunity to introduce natural gas into the regional market.

The Honduras and Nicaragua road integration programs feature investments in national and regional integration corridors that link areas of production with foreign trade hubs and logistics centers. In Honduras, the project's priority corridors are part of the series of trunk and secondary corridors comprising the International Network of Mesoamerican Corridors (RICAM). This consists of the Pacific and Atlantic Corridors, and a series of secondary branches and connections that form the physical basis of a coordinated development plan for the regional transport sector. Undertakings in Nicaragua will improve road infrastructure in the Department of Matagalpa and the North Caribbean Coast Autonomous Region (RACCN), integrating production with export potential towards the country's main road corridors and facilitating deeper regional and global integration into international markets. This project will also involve preinvestment studies to foster investment in ports, multimodal





Cañas-Liberia highway, Costa Rica.

transport, and the planning of investments in the main export corridors.

Panama has an important role in regional and international integration because of its advantageous geographic location and its endowment of transport infrastructure and services, of which the Canal between the Pacific and Atlantic Oceans is its most important asset. The start of operations on the expanded Canal in 2016 creates unprecedented economic potential. Panama aims to become a core of value-added logistics services and to develop beyond the model of a goods transshipment center. In that regard, in 2016 the Bank continued to support the government of Panama in implementing its institutional and regulatory reform agenda in the transport and logistics sector, including initiatives to improve sectoral planning and modernize trade facilitation processes so as to reduce regulatory and institutional obstacles and foster investment in the sector.

Another means of promoting both intraregional and international integration is to make financing more readily available to import and export businesses. In 2016 the IIC's Trade Finance Facilitation Program (TFFP) boosted access by the region's banks to international financial markets through 22 new loans totaling US\$235 million and 18 loan guarantees amounting to US\$35 million. With these operations the region now has 44 uncommitted TFFP lines totaling US\$1.032 billion, and during the year 16 banks used a total of US\$256 million in their lines. In addition to financing, the TFFP program offers technical assistance for human capital formation in national banking institutions, as well as their partners and clients in international trade, strengthening their links to international value chains.



In a region that is one of the most vulnerable to the effects of climate change, the IDB Group takes special care to ensure that infrastructure financing is effected within a low-emissions, climate-resilient model.

Flood mitigation infrastructure in Belize City.



## Climate Change

The region is one of the most vulnerable to the effects of climate change. Shifts in climate patterns could intensify the frequency and scale of extreme weather events, including droughts, hurricanes and heavy rains, thereby increasing risks for communities living in areas more prone to disasters. For this reason the Bank's programs pay special attention to adaptation to and mitigation of climate change, environmental sustainability, and strengthening the countries' capacity to manage the effects of disasters on public finances. Some examples are presented below.

The interventions in the road transport sector approved in 2016 for Nicaragua and Honduras use adaptation criteria in the engineering designs for road sections, ensuring that roads are trafficable throughout the year. The solid waste management project in Belize includes environmental recovery activities in degraded areas. In the water sector, the sanitation program in the Arraiján and La Chorrera districts of Panama City supports environmental sustainability through public works to increase the collection and treatment of waste water.

In the energy sector, the geothermal exploration project in Nicaragua includes the financing of activities geared to reducing or preventing greenhouse gas emissions by developing geothermal energy, improving the renewable energy projects' connection to the grid, reducing the use of fossil fuel-based conventional energy, and increasing efficiency by reducing losses in the transmission system.

The sustainable forest management program in Honduras will foster the recovery of woodlands affected by the bark beetle epidemic, and will develop management alternatives that are adapted to the effects of climate change.

As regards risk management, in 2016 the IDB approved the expansion of a contingent loan for emergencies caused by natural disasters in the Dominican Republic. This tripled the financial coverage amount from US\$100 million to US\$300 million, which is available to attenuate the impact of a severe or catastrophic natural disaster on public finances.

## Expected Results with Loans Approved in 2016

### BELIZE

- A threefold increase in the volume of solid waste disposed of in landfills to almost 60,000 tons.

### GUATEMALA

- Increase from 10.2 percent to 11 percent in the rate of net tax revenue to nominal GDP as a result of the modernization of the Superintendency of Tax Administration.
- Increase in the number of rulings per prosecutor from three to five as a result of improvements in processing complaints and cases in the Public Prosecutor's Office.

### EL SALVADOR

- Increase from 15.2 percent to 16.2 percent in the rate of net tax revenue to nominal GDP as a result of improvements in tax administration.
- Facilitating the marketing of innovative ceramics products from the Cerámica del Pacífico business through access to working capital and the acquisition of machinery.
- Development and marketing of the Apitoxina medicine, which is made with bee venom by HealthCo, a Salvadoran pharmaceutical company that makes natural health care products.

### COSTA RICA

- Inclusion of digital technologies in the education system through innovative technological solutions.
- Expansion of credit to serve the mortgage segment of the Public Servants' Savings and Loan Cooperative.
- Expansion of credits for the CAFSA business serving micro, small and medium enterprises engaged in services or the distribution of mass consumer products.

#### Legend

- IDB
- IIC

## HONDURAS

- All detected bark beetle outbreaks will be controlled as a result of strengthening the forest health service.
- Increase in the coverage of households eligible for the Bono Vida Mejor program from 32 percent to 70 percent, helping to reduce extreme poverty by three percentage points among that group.
- A 20 percent reduction in the average cost of operating a vehicle on sections of the logistics and tourism integration corridors.
- Small and medium enterprises, including those headed by women, will have easier access to credit as a result of the financing granted to Banco Ficohsa.

## NICARAGUA

- Improvement in children's nutritional status, with a three percentage-point decline (from 20 percent to 17 percent) in chronic malnutrition among under-fives.
- 300 megawatts of regional electrical transfer capacity in the Nicaragua-Honduras and Nicaragua-Costa Rica sections, helping to bring about the full operation of SIEPAC.
- 71 kilometers of rural roads on the Caribbean coast built or upgraded by 2021.

## DOMINICAN REPUBLIC

- Increase from 18 percent to 30 percent in the share of under-fives enrolled in early childhood care programs.
- Increase in annual tourism spending in the Colonial City of Santo Domingo from US\$77 million to US\$97 million.

## PANAMA

- Extreme poverty is expected to fall from 11 percent to 6.5 percent as a result of better targeting and wider coverage of the conditional transfer program.
- Increase in the value of goods and services exports relative to national GDP from 80 percent to 84 percent, thanks to the implementation of trade facilitation policies.
- Some 68,400 households connected to the sanitation network and 65,800 households benefiting from treatment of waste water in Arraiján and La Chorrera.
- By 2021 it will be possible to conduct 493 bureaucratic procedures with the public administration online.
- Fifteen percent of new businesses created in the country make innovations to both products and services in the productive sector.
- 381 megawatts of additional installed capacity with low-carbon thermal energy to ensure a sustainable and reliable supply of electricity and to increase clean energy generation. Annual electricity generation is expected to reach 3,000 gigawatts, and facilities will be installed to store 180,000 cubic meters of natural gas.
- Small and medium Panamanian enterprises will benefit from greater financing granted by Delta Leasing to acquire equipment and vehicles for their businesses using the financial leasing mechanism.

## Progress on regional initiatives

In 2016 the Bank continued to foster and support various initiatives designed to strengthen regional integration in Central America and Mesoamerica. Highlighted below are some of the most significant advances made during the year in the areas of energy, trade facilitation and border integration, transport and logistics, telecommunications, risk management and the environment, and health.

### Energy

The Bank assigned technical cooperation resources to support the strengthening of the Regional Electricity Market (MER) and the possible expansion of the SIEPAC regional transmission network. The buying and selling of energy among the Central American countries in the MER continues to grow and, according to preliminary estimates, the initiative's net economic benefits to date amount to US\$139 million in its first two and a half years. Moreover, the countries have set up the Mexico-SIEPAC Interconnection Commission to take forward integration between the MER and Mexico. This is expected to help improve the reliability of supply, spur competition, and attract new investment to the region.

With the aim of doubling energy efficiency by 2030, in fulfillment of the goal of the Sustainable

Energy for All initiative (SE4ALL), the Bank helped the region to prepare a Regional Plan for Energy Efficiency, under the aegis of which national plans were drawn up in El Salvador, Nicaragua and Panama, while progress has been made in, Costa Rica and Honduras. The Bank's collaboration has extended to preparing Technical Regulations on Energy Efficiency for Central America related to refrigeration, lighting, engines, and air conditioners.

The Bank has continued to support the countries' efforts to introduce natural gas. To that end, detailed demand studies have been completed for Honduras, Guatemala and El Salvador, and the economic and financial pre-feasibility studies for a gas pipeline between the Northern Triangle and Mexico have been updated.

### Trade facilitation and border integration

The Bank approved non-reimbursable technical cooperation resources for the implementation of short-term measures identified in the Central American Trade Facilitation and Competitiveness Strategy. The focus is on coordinated border management measures, such as the installation of cameras and radiofrequency devices at border crossings in the Pacific Corridor. Border reform programs were also drawn up to meet medium- and long-term needs in Panama and Guatemala. The Bank also supported the binational dialogue that gave rise to agreements on border management models between Honduras and Nicaragua. The Bank

cooperated with the region in setting up a working group to identify activities leading to a Mesoamerican Trade Facilitation Framework that complements the actions of the Central American Strategy.

Finally, two cooperation agreements were concluded with the European Union and are being overseen by the Secretariat for Central American Economic Integration (SIECA). The goal of these agreements is, on the one hand, to increase the Nicaragua border reform program by €20 million, and on the other to build the digital platform of the recently instituted Central American Trade Network (RCAC) at a total of €8 million.



Joint interventions in border management and transport are expected to reduce border transit times by 85 percent and raise highway traffic speeds in the region to 60 km an hour.

Pan-American highway.



## Logistics infrastructure integration

In 2016 progress was made in preparing the National Logistics Plans of El Salvador, Nicaragua and Belize, and the plans for Honduras and Guatemala were completed. These plans identify the most important freight logistics chains for each country and, in coordination with the public and private sectors, determine a short- and medium-term action plan to improve performance and secure more competitive production chains.

Work on the establishment of the Mesoamerican Freight Logistics Observatory was also completed. This is a digital repository of more than 600 studies and regional surveys on transport costs, offering tools for analysis of the performance of logistics corridors.

The Bank provided technical and financial assistance to develop and validate the Regional Framework Policy on Movement and Logistics for its approval at the presidential level in 2017. That policy envisages coordinated progress towards narrowing the infrastructure gap, providing less costly logistics services, and preparing a prioritized investment plan that facilitates greater private sector participation in infrastructure financing.

The Bank moreover worked on devising a pilot initiative for implementation of the Mesoamerican Short-Distance Maritime Transport Plan, with a view to setting up a service between Puerto Chiapas in Mexico and Puerto Quetzal in Guatemala. It is hoped that this can be inaugurated in 2017 to increase port access among the countries of Mesoamerica.

## Telecommunications

The Bank supported the Regional Technical Commission on Communications (COMTELCA) in preparing its Strategic Plan 2016–2021, and an Action Plan for 2016. Resources were approved to move forward the work program of the Central American Telecommunications Network (REDCA), a public-private company that operates and manages

the regional fiber optic network. These efforts will make it possible to devise a digital plan for Mesoamerica, one that identifies common regional challenges and guidelines, and that links the Bank's efforts to the various bodies engaged in the sector, such as the Center of Advanced Studies in Broadband for Development (CEABAD).

## Risk management and the environment

The Bank approved resources to strengthen the geospatial platform of the Mesoamerican Integrated Risk Management Network, which will make it possible to improve territorial information exchange

and build the management and technical capacities of civil protection personnel in the countries of Mesoamerica.



El Amatillo border crossing between El Salvador and Honduras.

## Health

The Bank continued to support implementation of the new generation of operations under the Mesoamerican Health Initiative 2015 in Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama, amounting to a total investment of US\$37.8 million. Moreover, grants were provided for 1,600 doctors, nurses and other health care professionals in Costa Rica, El Salvador, Guatemala, Honduras and Panama to take online courses.

As regards the work of regional bodies, a technical cooperation initiative is underway to complement regional health policy actions through the Executive Secretariat of the Council of Central American Health Ministers (COMISCA). This initiative gave rise to its first successful experience with the mechanism for the joint purchase of medicines using Bank funds. There are hopes of replicating this experience, of expanding the harmonized list of medicines and equipment, and of linking the initiative to a strategy of family-based planning to combat the Zika virus.

## Plan of the Alliance for the Prosperity of the Northern Triangle

In 2016 the Bank continued to serve as the Plan's Technical Secretariat, providing technical advice to the authorities of El Salvador, Guatemala and Honduras for the Plan's implementation. Progress was made during the year in coordinating the support of the Plan's cooperation partners, such as the US government and civil society. Additionally,

the Bank collaborated with the countries' governments and private sector representatives to devise and launch a mechanism that makes it possible to channel greater investment to the private sector, especially in the area of logistics and energy infrastructure.



The Bank's financial results, such as the US\$ 789 million disbursed in 2016 through public sector investment projects, have produced tangible outcomes in the form of roads built, energy generated, and people served. This in turn helps the countries meet their long-term goals in the areas of growth, poverty reduction, and inclusion.

Beekeepers in Guatemala.



## Measuring the impact of our work

The development projects and programs that the Bank finances are geared to achieving results and making changes that improve lives in the countries of the region. Be it in the area of financial reform, spending management, education, or access to basic services, the Bank is committed to an evidence-based agenda in decision-making, and therefore makes efforts to measure the impact of its interventions.

Twenty-five public sector operations totaling US\$1.57 billion completed execution in 2016, comprising four programmatic policy-reform operations amounting to US\$760 million, and 21 investment operations totaling US\$806 million.

