

PERFORMANCE AT A GLANCE

Inter-American Development Bank (IDB)

JULY 2023



ABOUT THE INTER-AMERICAN DEVELOPMENT BANK

Established in 1959, the Inter-American Development Bank (IDB) is the main source of multilateral financing in Latin America and the Caribbean, with a mandate to accelerate economic development, social development, and regional integration. The wider IDB Group consists of: (i) the Bank; (ii) IDB Invest, a legally separate entity responsible for lending to the private sector; and (iii) IDB Lab, a trust fund administered by the Bank, which finances private projects designed to boost innovation and entrepreneurship in the region. Specific areas of organisational performance for IDB Invest, including cross-cutting issues and results management, are the focus of a separate MOPAN assessment.

The IDB has 48 member countries, of which 26 are borrowing member countries from the region and 22 are non-borrowing member countries. Member countries provide capital and benefit from proportional voting representation in the Bank's Board of Governors. The IDB has around 2 000 staff based in offices in Washington, DC (headquarters), in each of its 26 borrowing member countries (country offices), and in Japan and Spain (regional outreach/liaison offices).

This third MOPAN assessment took place at a time of significant change for the IDB both internally and externally.

- A new President assumed office in October 2020, taking over from the incumbent who led the Bank for the last 15 years. The leadership of the Bank subsequently changed again in November 2022. These events have coincided with a renewal of the senior management team and IDB's institutional strategy.
- Concomitant with the assessment, the Bank was engaged with its member countries in discussion regarding the follow-up to the Barranquilla agenda, including a review of the Bank's value proposition, which showed progress at the Bank's annual meetings in March 2022. A renewed forward-looking vision for the IDB Group will be discussed at the in March 2023.
- The period immediately before the assessment was dominated by the COVID-19 emergency and the Bank's response, which involved a major effort to reorient resources towards countries' immediate needs and a successful adaptation of the Bank's internal processes and ways of working to ensure the continuity of service delivery for partners.

KEY FINDINGS

Overall, the assessment finds that the IDB demonstrates an overall satisfactory organisational performance; however, it faces a challenge in demonstrating the development results of its operations. The IDB's performance is relatively lower in terms of performance management relative to other areas of organisational performance.

The IDB generally performed well against MOPAN's indicators for strategic management capability. It has an updated Institutional Strategy that articulated consistent strategic objectives and cross-cutting priorities over the years, though the elaboration of the Bank's comparative advantage has been less clear. The IDB's structure is well-aligned with its

objectives and cross-cutting priorities, and it is recognised regionally for its strong financial framework. The Bank has continued to invest in its approach to addressing its cross-cutting priorities. However, further work is required, including in ensuring consistent disaggregation of indicators in the Corporate Scorecard (CRF). Efforts in gender equality and climate change/environmental sustainability are relatively more advanced, while those in institutional capacity and rule of law and, to a lesser extent, diversity, are less so. Other areas where further management attention may be merited are mechanisms to facilitate multi-sectoral working and the interface governing relationships between the IDB and IDB Invest.

The IDB scored consistently well for operational management, reflecting the strength of its systems and processes in this area. The Bank's human and financial resource management systems are strongly results-oriented, and stakeholders widely recognise the IDB as an organisation that mobilises external knowledge and financial resources through strategic partnerships. As a member-owned institution, the Bank must manage the tension between pursuing the strategic development objectives agreed by all members and aligning its support to the priorities of its borrowing members. The evidence suggested that the Bank strikes a reasonable balance in this regard. The IDB has well-established internal control mechanisms to manage integrity risks including fraud, corruption and other risks associated with Bank-provided resources.

