

July 6, 2017

Mr. Guillermo E. Rishchynski
IDB Executive Director for Canada

Dear Mr. Rishchynski,

Subject: Inter-American Development Bank's Management Response to MOPAN's 2014-2016 Institutional Assessment Report

We would like to thank the MOPAN Secretariat and its members for conducting the institutional assessment of the IDB covering the 2014-mid 2016 period, as well as your Chair for your leadership throughout this exercise.

We are pleased to learn that our recent institutional and financial reforms (i.e. creation of the new Inter-American Investment Corporation and the Climate Change and Sustainable Development Department, and financial measures to improve our capital position and liquidity in the context of the G20 Action Plan for Balance Sheet Optimization) are seen in a positive light and appreciate MOPAN's recognition of the IDB's "*genuine and sustained corporate commitment to achieving results and improving development effectiveness*". We are also pleased to see MOPAN's recognition of our role as a leading mobilizer of external resources in the Region.

Together, these findings confirm our own view that these efforts—which are in line with the IDB Group's Update to the Institutional Strategy and the 2030 Sustainable Development Agenda—are also on the right path as far as maintaining our strategic relevance in the Region and supporting our member countries in meeting their unique development needs.

We would also like to acknowledge the areas for improvement highlighted throughout the report and to take this opportunity to discuss some actions we are currently taking in this direction.

Mainstreaming Cross-Cutting Issues

The Bank agrees with MOPAN that while the IDB has made considerable progress on integrating strategic cross-cutting issues into operations, there is still work to be done.

Within this context, in the area of gender equality, the Bank is in the process of preparing a new Gender Action Plan covering 2017-2019 with an eye toward fostering further progress and improvements in this area. This action plan is informed by the recently-completed *Three-Year Progress Report on the Implementation of the Operation Policy for Gender and Equality in Development and the Gender Action Plan for Operations 2014-2016*.

The report, informed by an external assessment by the International Center for Research on Women (a leading think tank on gender equality issues), provides the latest information on progress, factors contributing to and inhibiting further progress, and recommendations for advancing the implementation of the Gender Policy moving forward.

Resource Management

The Bank agrees with MOPAN that although our institution is fit-for-purpose, there are elements of our operating model that warrant additional attention. In this regard, Management has begun work to determine a more strategic and effective budgeting methodology, a multi-year framework in line with the principles of Results-Based Budgeting, and improving the effectiveness of our cost-management framework, both of which have been in place since 2011. This work also aims to continue identifying areas where administrative cost efficiencies may be realized and opportunities where costs may be avoided.

In addition, the Bank agrees with MOPAN's identification of the risks associated with the current staffing model, which caps the number of regular staff positions funded from the Administrative Budget, and which has been associated with an increased reliance on consultants. Management and the Board of Directors have established a dialogue to find more effective ways of managing the mix of labor modalities to reduce the risks associated with the cap, while ensuring cost control and the long-term financial sustainability of the Bank. This dialogue is aligned with the further strengthening of the Bank's budget framework and the completion of the implementation of the Bank's systems for managing the budget process and our labor force.

Effectively Responding to the Needs and Priorities of Target Groups

While taking note of MOPAN's assessment in this area, Management would like to highlight that both guidelines for the Development Effectiveness Matrix (DEM) and the Project Completion Report (PCR) include criteria to ensure the thorough analysis of target group needs during project design. In addition, they provide accountability regarding the extent to which those needs were actually met upon project completion.

More specifically, the DEM guidelines stipulate that *"the diagnosis of an IDB project should identify and characterize with empirical data the development problems that motivate the project and define the intended beneficiaries"*, and the DEM validation process requires that *"once the key development problems that the project aims to address are specified, the diagnosis should identify who will benefit from the project, be it individuals, households, firms, users or the overall population. When data is available, the project should measure the outcome gap for the country and for the intended beneficiaries. Given that most of the development challenges addressed by IDB projects affect large groups and most interventions are not intended to benefit all of them, it is important to define who will benefit and how this will contribute towards solving the broad problems."*

As for the PCR, the core PCR criterion of relevance refers to *"the consistency of the project's objectives with beneficiary needs, the country's development or policy priorities and strategy, and the Bank's assistance strategy and corporate goals"*.

Use of Performance Information

The Bank would also like to recognize that as indicated by MOPAN, this is an area where challenges exist and additional work is warranted.

In this vein, Management is currently working on the development of a new and consolidated "Corporate Dashboard" under the umbrella of a Business Intelligence Capital Project, which will integrate several operational dashboards currently in place. The scope of the project comprises budgeting, financial, and human resources information. Metrics are being developed based on a strategic approach to provide meaningful and relevant information at all levels of decision-making, from Senior Management (i.e. strategic views of the Bank's portfolio) to team members (i.e. operational views of the portfolio).

Finally, Management would also like to note that these efforts further complement the regular production of the Quarterly and Annual Business Reviews, Monthly Operational Reports, and soon, the publication of an enhanced Development Effectiveness Overview (DEO) 2016 (forthcoming in July 2017), seeking to provide the Board with a more strategic outlook of the IDBG's progress along each of the strategic priority areas of the UIS, with an eye toward honing the institution's strategic focus going forward.

Sincerely,



Luis Miguel Castilla Rubio
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Office of Strategic Planning and Development Effectiveness

Cc: Ms. Katzman, Executive Vice-President, IDB
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