The 21 completed **investment operations** financed infrastructure projects that improved access to basic services in the water, energy and transport sectors. Investments were also made in the health sector, specifically to strengthen the decentralized supply of health care services and expand the social protection network so that it covers those living in poverty. In the state institutions and public management sector, improvements were effected in tax administration, competitiveness policy, public safety, and capacity building in integrated survey and census systems. Initiatives in the agricultural sector facilitated the implementation of new technologies and fostered crop diversification.

**Operations supporting policy reforms** enabled the following:

- In Panama, implementation of reforms in the logistics, transport and trade facilitation sectors. These will contribute to increasing the value of goods and services exports as a percentage of GDP by four points, from 80 percent to 84 percent.
- In Honduras, improvements in the institutional and management framework of tax policy, the strengthening of management instruments, and the modernization of the administration of tax and customs revenues with an estimated revenue impact of 17 percent of GDP.

**25**  
public sector  
operations for  
US\$**1.57**  
billion  
completed  
execution



# Achievements with projects completed in 2016



## ◀ BELIZE

### Solid waste management

**BEFORE** Households without access to solid waste disposal systems

**AFTER** **30,653** households served by solid waste disposal in landfill



## GUATEMALA ▶

### Social spending effectiveness

**BEFORE** Female heads of household unable to take part in the Mi Bono Seguro program because of the lack of a unique identity number

**AFTER** **82,491** female heads of household included in the Mi Bono Seguro program



## ▲ COSTA RICA

### Rural electrification

**BEFORE** Limitations in the rural distribution network prevent new users from accessing electricity

**AFTER** **4,310** new rural users have electricity



## ▼ HONDURAS

### Basic education

**BEFORE** 77 percent of children aged 13–17 from targeted rural households complete at least six years of basic education

**AFTER** **98 percent** of children aged 13–15 from rural households complete six years of basic education



## ▲ PANAMA

### Integrated childhood care in rural areas

**BEFORE** 60 percent of children under 24 months in indigenous communities attend monthly comprehensive childhood care sessions

**AFTER** The share of children under 24 months from these communities who attend monthly care sessions rose to **75 percent**



## ▲ NICARAGUA

### Electrification

**BEFORE** 74 percent of homes with electricity service in Nicaragua

**AFTER** The share of homes with electricity service increased to **87 percent**

## DOMINICAN REPUBLIC ▶

### Road upgrading

**BEFORE** Roads affected by natural disasters

**AFTER** **111 km** of roads affected by natural disasters rebuilt



## Non-reimbursable financing

### Technical Cooperation

In 2016 the technical cooperation (TC) program comprised 98 operations totaling US\$45.5 million, including national and regional interventions and south-south cooperation initiatives. The operations involved knowledge creation, institution-building, and support for project design and execution.

At the **national** level, 69 non-reimbursable technical cooperation initiatives were approved totaling US\$26.9 million. The operations centered on modernization of the state, climate change and sustainability, and social investment. In the area of state modernization, interventions were approved to support public finance management, enhancing transparency, and statistical systems. As regards climate change and sustainability, technical assistance supports initiatives such as the introduction of renewable energies, pre-investment studies for forestry issues in Honduras, and humanitarian assistance for Belize and Costa Rica, which were affected by Hurricanes Earl and Otto. Interventions in social investment centered on activities to support the preparation and implementation of lending operations.

The Bank also has a special fund to serve the needs of countries with small and vulnerable economies. Honduras and Nicaragua were beneficiaries of this fund, receiving US\$3.52 million in technical cooperation resources.

At the **regional** level, 29 TC operations were approved totaling US\$18.8 million, with emphasis on the energy and telecommunications sectors. The Bank has also continued to support El Salvador, Guatemala and Honduras in implementing the Plan of the Alliance for the Prosperity of the Northern Triangle, facilitating the coordination and programming of activities through its role as the Plan's Technical Secretariat. This report's section on regional initiatives describes those activities in detail.

The Bank also leveraged donor financing from other cooperation partners to broaden the scope of operations in the countries. In this respect, six investment grants were approved totaling US\$19.2 million. On the one hand, these operations complement the financing for Nicaragua's Geothermal Exploration and Transmission Improvement program with resources from the Scaling Up Renewable Energy Program (SREP) and the Clean Technology Fund (CTF). On the other, they seek to improve productive forest coverage, ecological recovery, and agroforestry management in indigenous and Afro-Honduran communities, and are financed by resources from the Nordic Development Fund.

**69 national**  
technical cooperation  
projects  
**US\$27**  
million

**29 regional**  
projects  
**US\$19**  
million

## South-South Cooperation



### Education

El Salvador and Honduras  
with Colombia

Dominican Republic  
with Peru



### Natural resources

Guatemala  
with Ecuador

Belize with Mexico



### Climate change

Guatemala  
with Mexico



### Energy

Honduras  
with Ecuador



### Citizen security

Costa Rica  
with Uruguay

The Bank fosters the exchange of knowledge experiences and good practices among the countries of Latin America and the Caribbean through intraregional technical cooperation initiatives (TC-Intra).

As part of the technical cooperation program, 14 TC-Intra operations totaling US\$184,000 were approved for the region, focusing on education, climate change, natural resources, energy, information technology, citizen security, and the promotion of agricultural financing. Five Latin American countries—Brazil, Colombia, Ecuador, Mexico and Uruguay—offered horizontal collaboration by sharing their experiences with the region.

In education the operations dealt with reducing violence in schools, allowing multidisciplinary teams from El Salvador and Honduras to become familiar with the experience of the city government of Medellín in Colombia. The Dominican Republic's Institute for Comprehensive Early Childhood Care, which is starting a new initiative to strengthen the care model for children up to the age of five, was able to learn from the services offered by Peru's National Cuna Más Program, and from its quality control monitoring and data collection methods.

Regarding natural disasters, experiences and ideas were exchanged between an interinstitutional team from Guatemala, comprising staff from the Land Ownership Registry and the National Council on Protected Areas, and a team from Ecuador's General Property Registry and the Ministry of Agriculture. The aim was to strengthen the sustainable management of the land administration

and ownership registry. Additionally, officials of the government of Belize and Mexico's Agricultural Information System shared knowledge and experiences of implementing a national system of agricultural statistics.



With respect to climate change and as part of efforts to design a Forest Investment Fund, Bank cooperation enabled Guatemalan officials to become familiar with the lessons learned by the Mexican government in preparing and implementing that fund, and in structuring its National Climate Change Fund.

In the energy area, there was a technical exchange enabling Honduras to learn of Ecuador's experience in planning and implementing a program for the

gradual introduction of renewable energies in island ecosystems, using the outcomes of projects in the Galapagos Islands as a case study.

In the area of citizen security, an exchange allowed Costa Rica's Ministry of Justice to learn of best practices and current thinking in implementing innovations for prison management and rehabilitation developed by Uruguay's Ministry of the Interior and its National Institute for Rehabilitation.

## Multilateral Investment Fund

Since its creation in 1993, the Multilateral Investment Fund (MIF) has worked with the countries of the region to support the private sector in advancing innovative activities that foster economic development and benefit the most vulnerable sectors of the population. In 2016 the MIF updated its institutional strategy to revitalize its work within the IDB Group. The MIF's priorities for 2016–2018 stress three areas for action: climate-smart agriculture, inclusive cities, and the knowledge economy.

During the year, the MIF approved 21 operations totaling US\$15.4 million for the countries of the region. Of these operations, 86 percent are non-reimbursable technical cooperation initiatives; 14 percent comprise an equity investment in Honduras in a company managing a mutual guarantee fund set up to facilitate access to financing for productive units in the fisheries value chain; and two lending

operations for Nicaragua to support the building and equipping of industrial processing plants that will help boost the marketing of coffee and tropical fruits.

Within the MIF, the Social Entrepreneurship Program (SEP) mobilizes resources and develops innovative proposals to tackle socioeconomic challenges that specifically affect the most vulnerable among the population.

In 2016 the SEP approved a technical cooperation project to provide rural populations in Honduras with access to low-cost and efficient energy through an innovative design that uses solar energy for agricultural processing plants. A regional fund totaling US\$1 million was moreover approved for the financing of social enterprise initiatives in Central America and two other Bank countries, with a view to easing access to credit within the social enterprise ecosystem.

**78**  
Technical  
cooperation  
projects

+

**10**  
Loans

+

**4**  
Equity  
investments

=

**92 MIF projects**  
in execution  
**US\$79**  
million

## Notable publications in 2016



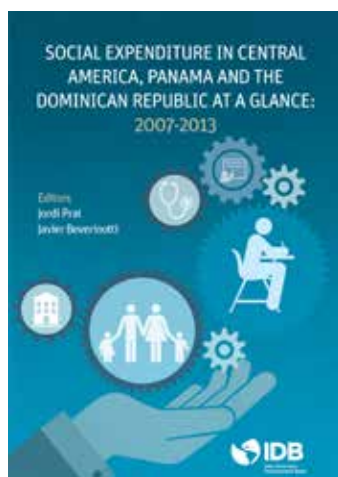
### **Weathering the Storm: Policy Options for Central America and the Dominican Republic in an Uncertain Environment**

Central America and the Dominican Republic have been enjoying a favorable external environment. The US recovery and the marked fall in the oil price have made it possible to sustain flows of investment and remittances, as well as to improve the terms of trade—factors that have strengthened the external accounts and boosted growth. Nonetheless, the quality of the export basket has declined and there has been little progress in making it more sophisticated, circumstances that constrain the benefits of foreign trade. In this context there are risks. The slowdown in China's economy and a possible adjustment to the US interest rate could negatively affect the region's balance of payments. Moreover, the removal of agricultural tariffs contemplated in the free trade agreement between the Dominican Republic, Central America and the United States could reveal the shortcomings of regional competitiveness. The foregoing demands prioritization of reforms that spur trade complementarities and foster policy coordination, so as to invigorate the dynamism of private investment in the productive sectors. The countries should review their schemes to promote local industry and

direct investment, with a view to avoiding tax breaks that compensate for competitive weaknesses. Development of non-traditional exports will make it possible to take better advantage of US growth, diversify trade risk, and create local horizontal spillovers. In view of the threats, this book explores external scenarios that test regional performance. Each country will have to make a choice between awaiting the vagaries of external forces or implementing policies that bring lasting benefits.

#### **For more information, see:**

<https://publications.iadb.org/handle/11319/7487?locale-attribute=es&locale-attribute=en#sthash.QoqKo7th.dpuf>



### **Social Spending in Central America, Panama and the Dominican Republic at a Glance 2007 - 2013**

Social spending is a powerful tool to reduce poverty, attain greater equality, and improve living conditions for a country's inhabitants. This publication explores the different variables that have taken regional social expenditure to its current level. During the economic crisis, many governments of the region addressed the situation with an increase in social spending. But part of the increase centered on inflexible items (wages), leading to growth of the fiscal deficit and public debt. In the wake of the financial crisis, fiscal decline has undermined governments' capacity to respond to economic shocks. Hence the need to examine fiscal policy given the rigidity of the budget, the use of scarce public resources, and the institutional contract. Study of the increase in the total payroll aids understanding of the causes of this dynamic, with a view to making policy recommendations and improving spending management without threatening public finances. A better use of resources would help determine a more efficient and equitable agenda for the countries of the region. A matter that has received little attention in public spending management is the complexity of the

institutional arrangements, and how this can facilitate or hinder a government's ability to institute its fiscal policy, including effectiveness in resource use.

#### **For more information, see:**

<https://publications.iadb.org/handle/11319/7495#sthash.FBJstg6k.dpuf>





### Development Priorities and Growth Determinants in Costa Rica\*

Historically, Costa Rica has been characterized by its favorable socioeconomic indicators and its social reforms. As regards economic growth, the economy has expanded at an annual average of 5 percent in the past five decades. In the social arena, while poverty levels stood at 50 percent in the crisis of the 1980s, they fell to 20 percent two decades ago and remained at that level. In addition to its high growth rate, Costa Rica has made significant macroeconomic gains as reflected in controlled inflation, a current account deficit financed by FDI, and a solvent financial system. However, the fiscal deficit has been growing since 2009 to stand at 5.9 percent of GDP in 2015, mainly because spending has grown faster than total revenue. This report aims to identify the prime challenges to sustainable growth in Costa Rica. To that end it analyzes the areas with the greatest potential to attain that goal, and examines the determinants of growth in recent decades. The first chapter describes macroeconomic conditions in the country. The second reviews how growth has evolved over time, outlines its determinants, and summarizes the main constraints on future development. The third chapter makes recommendations from a socially integrated policy perspective for some of the areas identified in the preceding chapters.

\* *Prioridades de desarrollo y determinantes del crecimiento en Costa Rica* (available only in Spanish)

#### For more information, see:

<https://publications.iadb.org/handle/11319/7485?locale-attribute=en#sthash.14q2i9gZ.dpuf>



### Diagnostic of the Present State and Potential of the Irrigation Sector in Nicaragua\*\*

In the past two decades there has been a significant expansion in the amount of Nicaragua's surface area for which irrigation provision has been made. Nonetheless, the irrigated area has been of limited and fluctuating importance in the past five decades, covering between a minimum of 1 percent (early 1960s and 1990s) and a maximum of 6 percent (late 1980s and 2011) of the country's agricultural area. This study offers an initial analysis of the situation of and potential for the development of irrigation in Nicaragua. A central element of the study is an assessment of the various determinants that shape the prospects of expanding irrigation, from socioeconomic considerations through physical and technological factors to legal and institutional matters. The document reviews the evolution and current circumstances of irrigation in the country, assesses the status of the water supply for the expansion of irrigation, and examines the areas and types of crops for which it could be used. It analyzes the current legal framework of water management and the institutional arrangements governing the allocation of water rights, management and planning, and it presents some experiences

and lessons of the development of irrigation in Latin America. Finally, it discusses some policy alternatives that support an expansion of irrigation in the coming years.