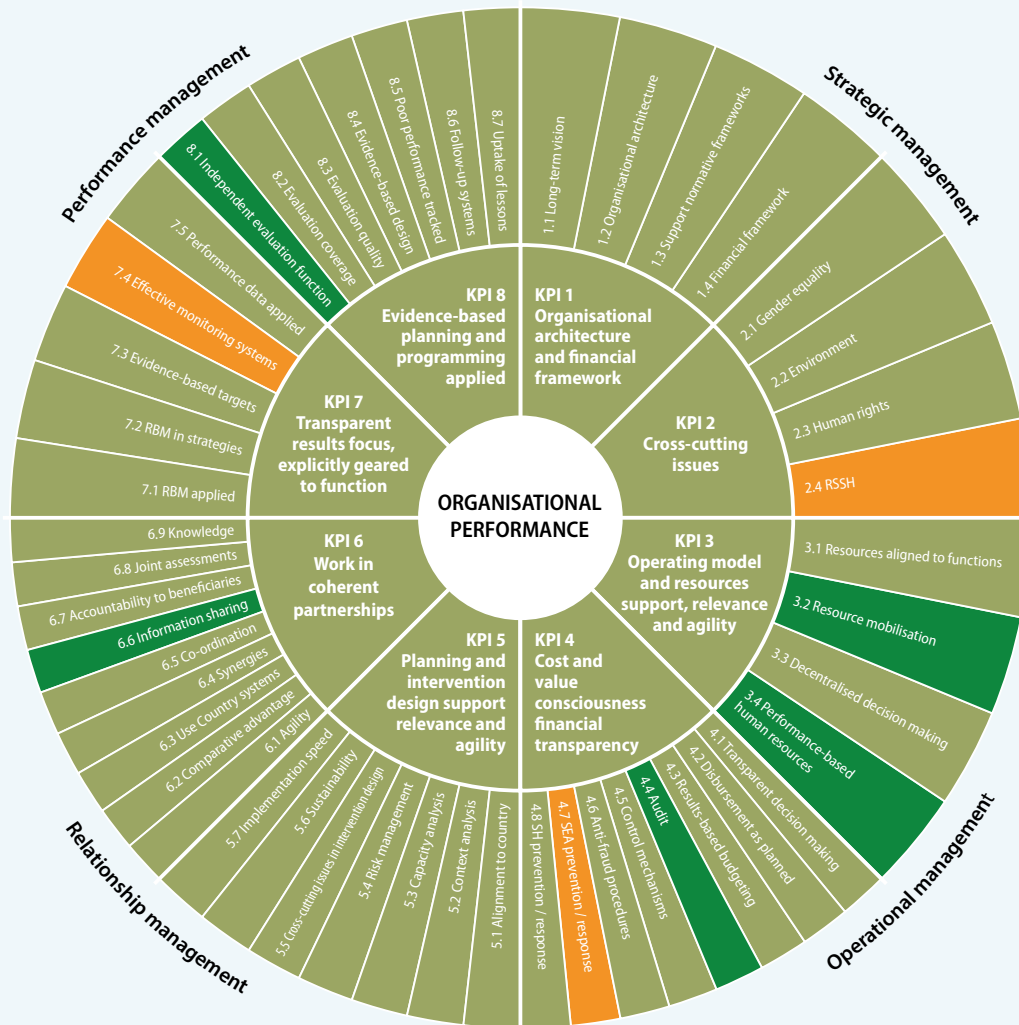
Notwithstanding the IDB's generally strong performance in operational management, the Bank faces a few important risks and challenges that require further attention. There remains scope to improve how compliance with safeguards is managed and to strengthen its approach to defining and reporting risks relating to sexual exploitation and abuse. The assessment, however, notes that the IDB's new Environmental and Social Policy Framework (ESPF), which supersedes its former safeguards policies, is a positive development in this direction. The Bank could also improve controls around changes in the scope of ongoing projects, to promote flexibility without undermining development logic.

The IDB demonstrates strong capabilities with respect to relationship management and is committed to working in effective partnerships with both its borrowing member countries and external strategic partners. The IDB is a trusted partner, underpinned by its regional expertise and footprint, the broad range of financial and non-financial services that the Bank offers, and the strong technical expertise that it makes available to its partners.

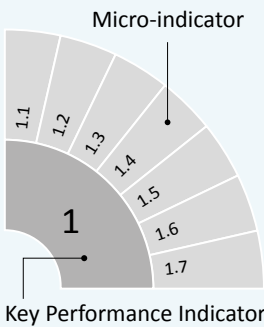
Against a background of generally strong performance in relationship management, the Bank faces a few issues that warrant consideration. Co-ordination with IDB Invest – a key partner for the IDB – remains a work in progress with attention required to align interests given different organisational cultures and scales of resourcing and to improve mutual knowledge about each other's organisation. The newly approved ESPF establishes clear guidelines for borrowers for protecting people and the environment in the context of IDB-financed projects. But the IDB does not have an explicit corporate policy statement that establishes its responsibility to protect and respond to those affected by IDB projects. There are opportunities to enhance the IDB's methods for measuring the use of its knowledge products for decision making. And the IDB could strengthen its reporting regarding the timely performance of its operations.