\*\**Diagnóstico sobre la situación y potencial del sector riego en Nicaragua* (available only in Spanish)

#### For more information, see:

<https://publications.iadb.org/handle/11319/7766?locale-attribute=es#sthash.lcxJGyFM.dpuf>

## Events and conferences

### MARCH

#### **XII Annual Meeting of Latin American and Caribbean Public Debt Management Specialists**

##### **Panama City, Panama**

This discussion forum among debt management specialists from each of the Group's member countries holds a periodic dialogue on strengthening the regional integration and development of the financial sector, and on capital markets in Latin America and the Caribbean. Participants included Panama's Minister of Finance and the country's Director of Public Financing, private sector representatives from the countries of the region, and officials of multilateral financial institutions.

### JUNE

#### **Regional Policy Dialogue on Trade and Integration: Attracting and Retaining Foreign Direct Investment in Latin America**

##### **Panama City, Panama**

Participants at this event discussed the most appropriate policy options to help ensure Latin America becomes more efficient in attracting and retaining sustainable foreign direct investment in the current context of economic downturn.

#### **Inauguration of the New Panama Canal**

##### **Panama City, Panama**

The new Panama Canal, regarded as Latin America's biggest infrastructure project and a project that will redefine Panama's future, was inaugurated on June 26, 2016. The General Manager of the Department for Central America, Mexico, Panama and the Dominican Republic, and the Manager of the IIC participated at this historic event.

More than 50 percent of this emblematic project was financed with resources generated by the Panama Canal Authority itself, in addition to financing from multilateral development institutions that made possible a total of US\$2.3 billion. The Bank collaborated in this infrastructure megaproject alongside other multilateral banks.e megaproyectos de infraestructura.

### JULY

#### **Regional Policy Dialogue on Science, Technology and Innovation 2016**

##### **San José, Costa Rica**

Discussion at this event, which was attended by ministerial-level delegations from Central America, centered on technology outreach and the findings of three studies prepared by the Bank's Science, Technology and Innovation Division.

#### **XI International Symposium on the Environment**

##### **Panama City, Panama**

The study "Management of Watersheds to Ensure Ecosystemic Services on the Slopes of the Neotropics" was presented at this event. It was prepared by Jeff Hall of the Smithsonian Tropical Research Institute and financed by the IDB. Also presented were the findings of a study of Panama, involving a panel of experts from Panama's Ministry of the Environment, the Panama Canal Authority, and the Bank. The Bank also presented a hydrological simulation system and experiences of the management of water resources in Latin America and the Caribbean.

### AUGUST

#### **Chi Nogue Kwin: Healthy and Happy Children – MIF Project**

##### **Panama City, Panama**

The outcomes of the MIF project Chi Nogue Kwin: Healthy and Happy Children were presented at this event. The project was executed by Nutre Hogar. Its methodological guidelines were presented to the Panamanian authorities, with emphasis on its significant results in reducing child malnutrition and instituting a sustainable system of family kitchen gardens for self-consumption and sale.

## SEPTEMBER

### Plenary: The Northern Triangle – Building a Prosperous Future Together

#### Washington, DC

This event was attended by Presidents Jimmy Morales of Guatemala, Salvador Sánchez Cerén of El Salvador, and Juan Orlando Hernández of Honduras, Vice President Joe Biden of the United States, and Luis Alberto Moreno, President of the IDB. The aim was to recognize the achievements of the governments of El Salvador, Guatemala and Honduras in the past two years as part of the Plan of the Alliance for the Prosperity of the Northern Triangle. Meetings were moreover held with the private sector to encourage their involvement in creating the economic opportunities that the region needs.

## OCTOBER

### Procurement Fair

#### Belize City, Belize

The IDB, in collaboration with the Caribbean Development Bank and the World Bank, hosted the first procurement fair to be held in Belize. The more than 140 local, regional and international contractors who took part received detailed information on procurement and contracting opportunities totaling more than US\$230 million that are available in Belize under the projects financed by the three

institutions. Particular attention was paid to 14 projects in the areas of sustainable tourism, infrastructure, education, health, transport, waste management, marine conservation, social protection, and climate change.

### Regional Policy Dialogue on Disaster Risk Management

#### Panama City, Panama

This meeting sought to agree on a detailed analytical framework and a diagnostic tool that would allow the countries of the region to measure progress made and challenges remaining in attaining a more disaster-resilient critical infrastructure.

## NOVEMBER

### The International Dynamics of Migration in Central America and the Dominican Republic

#### Washington, DC

The aim of this meeting was to foster discussion of the motivations, dynamics and impact of migration in Central America, Mexico and the Dominican Republic. Participants included representatives of civil society, national authorities, academics, and IDB specialists.

### XVI Annual Meeting of the IDB Group with Civil Society

#### Santo Domingo, Dominican Republic

More than 400 representatives of civil society organizations from Latin America and the Caribbean met in the capital of the Dominican Republic for a two-day debate on new and innovative ways of guaranteeing sustainable growth in the region that would improve the lives of this and future generations.

## DECEMBER

### Police Reform Week

#### Tegucigalpa, Honduras

With IDB support, Honduras's Secretariat of Security organized an event to analyze progress on the police reform now underway in Honduras, on the basis of a comparative reading of other experiences. Participants took the opportunity provided by the forum to begin consensus-building on the new phases of police reform, and the Police Technical Institute—created with IDB financing—was inaugurated.



Reventazón hydroelectric project, Costa Rica.





## **IDB Group Activities at the Country Level**



# The IDB Group in Belize in 2016

The Belizean economy faced difficult conditions in 2016, marked by a downturn in growth and persistent fiscal and external deficits. On the fiscal side, the government had to make payments for the nationalization of the telecommunications company, which increased fiscal pressure and public debt. The country also had to deal with natural disasters that complicated the policy-making environment. In this context, the IDB Group continued to work with Belize in efforts geared to risk management, strengthening production infrastructure, and promoting the tourism sector.

## Country strategy, 2013-2017

The strategic working areas agreed between Belize and the Bank are:

- Education
- Tourism
- Transport
- Trade and tax policy

Flood Mitigation Infrastructure Program for Belize City.



Basic Indicators	2015	2016
Population (million) <sup>(1)</sup>	0.4	0.4
Real GDP growth (%) <sup>(1)</sup>	1.0%	0.0%
Current account deficit (% GDP) <sup>(1)</sup>	9.8%	12.4%
Fiscal deficit (% GDP) <sup>(1)</sup>	8.0%	4.2%
Inflation (%) <sup>(1)</sup>	-0.9%	1.0%
Unemployment (%) <sup>(1)</sup>	10.1%	11.7%
Poverty (% population) <sup>(2)</sup>	34.0% (2002)	41.3% (2009)

Sources:

<sup>(1)</sup> International Monetary Fund, October 2016.

<sup>(2)</sup> Economic Commission for Latin America and the Caribbean.

## Projects in Execution

As of December 31, 2016, the IDB Group's portfolio of active operations was as follows:

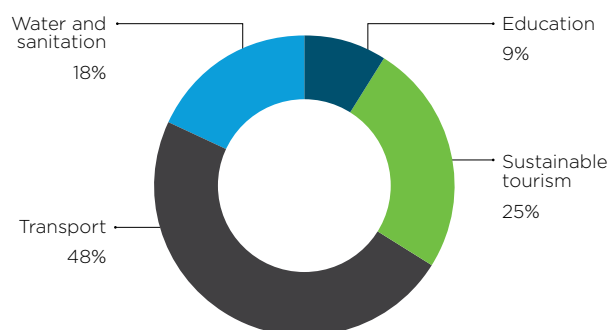
### Public sector

- Four operations totaling US\$62 million.
- An available balance of US\$56.7 million, concentrated in tourism, transport, water and sanitation, and education.
- Disbursements in 2016 amounting to US\$ 4.7 million for projects in the areas of education, public safety, transport, and tourism.

## IDB Group loan portfolio

### Sectoral distribution of public sector loan portfolio

(% of available balance)



### Private sector

**MIF:** Four technical cooperation projects totaling US\$2.4 million. The portfolio fostered the development of micro, small and medium enterprises, supporting small producers' access to credit, improving their crops and production using modernization techniques, and strengthening their business administration capacities.

### FLOOD MITIGATION INFRASTRUCTURE PROGRAM FOR BELIZE CITY (US\$10 MILLION)

This operation, which was fully disbursed in 2016, sought to upgrade and maintain 3,300 meters of canals in the city, increasing their drainage capacity and reducing the frequency and duration of flooding. The interventions also included the building of secondary drainage pipes and the repaving of streets affected by recent flooding, covering a total of 22,700 square meters of road surface. Taking an integrated approach to improving living conditions in Belize City, the project also sought to recover urban spaces.

The Ministry of Works completed all the civil engineering work involved in this project. Savings from the program allowed other projects to be financed, notably the upgrading of streets in Belize City, a traffic interchange, and connecting various homes to the sewerage system.

### SOLID WASTE MANAGEMENT II (US\$10 MILLION)

This operation, which was approved in May 2016, will help Belize reduce environmental pollution by improving solid waste management practices in tourist destinations across the cities and populations of the northern corridors (Orange Walk and Corozal) and the southern corridors (Stann Creek and Toledo), as well as in the capital, Belmopan.

This program is expected to give all Belizean tourist destinations access to landfills, compared to a 50 percent coverage in 2015. The number of households with access to landfills to eliminate solid waste will more than double, and the percentage of solid waste separated for recycling purposes throughout the country will increase.

The program will finance the closing of six open dumps, replacing them with transfer stations in which waste is deposited temporarily before being transported to the Mile 24 landfill for final disposal.

## Approvals in 2016

### Public sector

The Bank approved a US\$10 million operation for Belize's water and sanitation sector that will support solid waste management in areas with the greatest tourism potential. This operation is the continuation of an initial intervention on solid waste management that was completed in 2015.

### Technical cooperation

Support through five technical cooperation projects totaling US\$1.5 million, prominently including:

- Inclusion of disaster management and climate-change adaptation in local tourism planning.

- Exchange of experiences with Mexico to improve the National Agricultural Statistics System (NASS).
- Support for the second phase of the citizen security program.
- Emergency assistance following Hurricane Earl.

## Knowledge Products

The Bank helped create knowledge through studies that focused on:

- Improving the national statistics system.
- Study of natural risks and probability analysis for Belize City.



# The IDB Group in Costa Rica in 2016

The Costa Rican economy performed well in 2016, marked by faster growth and price stability. Nonetheless, the fiscal deficit and the increase in public debt are a source of vulnerability for the country's medium- and long-term stability. In this context the Bank's activities centered on providing technical support for fiscal reform and improving portfolio execution, especially in transport, energy, and violence prevention.

## Country strategy, 2015-2018

The strategic working areas agreed between Costa Rica and the Bank are:

- Fiscal sustainability and spending efficiency
- Production infrastructure
- SME competitiveness
- Human capital accumulation

Civic Center for Peace.



Basic Indicators	2015	2016
Population (million) <sup>(1)</sup>	4.9	4.9
Real GDP growth (%) <sup>(1)</sup>	3.7%	4.3%
Current account deficit (% GDP) <sup>(1)</sup>	4.0%	4.5%
Fiscal deficit (% GDP) <sup>(1)</sup>	5.8%	5.7%
Inflation (%) <sup>(1)</sup>	0.8%	0.7%
Unemployment (%) <sup>(1)</sup>	9.2%	8.2%
Poverty (% population) <sup>(2)</sup>	17.7% (2013)	18.6% (2014)

Sources:

<sup>(1)</sup> International Monetary Fund, October 2016.

<sup>(2)</sup> Economic Commission for Latin America and the Caribbean.

## Projects in Execution

As of December 31, 2016, the IDB Group's portfolio of active operations was as follows:

### Public sector

- Nine lending operations totaling US\$1,468 million.
- An available balance of US\$1.16 billion, concentrated in education, transport, and energy.
- Disbursements in 2016 totaling US\$154.4 million in operations focusing on education, energy, transport, the environment, and natural disaster risk management.

### Private sector

**IIC:** The portfolio comprises 35 operations totaling US\$698.4 million, the highest number and amount approved in the region. This portfolio's exposure stands at US\$579.8 million, and centers mainly on projects in the areas of energy, financial intermediation, housing, and tourism.

In the framework of the TFFP program, the portfolio has two lending operations amounting to US\$20 million and a guarantee for US\$3 million.

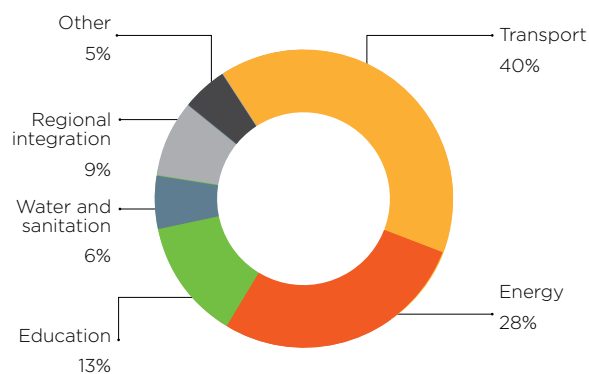
**MIF:** Eight technical cooperation projects totaling US\$5.9 million. The portfolio mainly promotes exporting SMEs' access to logistical information,

the development of businesses headed by women, implementation of a comprehensive early childhood care model, and trade-related innovations.

## IDB Group loan portfolio

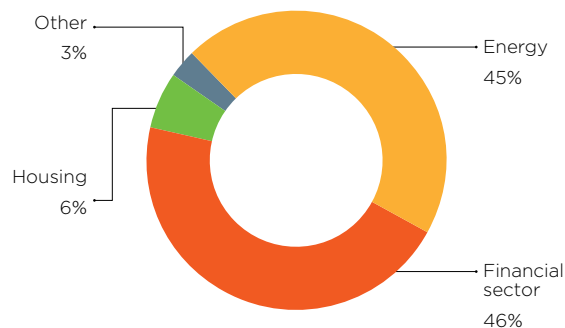
### Sectoral distribution of public sector loan portfolio

(% of available balance)



### Sectoral distribution of private sector loan portfolio

(% of available balance)



## Approvals in 2016

### Private sector

**IIC:** Three operations valued at US\$36.9 million for:

- Innovative technological solutions that help meet the Ministry of Education's goal of improving the inclusion of digital technologies in the education system and their use by educational institutions, teachers and students.

### REVENTAZÓN HYDROELECTRIC PROJECT (US\$298 MILLION)

The Reventazón hydroelectric plant, inaugurated in September 2016, is the biggest renewable energy project in Central America and the second biggest infrastructure project in the isthmus, surpassed only by the Panama Canal. The project consisted of the design, construction, operation and maintenance of a 305.5 megawatt hydroelectric plant and its associated facilities. The US\$1,379 million transaction was structured by the Bank's private sector window. The Costa Rica Electricity Institute (ICE) is the project's sponsor and builder.

The IDB Group's public sector arm provided a US\$98 million loan to finance the sluices of the diverter tunnels, the spillway, the water intakes, the bottom discharge and generator room, the transmission line and substation, auxiliary equipment, and the panel of experts who advised on project implementation.

The plant accounts for about 10 percent of Costa Rica's installed electricity generating capacity, producing an average of 1,407 gigawatts an hour of electricity per year and supplying electricity to more than 500,000 households. From the environmental standpoint, the project established countermeasures for the riverine habitat affected by the intervention, protecting fish migration routes in the River Parismina, and developed a program to protect the Jaguar Corridor inhabited by those animals.

- Expansion of credit to serve the mortgage segment of the Public Servants' Savings and Loan Cooperative, complementing Costa Rica's social housing system.
- Expansion of credits for CAFSA, a business that micro, small and medium enterprises engaged in services or the distribution of mass consumer products.

**TFFP line—foreign trade:** A credit line of US\$5 million for Banco Lafise and a guarantee of US\$2.9 million for Banco Promérica.

**MIF:** Three technical cooperation projects totaling US\$1.9 million to:

- Create jobs and microenterprises for female heads of household by distributing nutritious foodstuffs to populations at the base of the pyramid in Costa Rica, through the consolidation and upscaling of the Mamas Pro-nutrición (MANU) inclusive distribution network.
- Support for SME internationalization.
- Technical-level human capital formation for quality jobs in knowledge-intensive industries.

### Technical cooperation

Support through seven technical cooperation projects totaling US\$1.5 million, prominently including:

- Support for public works investment programs.
- Strengthening the Presidential Council on Competitiveness, Innovation and Talent.
- Sustainable management of ecosystemic services.
- Emergency assistance following Hurricane Otto.

### Knowledge Products

The Bank helped create knowledge through studies that focused on:

- Development priorities and determinants of growth.
- Implications of tariff reduction.

## Achievements of the execution of the active operations portfolio in Costa Rica



### **CITIZEN SECURITY:**

Creation of two Civic Centers for Peace, serving children and youths and centering on violence prevention through music, art, literature, sports, technology, and other activities. Work was completed on building five police stations serving a population of more than 700,000 people.



### **EDUCATIONAL**

**INFRASTRUCTURE:** The first two schools financed by a Bank operation were completed. These will benefit at least 900 youths who previously were taught in poor conditions. A total of 35,000 children and youths will benefit from the project.



### **TOURISM AND THE**

**ENVIRONMENT:** Public works began in five national parks to improve access facilities for the reception and movement of tourists within the parks, to maximize the experience of their visits, and to guarantee security during their journeys.



### **TRANSPORT:**

The Cañas-Liberia highway went into operation, with 50.6 kilometers of extension built, reducing logistical costs for intraregional trade as part of the Inter-American Highway. This has ensured the uninterrupted passage of about 70,000 vehicles a day from east to west and vice-versa with the opening of the Guacamaya overpass. Some 208.5 kilometers of rural roads were built, improving the connectivity of the country's 81 cantons.



# The IDB Group in El Salvador in 2016

El Salvador's economic growth remained relatively lower than that of the rest of the region. Nonetheless, the favorable external environment has been conducive to an improvement in economic circumstances, though there are still short- and medium-term risks that could affect the country's fiscal conditions. Throughout the year, the IDB Group supported the government with technical inputs to reach a national agreement on fiscal sustainability. It also helped foster greater economic dynamism by financing various private investment operations, as well as strategic dialogue in priority sectors.

## Country strategy, 2015-2019

The strategic working areas agreed between El Salvador and the Bank are:

- Improving logistical infrastructure
- Enhancing the quality of human capital spending
- Strengthening public finances

Rural women's economic empowerment.



Basic Indicators	2015	2016
Population (million) <sup>(1)</sup>	6.1	6.1
Real GDP growth (%) <sup>(1)</sup>	2.5%	2.4%
Current account deficit (% GDP) <sup>(1)</sup>	3.6%	2.1%
Fiscal deficit (% GDP) <sup>(1)</sup>	3.2%	3.5%
Inflation (%) <sup>(1)</sup>	-0.7%	1.0%
Unemployment (%) <sup>(1)</sup>	5.3%	5.3%
Poverty (% population) <sup>(2)</sup>	40.9% (2013)	41.6% (2014)

Sources:

<sup>(1)</sup> International Monetary Fund, October 2016.

<sup>(2)</sup> Economic Commission for Latin America and the Caribbean.

## Projects in Execution

As of December 31, 2016, the IDB Group's portfolio of active operations was as follows:

### Public sector

- Twelve approved lending operations totaling US\$750 million.
- An available balance of US\$513.3 million, concentrated in the areas of health, transport, social investment, SMEs and financial markets.
- Disbursements of US\$ 80.7 million in 2016. More than half of these resources seek to promote the productive development of MSMEs by facilitating greater access to credit. Of note is the progress made in citizen security and the reduction of vulnerability in informal urban settlements in San Salvador.

### Private sector

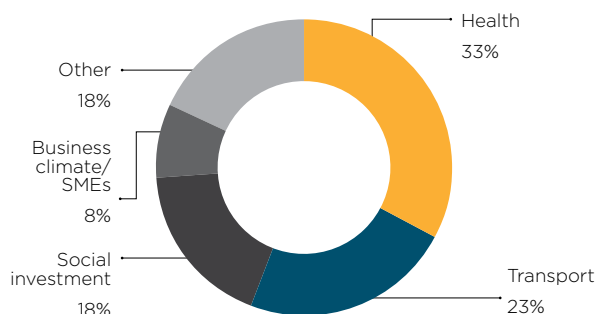
**IIC:** The portfolio consists of 21 lending operations amounting to US\$248.5 million and a guarantee for US\$3 million. These initiatives center mainly on projects in the areas of financial intermediation and energy. The total exposure of this portfolio is US\$179 million.

In the framework of the TFFP program, there is an active guarantee for US\$10 million.

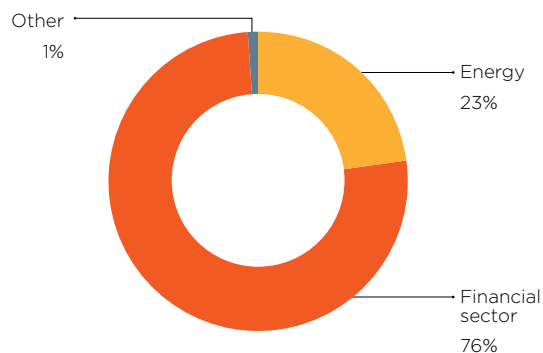
**MIF:** 15 operations totaling US\$12.1 million. The portfolio comprises 12 technical cooperation initiatives totaling US\$8.2 million and three loans amounting to US\$3.8 million. These are used to expand financial services to SMEs, foster the use of banking services for savings and micro-insurance, institute public-private partnership models for municipal market administration, and create job opportunities for youths.

### IDB Group loan portfolio

#### Sectoral distribution of public sector loan portfolio (% of available balance)



#### Sectoral distribution of private sector loan portfolio (% of available balance)



### STRENGTHENING TAX ADMINISTRATION (US\$30 MILLION)

This operation, which was approved in December 2016, will support the government of El Salvador in a project to increase revenue, by means of measures to reduce levels of non-compliance with internal taxation and customs duties, and to improve the quality of information for decision-making. The expected impact is an increase in tax revenue of at least 1 percent of GDP.

## Approvals in 2016

### Public sector

In 2016 the Bank approved a lending operation of US\$30 million to strengthen tax administration, with the aim of boosting revenue by reducing levels of non-compliance with internal taxes and customs duties.

#### Technical cooperation

Support through 10 technical cooperation projects totaling US\$2.3 million, prominently including:

- Strengthening the capacity of the Technical Committee on Pensions Reform.
- Plan to improve identification of children and teenagers in border areas.
- Urban planning and lessening the damage done to people and their properties caused by the absence of an integrated management of storm drainage problems and flood control.

### Private sector

**IIC:** Two lending operations totaling US\$511,800 to:

- Improve access to human capital and the acquisition of machinery by the Cerámica del Pacífico firm.
- Development and marketing of the Apitoxina medicine, which is made using bee venom by HealthCo, a Salvadoran pharmaceutical company that makes natural health care products.

**TFFP line—foreign trade:** Two credit lines totaling US\$14 million for Banco Promérica and Banco Agrícola, and a guarantee of US\$10 million for Banco Agrícola.

**MIF:** A technical cooperation initiative of US\$104,000 to promote female entrepreneurship among low income women and generate work opportunities and a more stable income for them. The project is implemented in partnership with Unilever, the Salvadoran Foundation for Integral Support (FUSAI) and the Cooperative System

### PRIVATE SECTOR - PROVIDENCIA SOLAR

In May 2016 the IIC signed a loan contract to finance the building of the first commercial-scale photovoltaic energy plant in El Salvador. The project will diversify the country's energy matrix, providing 100 megawatts of renewable energy capacity.

Providencia Solar will avert the generation of an average of 163,800 megawatts an hour of thermal energy per year, and thus obviate the emission of an annual average of 114,500 tCO<sub>2</sub>eq. The project will also foster the social and economic development of neighboring communities, since 3 percent of the revenue generated will be devoted to high-priority social investments.

FENACOAC-MICOOPE in Guatemala, who will provide financial training and support as well as access to a door to door sales and distribution system of food, cleaning and hygiene products.

## Knowledge Products

Knowledge creation in El Salvador stemmed from implementation of the Country Strategy 2015–2019, by means of studies related to:

- Roadmap for the food and beverages sector, as part of support for the productive diversification and transformation strategy led by the Economy Ministry.
- Design of an instrument for the survey of barriers to MSME financing, supporting the Central Reserve Bank's financial inclusion strategy.
- Strengthening the medium-term fiscal framework in response to a request from the Finance Ministry's Public Policy Directorate.
- Youth in the labor market, as part of the analytical work supporting productivity improvements and creation of opportunities.

### Achievements of the execution of the active operations portfolio in El Salvador



#### PRODUCTIVE DEVELOPMENT

Progress was made on implementing initiatives to foster business development services among MSMEs, with cofinancing support. In addition, more than 150 public officials and private sector employees were trained in dispute settlement as part of the trade policy and dispute settlement program.



#### TRANSPORT

The Rural Roads for Development program and the Rural Connectivity in the Northern and Eastern Areas program helped improve the condition of more than 117 kilometers of rural road infrastructure, and the first phase of the San Salvador Metropolitan Area Integrated Transport System (SITRAMSS) moved forward.



#### URBAN PLANNING

Comprehensive improvements were made in urban settlements with the building of quality housing benefiting more than 10,500 families. Progress was also made on regularizing and legalizing land, and on repairing the bridge over the Chismuyo ravine.



# The IDB Group in Guatemala in 2016

Guatemala experienced a slowdown in growth in 2016 because of a decline in internal demand, mainly in private consumption, and a reduction in public spending. A new government took office during the year, giving a high priority to tax administration reforms and the fight against corruption. In this context the Bank has continued to support Guatemala in its efforts to strengthen tax administration and enhance transparency and accountability. The Bank is working with the authorities on the design of a new country strategy for the period 2017–2020.

## Country strategy, 2012-2016

The strategic working areas agreed between Guatemala and the Bank are:

- Fiscal and municipal management
- Social protection
- Productive development
- Health
- Transport
- Citizen security

Mayan coffee growers.



Basic Indicators	2015	2016
Population (million) <sup>(1)</sup>	16.3	16.7
Real GDP growth (%) <sup>(1)</sup>	4.1%	3.5%
Current account deficit (% GDP) <sup>(1)</sup>	0.3%	0.5%
Fiscal deficit (% GDP) <sup>(1)</sup>	1.4%	1.6%
Inflation (%) <sup>(1)</sup>	2.4%	4.5%
Unemployment (%) <sup>(1)</sup>	2.40%	3.10%
Poverty (% population) <sup>(2)</sup>	54.8% (2006)	67.7% (2014)

Sources:

<sup>(1)</sup> International Monetary Fund, October 2016.

<sup>(2)</sup> Economic Commission for Latin America and the Caribbean.