Performance management in the IDB is satisfactory overall, but the IDB scored relatively lower in this capability. The Bank continues to be strongly committed to results-based management approaches, and systems for identifying, managing and accounting for the performance of the IDB's operations are also generally well-developed. These systems are significantly augmented by the existence of a strongly independent evaluation function that contributes high-quality, credible outputs and a robust system to track action in response to evaluation recommendations. Nevertheless, the Bank faces several important, related challenges that limit its capacity to manage and report performance effectively. These include weaknesses in the quality and scope of data generated by intervention-level monitoring and evaluation, the extent of data disaggregation, changes in project objectives during execution not reflected in results matrices, and unsystematic processes to promote the uptake of lessons from its Office of Evaluation and Oversight and IDB evaluations and their application to new interventions. The Bank is broadening the scope of its monitoring and evaluation instruments in response to these challenges.

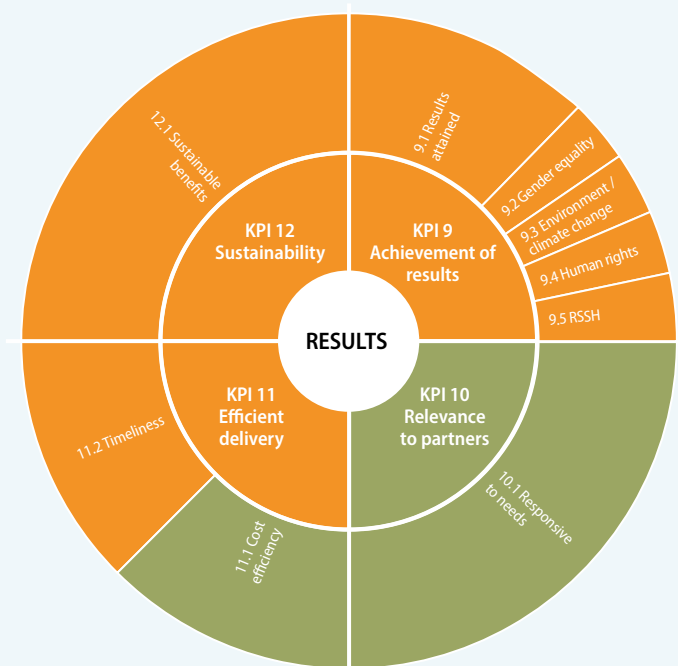
FIGURE 1: IDB PERFORMANCE RATING SUMMARY



How to read these charts



- **Highly satisfactory** (3.51-4.00)
- **Satisfactory** (2.51-3.50)
- **Unsatisfactory** (1.51-2.50)
- **Highly unsatisfactory** (0-1.50)
- **No evidence / Not applicable**



The available evidence for the Results section of the assessment framework points to the generally strong relevance of Bank operations in partner countries and also suggests that the Bank has continued to increase the cost-efficiency of its operations, though there remains scope for improvement. Implementation timeliness appears to be an efficiency challenge for the Bank's operations. The IDB is widely recognised in the region for its attention to cross-cutting issues; however, it faces a significant challenge in demonstrating its overall development results, stemming from limitations in intervention-level monitoring tools, as mentioned above, and the lack of mechanisms to evaluate sectoral and cross-cutting results.

The ratings for each of the five performance areas of the framework, comprising their respective key performance indicators (KPIs) and micro-indicators, are summarised in the figure below. A legend to aid the interpretation of scores is also provided.

Main strengths and areas for improvement identified in the MOPAN 2021 assessment

MAIN STRENGTHS

- Relationship management is a key strength for the IDB. It works collaboratively, adaptively and transparently with country partners based on a deep understanding of local conditions and a commitment to use and strengthen partners' own systems.
- The IDB also leverages these relationships and its organisational agility to mobilise financial and knowledge resources for the region through the use of strategic partnerships.
- The IDB's operating model and systems are well-established and robust. Together they ensure human and financial resources are aligned and managed in support of the Bank's strategic objectives.
- The IDB's commitment to its cross-cutting priorities is notable; the systems developed to promote gender equality and climate change/environmental sustainability represent a strength relative to the maturity of the IDB's approach to diversity and to institutional capacity and rule of law.