## Projects in Execution

As of December 31, 2016, the IDB Group's portfolio of active operations was as follows:

### Public sector

- Thirteen lending operations totaling US\$884 million.
- An available balance of US\$679.3 million.
- Disbursements of US\$48.9 million in 2016, centering on operations in the areas of modernization of the state, education, environmental sustainability, and productivity.

### Private sector

**IIC:** 10 lending operations totaling US\$232.7 million. This portfolio's exposure stands at US\$229.7 million. The portfolio centers mainly on projects in the areas of financial intermediation and energy.

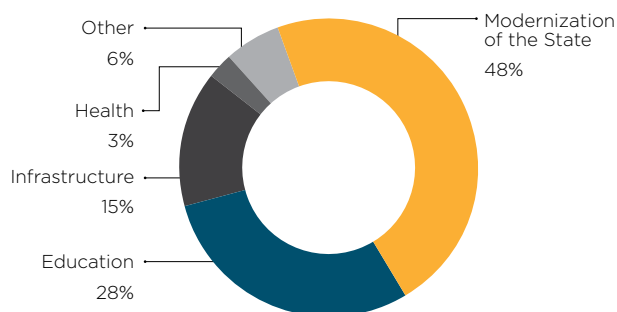
In the framework of the TFFP program, the portfolio has a lending operation of US\$45 million with Banco Industrial.

**MIF:** 10 technical cooperation projects totaling US\$12.2 million. The portfolio focuses mainly on food security, diversification of productive opportunities and innovative models for product distribution, adaptation for improvements in the productivity of small-scale producers, and training youths in new information technologies.

## IDB Group loan portfolio

### Sectoral distribution of public sector loan portfolio

(% of available balance)



## Approvals in 2016

### Public sector

In 2016 the Bank approved two lending operations totaling US\$310 million for:

- Public management: US\$250 million for implementation of tax administration policy reforms to increase revenue and strengthen the prevention of money laundering.
- Institutional capacity: US\$60 million to strengthen and modernize the Public Prosecutor's Office with the aim of lessening impunity.

### Technical cooperation

Support through six technical cooperation projects totaling US\$1.9 million, prominently including:

- Pilot project for an early warning system for births in the departments of Alta Verapaz, Baja Verapaz, and Huehuetenango.
- Preparation of an investment plan for the Forest Investment Program.
- Exchange of experiences with Mexico on land management and forestry investments.

## TAX ADMINISTRATION AND TRANSPARENCY (US\$250 MILLION)

This program, which was approved in December 2016, seeks to support the government of Guatemala in efforts to improve tax administration and enhance transparency in the financial sector through reforms geared to increasing tax revenue and making public management more transparent. The policy measures in the component devoted to improving efficiency and effectiveness in tax and customs collection will make it possible to undertake a comprehensive reengineering of the Superintendency of Tax Administration, institute a tax intelligence model in the agency, and purge the taxpayer register. Measures geared to financial sector transparency and offshore activities will yield better and broader regulation and oversight of the financial sector, increasing the capacity of related agencies to detect, prevent, and penalize irregular practices.

### Private sector

**TFFP—foreign trade:** Two credit lines totaling US\$95 million for Banco Industrial and Banco Internacional, and a guarantee of US\$5 million for Banco Internacional.

**MIF:** Four technical cooperation projects totaling US\$3.1 million for:

- A technical cooperation initiative of US\$104,000 to promote female entrepreneurship among low income women and generate work opportunities and a more stable income for them. The project is implemented in partnership with Unilever, the Salvadoran Foundation for Integral Support (FUSAI) and the Cooperative System FENACOAC-MICOOPE in Guatemala, who will provide financial training and support as well as access to a door to door sales and distribution system of food, cleaning and hygiene products.
- Development of a savings product for recipients of remittances, benefiting about 35,000 people of modest resources.

- Coordination scheme among public and private actors to establish a new model of industrial competition in the coffee sector. Some 1,000 coffee growers are expected to benefit in the departments of Huehuetenango, San Marcos, Alta Verapaz, Zacapa, and Chiquimula.
- Disadvantaged youths' integration into the labor force in technology jobs, giving priority to marginalized areas and targeting women.

### Knowledge Products

As part of the process of preparing the country strategy 2017–2020, knowledge creation centered on:

- Roadmap for strengthening the justice system and the rule of law.
- Analysis and cultural adaptation of public services for indigenous peoples.
- Socioeconomic diagnosis of Guatemalan territories prioritized in the Northern Triangle initiative.

## PRIVATE SECTOR - STRATEGIC PLANNING FOR INTERNATIONALIZATION

This is a training program for SME clients in the financial institutions sector. Between April and December 2016, 30 Guatemalan businesses were trained in the processes necessary for the planning, development and follow-up of internationalization projects, with particular emphasis on drawing up business plans.

The program, which concluded in December 2016, focused on the development of business people's management and planning skills, on the basis of best international project-management practices and standards.

### Achievements of the execution of the active operations portfolio in Guatemala



#### EDUCATION

Upgrading and equipping more than 3,000 preprimary and primary schools as part of the Mi Escuela Progres program. More than 15,000 primary school teachers in 166 municipalities have been trained, and more than a quarter of a million books have been distributed.



#### HEALTH

More than 500,000 people are covered by Institutional Mobile Groups in areas with poor access to hospitals. Nutrition services have been financed for more than 5,000 children below the age of two, and about 8,000 women have received nutritional care.



#### FOREIGN TRADE

About 5,000 officials and business people were trained in trade promotion for the private sector, benefiting more than 1,300 businesses through trade fairs and missions.



# The IDB Group in Honduras in 2016

Honduras enjoyed a solid economic performance in 2016 as a result of the improvement in the terms of trade attendant on a lower oil price, fiscal discipline, and a business climate conducive to private investment. In those circumstances the Bank's support for Honduras centered on the territorial prioritization of social inclusion networks in the western region, sustainable forest management, development of social services for women through Ciudad Mujer centers, and investments in road integration.

## Country strategy, 2015-2018

The strategic working areas agreed between Honduras and the Bank are:

- Sustainability and competitiveness in the energy sector
- Road building for regional integration
- Sustainable development in the Central District
- Fiscal consolidation
- Social inclusion

Rural solar energy in Honduras.



Basic Indicators	2015	2016
Population (million) <sup>(1)</sup>	8.1	8.2
Real GDP growth (%) <sup>(1)</sup>	3.6%	3.6%
Current account deficit (% GDP) <sup>(1)</sup>	6.3%	5.7%
Fiscal deficit (% GDP) <sup>(1)</sup>	1.4%	2.0%
Inflation (%) <sup>(1)</sup>	3.2%	3.1%
Unemployment (%) <sup>(1)</sup>	4.0%	4.0%
Poverty (% population) <sup>(2)</sup>	69.5% (2010)	74.3% (2013)

Sources:

<sup>(1)</sup> International Monetary Fund, October 2016.

<sup>(2)</sup> Economic Commission for Latin America and the Caribbean.

## Projects in Execution

As of December 31, 2016, the IDB Group's portfolio of active operations was as follows:

### Public sector

- Fifteen lending operations totaling US\$713.8 million.
- An available balance of US\$420.7 million, concentrated in transport, social investment, environmental sustainability, energy, and modernization of the state.
- The Bank disbursed US\$135.2 million in 2016, focusing on transport, social investment, citizen security, health, and state modernization.

### Private sector

**IIC:** 11 lending operations totaling US\$72.1 million. This portfolio's exposure stands at US\$44.6 million. The portfolio consists of projects in the areas of financial intermediation, energy, and the manufacturing sector.

In the framework of the TFFP program, the portfolio has three lending operations amounting to US\$70 million and a loan guarantee for US\$1.8 million.

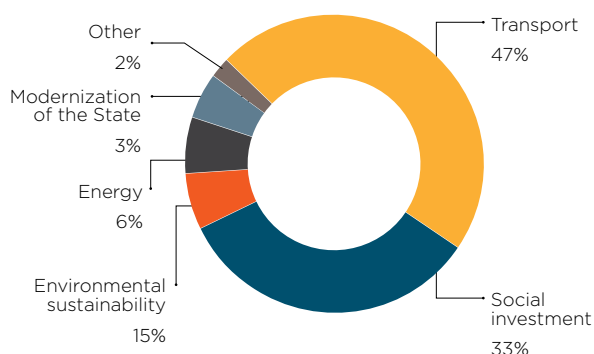
**MIF:** 15 operations totaling US\$14.2 million. The portfolio comprises 11 technical cooperation

initiatives amounting to US\$7.5 million, three capital investment projects totaling US\$6.1 million, and a loan of US\$600,000. The portfolio is geared mainly to increasing access to financing in rural areas, renewable energy initiatives, mobile technology, productive linkages, and access to jobs for young and vulnerable women.

## IDB Group loan portfolio

### Sectoral distribution of public sector loan portfolio

(% of available balance)



## Approvals in 2016

### Public sector

Honduras is eligible for the biennial allocation of concessional resources from the Fund for Special Operations (FSO). Its allocation for 2015–2016 was US\$340 million, 60 percent of which came from Ordinary Capital and 40 percent from the FSO.

In 2016 the Bank approved four lending operations totaling US\$170 million, notably for:

- **Social inclusion:** A US\$50 million integrated intervention for poverty alleviation and improved access to health care services, giving priority to the poorest municipalities in the western region, through the Social Inclusion Network Support Program.

### SUSTAINABLE FOREST MANAGEMENT (US\$25 MILLION)

This program, which was approved in December 2016, seeks to complement government initiatives to recover pine forest in areas affected by the bark beetle epidemic, which has negatively affected biodiversity and the reduction of carbon gas emissions. Measures will also be taken to improve the conditions of populations affected by the more limited availability of timber products, a circumstance that has caused economic losses. Moreover, efforts will be made to strengthen the forest health system, devising forest-management alternatives that take account of climate-change adaptation measures and that foster forest sustainability.

- **Social protection:** US\$20 million to improve the living conditions of women above the age of 15 in terms of their participation in the labor force, health care, violence prevention and victim support, and prevention of teenage pregnancy, by building Ciudad Mujer centers and providing integrated women's care services.
- **Transport:** US\$75 million to increase the quality and capacity of regional road integration corridors, a continuation of a previous operation in this sector, facilitating the movement of people and the transit of goods to national and regional markets.
- **Forestry:** US\$25 million for the control and recovery of areas affected by the bark beetle epidemic, as well as governance improvements in the forestry sector.

### Technical cooperation and grants

Support through 10 technical cooperation initiatives totaling US\$4.1 million and three investment grants amounting to US\$2.2 million, notably for:

- Capacity building for implementation of the Plan of the Alliance for the Prosperity of the Northern Triangle.
- Improving public finance management systems and supporting the medium-term public investment strategy.
- Reforestation and conservation of productive forests, and protection of micro watersheds in indigenous and Afro-Honduran communities.

### Private sector

**IIC:** A US\$12 million lending operation centered on SMEs, including businesses headed by women, by means of easier access to credit through financing for the Banco Financiera Comercial Hondureña S.A., an institution that provides financial services and innovative products within the country and region-wide.

**TFFP line—foreign trade:** Two credit lines totaling US\$33.4 million for Banco Financiera Comercial Hondureña and Banco Financiera Centroamericana, as well as four guarantees amounting to US\$5.3 million for Banco Atlántida, Banco Hondureño del Café, Banco Lafise Honduras, and Banco Promérica.

**MIF:** Two technical cooperation initiatives and a capital investment project totaling US\$2.9 million, centering on:

- Promoting private investment in solar energy in rural areas without access to electricity, directly benefiting more than 2,700 households.
- Technical assistance and capital investment to heighten the resilience of the blue economy and the coastal ecosystem of northern Honduras, benefiting about 3,000 fisherfolk.
- Innovation in the population's access to financial services through adoption of mobile technology.

## Knowledge Products

The Bank helped create knowledge through studies that focused on:

- Public policies for tourism promotion, diagnosis, challenges and opportunities.
- Business innovation and productivity.
- Development of quantitative models to produce macroeconomic projections and measure the impact of fiscal policy.

### Achievements of the execution of the active operations portfolio in Honduras



#### ENERGY

Support was provided to the National Electricity Company for the adoption of measures to boost its operational efficiency and the sustainability of its operations. Government transfers for that purpose are expected to decline, thereby lowering the tax burden. Measures have also been identified to reduce transmission losses and improve supply.



#### TRANSPORT

More than 200 kilometers of roadworks for integration, covering sections of the CA-5 North, the agricultural corridor, the logistical corridor and the Pacific corridor, and the resettlement of 164 families in the San Pedro Sula logistical corridor.



#### CITIZEN SECURITY

The IDB-supported police academy opened. Some 2,350 new police officers were trained, 700 new investigators were inducted, and 21 new mobile laboratories were set up.



# The IDB Group in Nicaragua en 2016

Nicaragua's economic performance was favorable in 2016 and economic growth is expected to surpass the regional average, with low inflation and a solid financial system. This performance was aided by the recovery of agricultural activity attendant on better weather, manufacturing industry, and the dynamism of trade and the financial sector. In this context the Bank continued to support Nicaragua through operations geared to infrastructure development and the narrowing of urban-rural gaps in poverty and access to services.

## Country strategy, 2012-2017

The strategic working areas agreed between Nicaragua and the Bank are:

- Value chains, housing, water and sanitation
- Health
- Early childhood
- Energy
- Transport

Prenatal health.



Basic Indicators	2015	2016
Population (million) <sup>(1)</sup>	6.3	6.3
Real GDP growth (%) <sup>(1)</sup>	4.9%	4.5%
Current account deficit (% GDP) <sup>(1)</sup>	8.2%	8.0%
Fiscal deficit (% GDP) <sup>(1)</sup>	1.4%	1.7%
Inflation (%) <sup>(1)</sup>	4.0%	6.2%
Unemployment (%) <sup>(1)</sup>	6.8%	6.9%
Poverty (% population) <sup>(2)</sup>	42.5% (2009)	29.6% (2014)

Sources:

<sup>(1)</sup> International Monetary Fund, October 2016.

<sup>(2)</sup> Economic Commission for Latin America and the Caribbean.

## Projects in Execution

As of December 31, 2016, the IDB Group's portfolio of active operations was as follows:

### Public sector

- Nineteen lending operations totaling US\$948 million.
- An available balance of US\$622.8 million, concentrated in energy, transport, science and technology, regional integration, and health.
- Disbursements of US\$ 151.9 million in 2016 for investment operations in energy, transport, health, and competitiveness.

### Private sector

IIC: 26 lending operations totaling US\$119.3 million. This portfolio's exposure stands at US\$97.6 million. The portfolio consists of projects in the areas of financial intermediation, energy, and agro-industry.

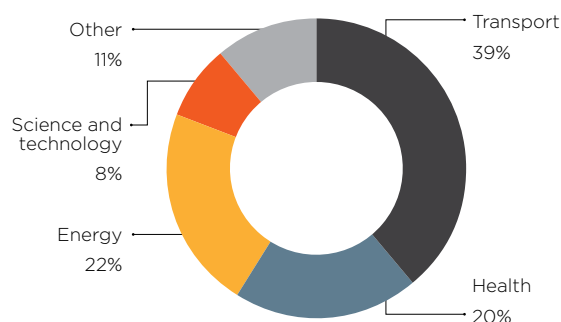
In the framework of the TFFP program, the portfolio has a lending operation amounting to US\$5.7 million and two guarantees for US\$4.1 million.

MIF: 13 operations totaling US\$12.4 million. These comprise 11 technical cooperation initiatives totaling US\$9.4 million and two loans of US\$3.0 million. The

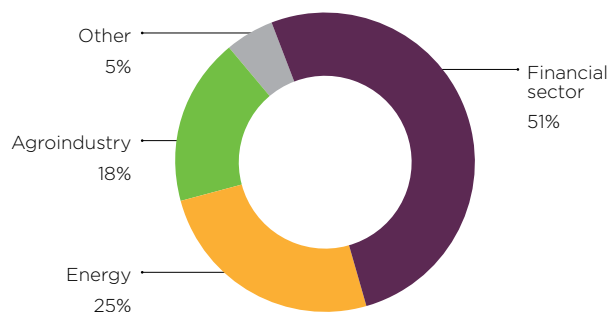
portfolio mainly promotes tourism-environmental initiatives, models of agro-industrial diversification, and technical assistance for small-scale producers.

## IDB Group loan portfolio

### Sectoral distribution of public sector loan portfolio (% of available balance)



### Sectoral distribution of private sector loan portfolio (% of available balance)



## Approvals in 2016

### Public sector

Nicaragua is eligible for the biennial allocation of concessional resources from the Fund for Special Operations (FSO). Its allocation for 2015-2016 was US\$501.4 million, 60 percent of which came from Ordinary Capital and 40 percent from the FSO. Additionally, Nicaragua received US\$39.7 million in cofinancing resources from the Grant

### COMMUNITY HEALTH FOR RURAL MUNICIPALITIES (US\$45 MILLION)

Approved in June 2016, this program seeks to expand the coverage of maternal and child health services provided by the Health Ministry's network of centers in poor rural areas. The operation will identify quality improvements in the services provided to those populations. The operation's target population comprises women of childbearing age and under-fives living in the 22 municipalities with the highest poverty rates.

The program will finance a fixed cost per person served, related to the provision of women's health care services and perinatal care. It will also strengthen the services network infrastructure through the building of 14 primary care centers, the upgrading of 10 other units, and the building of six maternity waiting homes.

Leverage Mechanism for FSO countries, and US\$25 million from the Korea Facility for Infrastructure Development in Latin America and the Caribbean.

In 2016 the Bank approved three lending operations for Nicaragua totaling US\$208.4 million for:

- **Energy:** US\$76.3 million for exploration of geothermal potential to diversify the energy matrix and increase national and regional transmission capacity, so as to improve access to and the reliability of electricity supply.
- **Transport:** US\$87 million to improve accessibility and movement on roads in rural areas with high poverty rates, fostering sustainable freight and passenger transport and the adoption of environmental and social management practices.
- **Health:** US\$45 million to expand and improve access to and coverage of health care and health promotion services to reduce maternal and child morbidity and mortality in the Northern Caribbean Local Systems for Integrated Healthcare.

### Technical cooperation and grants

Support through 13 technical cooperation initiatives totaling US\$9.4 million and three investment grants amounting to US\$17 million, notably to:

- Promote an energy savings insurance scheme for SMEs.

- Produce studies on the design of urgent public works to protect against natural disasters in urban areas throughout the El Borbollón watercourse.
- Create productive and sustainable job opportunities for rural youths in the department of Nueva Segovia, using the Tutorial Learning System rural training model, with the aim of linking youths to the production chains of high-value national and international markets.
- Investment grants to explore geothermal potential.

### Private sector

**TFFP line—foreign trade:** Two credit lines totaling US\$5.7 million for Banco de la Producción and Banco de Finanzas, and two guarantees amounting to US\$8.9 million for the same institutions.

**MIF:** Three technical cooperation projects and two loans totaling US\$5.2 million for:

- Human capital training in the countryside and higher rural incomes by means of a vocational training model to improve access to and linkages with high-value production chains and markets.
- Highly diversified agro-forestry systems to benefit the sustainability of small- and medium-scale coffee producers.
- Growth and expansion of an eco-efficient agro-industrial processing model for tropical fruits to benefit small-scale producers engaged in the export of organic products.

## Knowledge Products

Creating knowledge through studies and publications analyzing:

- Spatial development for Nicaragua's Pacific and Central regions.

- Effects of agricultural policies on local consumer prices.
- Analysis of the situation and potential of the irrigation sector.

### Achievements of the execution of the active operations portfolio in Nicaragua



#### TOURISM

Bank support has enabled more than 800 private tourism businesses to be formalized, thereby improving services for more than 30,000 tourists in visited destinations.



#### CLIMATE CHANGE

More than 20,000 hectares of forest cover regenerated and conserved. Work on mitigation initiatives will benefit more than 7,000 people.



#### SOCIAL PROTECTION

Care was provided to more than 30,000 under-threes in monthly home visits to promote their integrated development.



# The IDB Group in Panama in 2016

In 2016 Panama had one of the highest growth rates in Latin America and the Caribbean, the result of sound performance in the services sector. For the future, Panama aims to ensure that the benefits of economic growth are translated into greater well-being for the most vulnerable segments of the population. The IDB supported Panama in this process of inclusive development, helping to narrow regional gaps in access to basic services, as well as to gain from the economic advantages and opportunities arising from the recently inaugurated Canal expansion, by developing logistics infrastructure and human capital.

## Country strategy, 2015-2019

The strategic working areas agreed between Panama and the Bank are:

- Enhancing logistics services, as well as the efficiency and connectivity of production infrastructure
- Improving the provision of basic services to those living in poverty
- Strengthening the population's education profile

Wastewater treatment plant.



Basic Indicators	2015	2016
Population (million) <sup>(1)</sup>	4.0	4.1
Real GDP growth (%) <sup>(1)</sup>	5.8%	5.2%
Current account deficit (% GDP) <sup>(1)</sup>	6.5%	5.5%
Fiscal deficit (% GDP) <sup>(1)</sup>	2.3%	2.5%
Inflation (%) <sup>(1)</sup>	0.1%	0.7%
Unemployment (%) <sup>(1)</sup>	5.1%	5.1%
Poverty (% population) <sup>(2)</sup>	23.1% (2005)	21.4% (2014)

Sources:

<sup>(1)</sup> International Monetary Fund, October 2016.

<sup>(2)</sup> Economic Commission for Latin America and the Caribbean.

## Projects in Execution

As of December 31, 2016, the IDB Group's portfolio of active operations was as follows:

### Public sector

- 14 lending operations totaling US\$881 million.
- An available balance of US\$569.8 million, concentrated in the areas of health, water and sanitation, science and technology, and social investment.
- Disbursements of US\$513.2 million in 2016 for investment operations in energy, transport, water and sanitation, logistics, and social protection.

### Private sector

**IIC:** 13 lending operations totaling US\$568.6 million. This portfolio's exposure stands at US\$563.6 million. The projects in the portfolio center mainly on the areas of transport, financial intermediation, and energy.

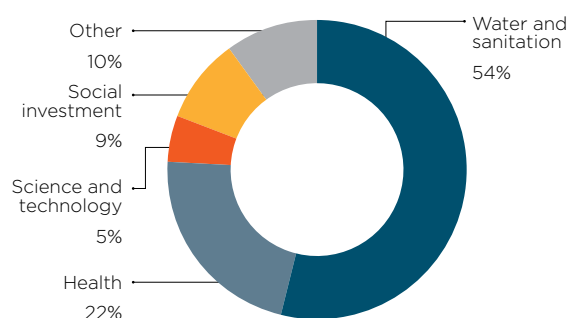
In the framework of the TFFP program, the portfolio has two lending operations amounting to US\$7.5 million and a guarantee for US\$2.6 million.

**MIF:** Seven technical cooperation projects totaling US\$5.1 million. The portfolio centers mainly on

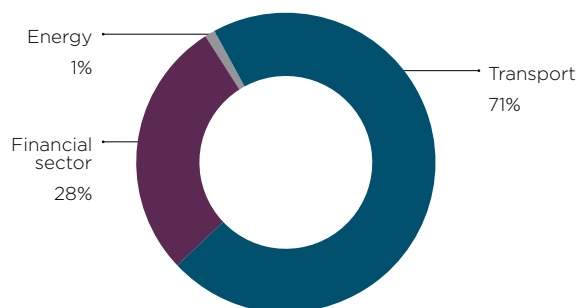
climate-change adaptation initiatives, value propositions for small- and medium-scale business ventures headed by women entrepreneurs, and job creation for youths.

### IDB Group loan portfolio

#### Sectoral distribution of public sector loan portfolio (% of available balance)



#### Sectoral distribution of private sector loan portfolio (% of available balance)



## Approvals in 2016

### Public sector

The Bank approved five lending operations totaling US\$602 million for:

- Modernization of the state:** US\$22 million to further the modernization and digitization of bureaucratic procedures for businesses and citizens, and to improve access to public services on the part of needier citizens.

## INNOVATION FOR SOCIAL INCLUSION AND PRODUCTIVITY (US\$30 MILLION)

This program, which was approved in June 2016, seeks to enhance social inclusion and productivity by promoting investments in innovation and research. In collaboration with the National Secretariat of Science, Technology and Innovation, efforts will be made to build capacities for planning, implementing, linking and evaluating the National Innovation System, improving innovation and research in the productive and social sectors, increasing the number of businesses that innovate in products and processes, and conducting research projects in the health sector.

- **Logistics:** US\$200 million for reforms to the legal and regulatory framework in order to lessen constraints on access to value-added logistics services, as well as for the agricultural sector.
- **Innovation:** US\$30 million to foster the National Innovation System to raise productivity and enhance social inclusion in innovation processes.
- **Social protection:** US\$200 million for implementation of reforms to optimize resource allocation and strengthen the tools for managing and monitoring social protection spending, to improve the targeting of conditional cash transfer programs, and to approve the model of integrated homecare visits in rural areas.
- **Water and sanitation:** US\$150 million to improve sanitation conditions and reduce the pollution of urban basins and rivers in the Panama City districts of Arraiján and La Chorrera.

### Technical cooperation

In 2016 the Bank approved 10 technical cooperation initiatives totaling US\$4.1 million, notably to:

- Strengthen the civil registry in indigenous communities and among rural populations.
- Improve the quality of social protection services and health care, as well as increase human capital, in indigenous areas. Efforts have also been made to devise proposals to strengthen connectivity between indigenous areas and production and commercial chains.
- Create a regional knowledge hub in science, technology, and innovation.

### Private sector

**IIC:** Two lending operations totaling US\$105 million to:

- Increase the installed capacity of clean thermal energy and set up facilities for the supply of natural gas. This US\$100 million operation was the biggest IIC approval for the whole region in 2016.
- Financing for MSMEs to acquire equipment and vehicles for their businesses using Banco Delta's financial leasing mechanism. Technical assistance will also be provided for microenterprise ventures undertaken by groups with limited resources.

**TFFP line—foreign trade:** Two US\$11.5 million credit lines for Banco Aliado and Banco Tower Bank, as well as a US\$2.6 million guarantee for Banco Aliado.

**MIF:** Two technical cooperation projects totaling US\$739 million to:

- Design and implement an economic model that builds resilience to climate change among small- and medium-scale fisherfolk, as well as small and micro tourism enterprises in coastal areas facing a high risk of flooding in the Gulf of Montijo.
- Creation of a value proposition to facilitate access to financing on the part of business start-ups headed by women.

## PRIVATE SECTOR – INAUGURATION OF THE PANAMA CANAL EXPANSION

The inauguration of the Panama Canal Expansion took place on June 26, 2016, when a new complex of locks began operations, allowing the passage of Neopanamax ships that can transport up to three times more cargo than those currently using the Canal.

The expansion's design and execution placed particular emphasis on environmental sustainability by setting up tanks that make it possible to recover up to 60 percent of the water used by each lock chamber and use it for the passage of another ship. This amounts to a roughly 7 percent water saving per passage compared to the previous locks.

The expansion is the biggest infrastructure project in Latin America, not only because of the size of the investment (US\$5.4 billion) but also because of its importance for world trade and for Panama. More than 2.5 percent of world trade currently passes through the Canal, and it is estimated that, following its expansion, its contribution to Panama's public revenues will rise to 3.3 percent of GDP a year.

The expansion was financed with bank debt of US\$2.3 billion (42 percent of the total) and the Canal's operating cash flows (the remaining 58 percent). The IDB Group has been a key integral partner in the project in leading, together with other multilateral institutions, the structuring of the financing by providing a loan of US\$400 million.

## Knowledge Products

Creating knowledge through studies and publications analyzing:

- The economic and social value of the Panama Canal Basin water resource.
- Productive strengths of special economic areas.
- Maximizing the economic benefits of the expanded Canal.
- Economic potential of promoting creative cultural industries.
- Migration in Panama from the viewpoint of implications for education and the labor market.

## Achievements of the execution of the active operations portfolio in Panama



### WATER AND SANITATION

More than 15,000 households benefited from improvements in water services, and about 25,000 additional households gained access to home collection of solid waste.



### EDUCATION

Updating and validation of the curriculum for the infant, primary and middle school levels, and training of more than 250 teachers to educate students in the new curricular proposals.



### ENERGY

About 2,000 rural homes and 11 schools provided with electricity. Four workshops were held on project planning and prioritization for staff of the agencies responsible for the rural electricity service.



# The IDB Group in the Dominican Republic in 2016

The Dominican Republic experienced a positive economic performance in 2016 and is expected to end the year with GDP growth of close to 5.9 percent, the result of favorable external conditions and sound macroeconomic management. In this context, and to support the government's efforts to achieve more inclusive growth, the Bank's work paid particular attention to support for reforms in the health sector and social security. The Bank and the government are also working on the design of a new country strategy for 2017–2020.

## Country strategy, 2013-2016

The strategic working areas agreed between the Dominican Republic and the Bank are:

- Fiscal management
- Energy
- Social protection
- Education
- Health
- Productive development

Restoration of historic buildings in the Colonial City of Santo Domingo.



Basic Indicators	2015	2016
Population (million) <sup>(1)</sup>	10.0	10.1
Real GDP growth (%) <sup>(1)</sup>	7.0%	5.9%
Current account deficit (% GDP) <sup>(1)</sup>	1.9%	2.4%
Fiscal deficit (% GDP) <sup>(1)</sup>	4.7%	6.0%
Inflation (%) <sup>(1)</sup>	0.8%	2.3%
Unemployment (%) <sup>(1)</sup>	5.9%	5.2%
Poverty (% population) <sup>(2)</sup>	40.9% (2013)	41.6% (2014)

Sources:

<sup>(1)</sup> International Monetary Fund, October 2016.

<sup>(2)</sup> Economic Commission for Latin America and the Caribbean.

## Projects in Execution

As of December 31, 2016, the IDB Group's portfolio of active operations was as follows:

### Public sector

- Fourteen lending operations totaling US\$1.1 billion.
- An available balance of US\$493.3 million, concentrated in education, health, urban development and housing, and infrastructure.
- The Bank disbursed US\$400.9 million, mainly in investment operations geared to energy, water and sanitation, and social protection.

### Private sector

**IIC:** Six lending operations totaling US\$72.2 million. This portfolio's exposure stands at US\$61.4 million. The portfolio consists of projects in the areas of transport, energy, and telecommunications.

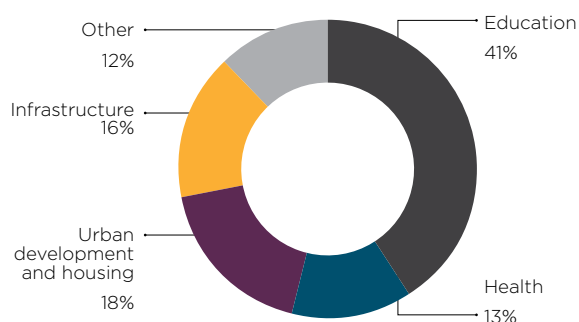
In the framework of the TFFP program, the portfolio has a lending operation of US\$20 million.

**MIF:** 16 operations totaling US\$9.2 million. The portfolio comprises 15 technical cooperation initiatives amounting to US\$8.2 million, and a capital investment of US\$1 million. The portfolio centers mainly on urban and tourism-related renewal, business startups, job creation for youths through

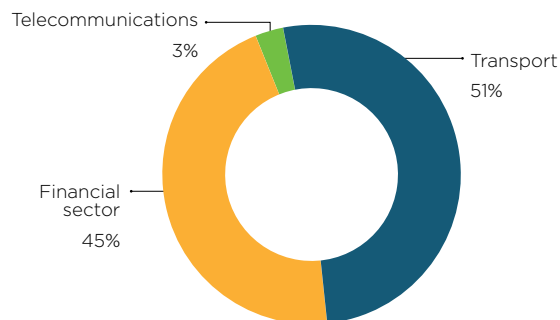
public-private partnerships, adaptation to climate change, value chains and microfinance support, and small and medium enterprises.

## IDB Group loan portfolio

### Sectoral distribution of public sector loan portfolio (% of available balance)



### Sectoral distribution of private sector loan portfolio (% of available balance)



## Approvals in 2016

### Public sector

The Bank approved two lending operations totaling US\$290 million for:

- Early childhood:** US\$200 million for the expansion of early childhood services for under-fives, together with improvements in the management and technical capacities of institutions in the sector.

## INTEGRATED PROGRAM OF TOURISM AND URBAN DEVELOPMENT IN THE COLONIAL CITY OF SANTO DOMINGO (US\$90 MILLION)

This program seeks to revitalize the Colonial City of Santo Domingo from an urban, economic and cultural tourism standpoint, through actions that make it possible to recover public spaces and historic monuments, and to foster local economies of small and medium-scale merchants. This will positively affect housing conditions and the capacity to attract a higher number of tourists to the area.

- **Urban development:** US\$90 million for public spaces in the Colonial City of Santo Domingo and the development of local economies to improve the residents' living conditions, promote tourist visits, and increase business income in the area.

### Technical cooperation and grants

In 2016 the Bank approved eight technical cooperation initiatives totaling US\$2.2 million, notably for:

- Studies on improving the regulatory framework and strengthening the responsible agencies in the electricity sector to optimize the electricity market.
- Technical design of the model for services and governance in the Ciudad Mujer program.
- Sustainable urban mobility strategy for the Santiago de los Caballeros metropolitan area, including guidelines for a new mobility planning and management model in the city.
- Strengthening of the strategic framework of National Productivity and Competitiveness Initiative to guide public-private dialogue on these matters.

### Private sector

**TFFP line—foreign trade:** A US\$70 million lending operation for the Reserve Bank of the Dominican Republic.

**MIF:** In 2016 the MIF approved two projects totaling US\$1.5 million to:

- Implement a youth training program to develop digital content in the Center for the Development of Interactive Digital Technologies, to be set up in the Santo Domingo Cyberpark.
- Boost the response capacity of primary health care units by means of a more efficient system of collecting and transporting diagnoses and medical products.

### Knowledge Products

The Bank will collaborate with the country in creating and developing knowledge through the following technical and diagnostic studies:

- Roadmap to attaining investment grade.
- Impact of the opening up of Cuba on the economy of the Dominican Republic.
- The Dominican Republic: A Unique Case of Decentralization.
- Cost-benefit analysis of sectoral fiscal incentives.
- Macro-fiscal challenges and tax reform options.

### PRIVATE SECTOR - BANRESERVAS

In March 2016 the IIC signed and disbursed a US\$130 million loan with the Dominican Republic Reserve Bank (BanReservas) to support the import and export activities of BanReservas's clients. In terms of the number of participants, this is the biggest syndication in the history of the IDB Group.

A total of 14 financial institutions participated in the loan, which was effected as part of the TFFP program. The total amount of the B loan was US\$110 million, surpassing the initial target of US\$80 million. The IIC also provided an A loan of US\$20 million.

Apart from gaining access to financing, the client wanted the syndication to diversify its group of investors. As a result of this transaction, BanReservas was able to access eight new international lenders, and prior investors prolonged their maturities.

In addition to providing a B loan of US\$21 million, Wells Fargo served as bookrunner together with the IDB Group. This partnership ensured that the operation involved a greater number of investors by leveraging the two institutions' distribution capacity. The syndication allowed the TFFP to add nine new participants to the program and they provided 59 percent of the loan.

BanReservas has participated in the TFFP program since 2009, when it was given access to an uncommitted foreign trade facilitation line.



#### LABOR INTERMEDIATION

More than 60,000 people have attended occupational guidance workshops in which youths have taken part in pilot training programs for self-employment. Forty-six jobs fairs have been held, and more than 10,000 youths have been placed in employment. The Labor Ministry's integrated labor information system and employment portal were set up.



#### WATER AND SANITATION

More than 1,500 households benefited from a new or refurbished connection to drinking water in the countryside, and close to 4,500 benefited from drinking water systems in urban areas.

**Some results achieved with the support of the active loan portfolio in the Dominican Republic**



# Prospects for 2017 and Main Agenda Items

The region's growth in 2017 is expected to remain at a level similar to that posted in 2016.

The upturn in the US economy and favorable financial conditions will stimulate economic activity and stability. At the same time, the recovery of oil prices will affect the terms of trade, reducing the region's gains in disposable income.

The window of opportunity opened by the region's favorable external conditions will remain relatively stable but its scope will narrow, and thus the countries will have to continue implementing measures at the national and regional levels to:

- Continue lessening fiscal vulnerabilities until public debt is stable.
- Create space to increase the level and effectiveness of public spending at both the national and local levels, so as to enhance the quality of human capital and reap the benefits of the demographic dividend, expand productive infrastructure, and prepare the cities so that the urbanization process helps reduce poverty.
- Take advantage of existing extraregional market access conditions to exploit the region's comparative advantages.
- Make further efforts to develop regional infrastructure that helps realize the benefits of greater sophistication in the export basket and diversification of the energy matrix.

The foregoing must be supported by institutional arrangements that strengthen governability by means of activities to ensure more transparency, better execution, and greater accountability in the use of public resources. This will help achieve the national agreements needed to take forward

the reforms that will drive the region's future development.

## The IDB Group's program in the region

At the start of 2017 the Bank has a portfolio of 124 **public sector** projects with an available balance of US\$4.2 billion. With these projects, the Bank hopes to continue supporting the region in the areas of social inclusion, productivity, innovation, and economic integration. The projects in execution directly support cross-cutting development issues such as institutional capacity building and the rule of law, environmental sustainability, the region's adaptability to climate change, gender equality, and diversity. Disbursements of close to US\$1.8 billion are expected for 2017, as well as new public sector approvals of about US\$1.7 billion.

As regards **private sector** support, the IIC has an active portfolio of 139 projects in the region, including TFFP lines and guarantees. The portfolio's total net approved amount is US\$2.2 billion with a net exposure of US\$1.9 billion. In 2017 the Corporation plans to approve about 26 projects totaling US\$555 million, concentrated in clean energy, agriculture and rural development, and SME support.

The MIF program for 2017 includes operations geared to the development of inclusive cities, which support sustainable urban growth through innovations headed by SMEs, and pilot initiatives to expand access to goods and services and respond to challenges such as climate change and citizen security. The program also includes initiatives related to climate-smart agriculture, with a view to exploring and applying new technologies in the sector, developing new markets, and strengthening agricultural value chains. Finally, it involves

interventions in the area of the knowledge economy to bolster enterprise and innovation, develop a competitive labor force, and foster the growth of high-tech companies.

## Portfolio management for results

In a context of fiscal vulnerabilities, effective portfolio management is a crucial instrument to achieving the greatest benefits and outcomes of Bank financing in the countries of the region. The main challenges facing portfolio execution in 2017 stem from possible fiscal constraints in national budgets, as well as the necessary deepening of a results culture in executing agencies. Such a culture stresses constant planning and risk assessment at the project level to attain the programmed outcomes through efficient use of resources. The Bank will work closely with the liaison bodies in the countries to refine the portfolio requirements and the identified national priorities.

## Expected progress on regional initiatives

- Energy. Investments will be promoted in national endeavors to ensure SIEPAC's 300 megawatt transmission capacity, and support will be provided for regional expansion plans for both generation and transmission. In particular, progress will be made on designing SIEPAC's second circuit, fostering the national and regional regulations needed to nurture long-term energy exchanges. The Bank will also continue to support initiatives allowing for the introduction of natural gas into Mesoamerica over the short to medium term.
- Integration in transport infrastructure and logistics. The Bank will continue to support the region's authorities in completing the Framework Policy's Regional Plan of Priority Investments. Resources will be provided during the year to transform the Pacific Corridor into a logistics corridor, and support will be given to implementation of priority actions in the approved National Logistics Plans, as well as to devising a Mesoamerican Transport Framework and a regional system of logistics platforms.
- Trade facilitation and border management. The Bank will continue to support implementation of the *Central American Trade Facilitation and Competitiveness Strategy* through operations in the areas of border integration, development of the Digital Platform for Central American Trade, and preparation of a Mesoamerican Trade Facilitation Framework.
- Plan of the Alliance for the Prosperity of the Northern Triangle. In 2017, in its role as Technical Secretariat, the IDB is expected to continue collaborating in the implementation of the Plan. The Bank expects to support materialization of private sector backing in the Plan's priority areas, and to continue supporting coordination of interventions among the cooperation partners, interactions with civil society, and accountability under the Plan.

# Annexes

## Annex 1: Main Economic Indicators, 2016

	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Dominican Republic	CA-5	CA-6	CA-8	Northern Triangle
Nominal GDPc (US\$ billion)	1.8	57.7	26.6	68.4	20.9	13.4	55.2	71.4				
Real GDP growth (%)	0.0	4.3	2.4	3.5	3.6	4.5	5.2	5.9	3.7	3.5	3.7	3.2
Population (millions)	0.4	5.0	6.1	16.7	8.2	6.3	4.1	10.1	8.5	7.5	7.1	10.3
Unemployment rate (%)	11.7	8.2	5.3	3.1	4.0	6.9	5.1	5.2	6.1	6.9	6.6	4.7
Inflation (average annual % change)	1.0	0.7	1.0	4.5	3.1	6.2	0.7	2.3	2.5	2.4	2.2	1.9
Current account (% GDP)	-12.4	-4.5	-2.1	-0.5	-5.7	-8.0	-5.5	-2.0	-4.2	-5.1	-5.1	-2.8
Fiscal balance (% GDP)	-4.2	-5.7	-3.5	-1.6	-2.0	-1.7	-2.5	-6.0	-2.9	-3.5	-3.4	-2.4

CA5: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua; CA6 includes Dominican Republic, CA8 includes Belize, Panama and the Dominican Republic, Northern Triangle: Guatemala, Honduras, El Salvador.

Source: International Monetary Fund, *World Economic Outlook*, October 2016.



## Annex 2: Operational Results

(US\$ million)

Approvals	2011		2012		2013		2014		2015		IDB Group	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Sovereign guaranteed (SG) loans	26	1,236	25	2,148	18	1,886	17	1,811	23	2,061	18	1,620
Investment loans	20	710	20	1,216	15	1,291	11	686	17	1,296	15	970
Policy reform loans	6	525	5	932	3	595	6	1,125	6	765	3	650
Non-sovereign guaranteed operations	13	192	11	414	23	639	10	154	26	459	8	154 <sup>1</sup>
Investments/guarantees	11	189	9	399	22	634	7	139	23	441		
Opportunities for the majority	2	3	2	15	1	5	3	15	3	18		
Inter-American Investment Corporation	12	91	22	117	23	204	23	126		146	8	154
Trade Finance Facilitation Program (TFFP) guaranteees <sup>2</sup>	3	19	5	40	5	58	8	101	2	12	18	35
MIF	16	12	20	21	29	22	20	20	26	25	21	15
Special Operations <sup>3</sup>	2	102	5	212	4	287	3	4	143	69		
Non-reimbursable operations	90	92	111	54	104	50	113	95	143	69	104	65
Investment grants	7	51	4	16	3	3	5	45	6	18	6	19
Technical cooperation	83	41	107	38	101	48	108	50	137	51	98	46
Disbursements, sovereign guaranteed loans		1,422		1,151		1,809		1,381		1,983		1,455
Repayments		478		472		664		889		817		576
Net flows		944		679		1,145		492		1,166		879

<sup>1</sup> In 2016 the IDB Group's private sector windows were consolidated through the Inter-American Investment Corporation, which began operations as a new entity.

<sup>2</sup> For 2016, in addition to guaranteees, loans under the TFFP Program are also included.

<sup>3</sup> Includes contingent lines for natural disasters, credit lines for development sustainability, and grants/co-financing.

### Annex 3: History of Approvals

(US\$, number of operations in parenthesis)

#### BELIZE

	2011	2012	2013	2014	2015	2016
Investment loans	10,000,000 (1)			37,000,000 (2)	15,000,000 (1)	10,000,000 (1)
Investment grants	750,000 (1)			450,000 (1)		
Multilateral Investment Fund		748,976 (1)	730,000 (1)	375,000 (1)	1,458,941 (2)	
Technical cooperation	1,640,000 (3)	222,754 (2)	847,154 (4)	3,647,042 (10)	3,142,955 (8)	1,464,059 (5)
Social entrepreneurship program		982,000 (1)				
<b>Total</b>	<b>12,389,995 (5)</b>	<b>1,953,726 (4)</b>	<b>1,577,149 (5)</b>	<b>41,472,028 (14)</b>	<b>19,601,885 (11)</b>	<b>11,464,053 (6)</b>

#### COSTA RICA

	2011	2012	2013	2014	2015	2016
Investment loans	132,441,110 (1)	452,000,000 (3)	450,000,000 (1)		300,000,000	
Contingent loan for emergencies caused by natural disasters		100,000,000 (1)				
Technical cooperation	5,038,906 (12)	3,927,021 (11)	570,416 (7)	4,459,146 (13)	4,049,138 (12)	1,449,343 (7)
Private sector loans/guarantees		248,000,000 (3)	165,500,000 (5)	55,000,000 (3)	77,200,000 (4)	36,875,000 (3)
TFFP		10,000,000 (1)			10,000,000 (1)	7,900,000 (2)
Investment grants		2,000,000 (1)			1,481,548 (1)	
Multilateral Investment Fund	995,000 (1)		2,254,808 (2)		1,950,000 (3)	1,900,000 (3)
Social entrepreneurship program	2,010,000 (2)	1,228,000 (1)		975,000 (1)		
Opportunities for the majority				5,000,000 -1	10,000,000 -1	
<b>Total</b>	<b>140,485,000 16</b>	<b>817,155,000 21</b>	<b>618,325,209 15</b>	<b>65,434,128 18</b>	<b>404,680,664 22</b>	<b>48,124,328 15</b>

## EL SALVADOR

	2011	2012	2013	2014	2015	2016
Investment loans	160,000,000 (5)	95,000,000 (3)	140,000,000 (2)	140,000,000 (2)	200,000,000 (2)	30,000,000 (1)
Policy reform loans	100,000,000 (1)	200,000,000 (1)				
Development sustainability credit line			100,000,000 (1)			
Technical cooperation	2,931,483 (11)	6,198,858 (18)	3,538,270 (11)	1,279,752 (5)	2,006,071 (8)	2,283,222 (10)
Private sector loans/guarantees		8,000,000 (1)	115,000,000 (3)		167,700,000 (2)	511,800 (2)
TFFP	1,000,000 (1)				2,000,000 (1)	24,000,000
Investment grants	6,500,000 (1)			3,944,645 (1)		
Multilateral Investment Fund	545,000 (1)	3,749,364 (6)	2,438,577 (3)	1,500,000 (1)	4,949,855 (4)	104,000
Social entrepreneurship program	-				2,250,000 (2)	
Opportunities for the majority	3,100,000 (2)		5,000,000 (1)	5,000,000 (1)		
<b>Total</b>	<b>274,076,461</b> <b>(22)</b>	<b>312,948,193</b> <b>(29)</b>	<b>365,976,826</b> <b>(21)</b>	<b>151,724,387</b> <b>(10)</b>	<b>378,905,907</b> <b>(19)</b>	<b>56,899,009</b> <b>(13)</b>

## GUATEMALA

	2011	2012	2013	2014	2015	2016
Investment loans		3,200,000 (1)		55,000,000 (1)	150,000,000 (1)	60,000,000 (1)
Policy reform loans		234,000,000 (1)		250,000,000 (1)		250,000,000 (1)
Technical cooperation	4,968,567 (14)	3,736,227 (13)	6,631,713 (11)	2,665,225 (8)	4,882,272 (13)	1,886,545 (6)
Private sector loans/guarantees	50,250,329 (2)	5,000,000 (1)	196,000,000 (5)		80,000,000 (4)	
TFFP	3,000,000 (1)					100,000,000 (3)
Investment grants	7,773,333 (1)				6,933,333 (1)	
Multilateral Investment Fund	482,000 (1)	4,870,494 (2)	3,779,457 (3)	3,863,069 (6)		3,127,000 (4)
Social entrepreneurship program	2,250,000 (2)	950,000 (1)	1,725,000 (2)	815,000 (1)		
Opportunities for the majority					3,000,000 (1)	
<b>Total</b>	<b>68,724,208</b> <b>(21)</b>	<b>251,756,702</b> <b>(19)</b>	<b>208,136,149</b> <b>(21)</b>	<b>312,343,277</b> <b>(17)</b>	<b>244,815,585</b> <b>(20)</b>	<b>415,013,530</b> <b>(15)</b>

## HONDURAS

	2011	2012	2013	2014	2015	2016
Investment loans	62,000,000 (2)	182,000,000 (4)	190,130,000 (4)	109,870,000 (1)	70,000,000 (3)	170,000,000 (4)
Policy reform loans	80,000,000 (2)			130,000,000 (1)	100,000,000 (2)	
Contingent loan for emergencies caused by natural disasters	100,000,000 (1)					
Technical cooperation	7,352,500 (14)	4,083,011 (10)	4,454,955 (10)	6,354,738 (14)	7,585,264 (21)	4,095,875 (10)
Private sector loans/guarantees	30,000,000 (2)		85,000,000 (5)	33,500,000 (5)	81,449,826 (9)	12,000,000 (1)
TFFP	15,000,000 (1)	2,000,000 (1)	9,000,000 (2)			38,700,000 (6)
Investment grants	25,000,000 (1)	6,000,000 (1)	2,435,000 (1)	5,250,000 (1)	525,000 (1)	2,200,000 (3)
Multilateral Investment Fund	445,000 (1)		2,479,620 (3)	3,940,528 (4)	7,350,000 (3)	2,898,000 (3)
Social entrepreneurship program	740,000 (1)		1,000,000 (1)	1,495,000 (2)	1,250,000 (1)	320,000 (1)
<b>Total</b>	<b>320,537,475</b> <b>(25)</b>	<b>194,082,995</b> <b>(16)</b>	<b>294,499,549</b> <b>(26)</b>	<b>290,410,238</b> <b>(28)</b>	<b>268,160,050</b> <b>(40)</b>	<b>230,213,847</b> <b>(28)</b>

## NICARAGUA

	2011	2012	2013	2014	2015	2016
Investment loans	62,000,000 (3)	190,400,000 (5)	146,500,000 (3)	146,500,000 (2)	235,700,000 (4)	208,370,000 (3)
Policy reform loans	45,000,000 (1)	45,000,000 (1)	45,000,000 (1)	45,000,000 (1)	65,000,000 (1)	
Contingent loan for emergencies caused by natural disasters			186,000,000 (1)			
Technical cooperation	2,988,227 (12)	4,346,801 (15)	12,345,503 (17)	3,552,811 (10)	4,456,724 (13)	9,387,384 (13)
Private sector loans/guarantees			45,000,000 (2)	16,034,824 (2)		
TFFP						14,600,000 (4)
Investment grants	8,663,508 (2)	327,500 (1)		35,032,041 (2)		17,000,000 (3)
Multilateral Investment Fund	2,888,538 (4)	2,154,556 (2)	1,245,816 (2)	1,344,030 (2)	1,257,951 (2)	5,156,000 (5)
Social entrepreneurship program		1,212,000 (1)		1,871,000 (3)		
Opportunities for the majority		15,000,000 -2				
<b>Total</b>	<b>121,540,251</b> <b>(22)</b>	<b>258,440,830</b> <b>(27)</b>	<b>436,091,293</b> <b>(26)</b>	<b>249,334,684</b> <b>(22)</b>	<b>306,414,655</b> <b>(20)</b>	<b>(28)</b>



## PANAMA

	2011	2012	2013	2014	2015	2016
Investment loans	120,000,000 (3)	70,000,000 (1)	54,000,000 (1)	20,000,000 (1)	300,000,000 (3)	202,000,000 (3)
Policy reform loans	100,000,000 (1)	450,000,000 (2)	200,000,000 (1)	300,000,000 (1)	300,000,000 (2)	400,000,000 (2)
Contingent loan for emergencies caused by natural disasters		100,000,000 (1)				
Technical cooperation	5,479,000 (6)	2,870,887 (10)	5,029,116 (12)	1,850,009 (9)	1,884,161 (9)	4,083,349 (10)
Private sector loans/guarantees	8,170,607 (4)	8,000,000 (3)	27,500,000 (2)	75,000,000 (1)	21,950,000 (3)	105,000,000 (2)
TFFP		23,000,000 (1)	1,000,000 (1)			14,100,000 (3)
Investment grants	2,000,000 (1)	7,500,000 (1)			2,043,088 (1)	
Multilateral Investment Fund			2,709,380 (3)	2,063,000 (2)	391,080 (1)	739,000 (2)
Social entrepreneurship program	730,000 -1					
<b>Total</b>	<b>236,379,591</b> <b>(16)</b>	<b>661,370,868</b> <b>(19)</b>	<b>290,238,476</b> <b>(20)</b>	<b>398,912,995</b> <b>(14)</b>	<b>626,268,310</b> <b>(19)</b>	<b>725,922,327</b> <b>(22)</b>

## DOMINICAN REPUBLIC

	2011	2012	2013	2014	2015	2016
Investment loans	164,000,000 (5)	227,000,000 (4)	311,000,000 (4)	178,000,000 (2)	25,000,000 (1)	290,000,000 (2)
Policy reform loans	200,000,000 (1)		350,000,000 (1)	400,000,000 (2)	300,000,000 (1)	
Contingent loan for emergencies caused by natural disasters	-					300,000,000 (1)
Technical cooperation	2,224,405 (7)	3,714,589 (12)	1,618,097 (8)	4,126,273 (9)	1,536,726 (6)	2,237,060 (8)
Private sector loans/guarantees	100,800,000 (3)	130,000,000 (1)		50,000,000 (2)	5,000,000 (1)	
TFFP		5,000,000 (1)				70,000,000 (1)
Multilateral Investment Fund	926,136 (2)	4,911,057 (5)	2,643,304 (3)	1,138,383 (3)	1,204,500 (2)	1,490,000 (2)
Social entrepreneurship program			685,000 (1)			
<b>Total</b>	<b>467,950,525</b> <b>18</b>	<b>370,625,628</b> <b>23</b>	<b>665,261,388</b> <b>17</b>	<b>633,264,641</b> <b>18</b>	<b>332,741,217</b> <b>11</b>	<b>663,727,046</b> <b>14</b>







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