AREAS FOR IMPROVEMENT

- Weaknesses in intervention-level monitoring and evaluation represent an ongoing and significant challenge for the IDB's performance management capacity. Problems arise from both poor-quality monitoring and evaluation (M&E) design and disincentives to revise project objectives when support changes.
- In addition, the IDB faces challenges in demonstrating the achievement of intended results. This stems in part from the above M&E weaknesses but also from the limited information provided on development results by project monitoring reports and the corporate results framework. No routine, systematic analysis of development results is conducted for sectors or cross-cutting issues.
- While the IDB has taken steps recently to strengthen its approach to safeguarding, there remains scope to improve both how compliance with safeguards is managed and its approach to defining and reporting risks relating to sexual exploitation and abuse.
- The uptake of lessons from OVE and IDB evaluations and their application to new interventions is not yet fully systematised. Inter-American Development Bank Group Management has a number of relevant initiatives underway to strengthen this.

ABOUT THE ASSESSMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

This report provides a diagnostic assessment and snapshot of the Inter-American Development Bank (IDB) and tells the story of the IDB's performance, within its mandate. It is MOPAN's third assessment of the Inter-American Development Bank, following those completed in 2011 and 2015-16. Building on the previous assessments, this assessment covers the period from 2017 to 2021. Following the completion of the assessment, IDB underwent a change in leadership, which is reflected in this report, but not discussed in detail.

The assessment of the IDB was conducted through a rigorous process and took a collaborative approach, integrating the perspectives of a wide range of stakeholders. This collaborative approach provides multilateral organisations and Network members with a robust source of evidence-based guidance on the areas for improvement to achieve enhanced organisational performance. This assessment is accompanied by a separate assessment of IDB Invest for specific key performance indicators, providing a "whole of institution" perspective of the IDB Group.

The assessment draws on multiple lines of evidence (documentary, survey and interviews) from sources within and outside the IDB to validate and triangulate findings across 16 key performance indicators which are broken down into more than 220 individual indicators. The standard assessment framework has been developed based on international best practice and further customised taking into account the specific mandate and priorities of the IDB. Moreover, the assessment framework has also been revisited to capture the COVID-19 impact on the IDB's mandate and operations, as well as to gauge to what extent the IDB has been able to adapt and leverage its internal processes responding to COVID-19 in an agile manner.

Implementation of the assessment was guided by a set of operating principles (Box 1). MOPAN's Methodology Manual describes in detail how these principles are realised.

THE ASSESSMENT APPROACH

The approach to MOPAN assessments has evolved over time to adjust to the needs of the multilateral system. The MOPAN 3.1 methodology, applied in this assessment, is the latest iteration.

Starting in 2020, all assessments have used the MOPAN 3.1 methodology, which was endorsed by MOPAN members in early 2020. The framework draws on international standards and reference points, as described in the MOPAN Methodology Manual¹. The approach differs from the previous methodology, 3.0 (used in assessments since 2015), in the following ways of relevance to this assessment:

- Integration of the 2030 Sustainable Development Agenda into the framework.
- A reshaped relationship management performance area, with updated and clearer Key Performance Indicator (KPI) 5, which better reflects coherence. KPI 5 focuses on how partnerships operate on the ground in support of partner countries.
- A change to how ratings (and their corresponding colours) are applied, based on scores defined for indicators. Compared to the previous cycles conducted under MOPAN 3.0, the threshold for a rating has been raised to reflect the increasing demands for organisational performance in the multilateral system. The underlying scores and approach to scoring are unaffected. This approach was already implemented in MOPAN 3.0* (2019 cycle).

1. MOPAN 3.1 Methodology Manual, 2020 Assessment Cycle, http://www.mopanonline.org/ourwork/themopanapproach/MOPAN_3.1_Methodology.pdf

In applying the MOPAN Framework, COVID-19 is also considered from three perspectives:

- how the organisation has leveraged its internal processes to respond to COVID-19 in an agile and flexible way
- the extent to which risk management frameworks contributed to a multilateral organisation's preparedness to respond to the crisis
- how COVID-19 has been reflected in the organisation's strategies, operations and results targets.

The MOPAN Framework was adapted for Multilateral Development Banks (MDBs) during the 2021 assessment cycle. This adaptation was implemented to reflect the unique business model of MDBs. The broad performance areas of the MOPAN Framework (strategic, operational, relationship, performance management and results) were maintained, but the elements underneath the KPIs and micro-indicators (MIs) were adapted.

The broad performance areas of the MOPAN Framework (strategic, operational, relationship, performance management and results) were maintained, but the elements underneath the KPIs and micro-indicators (MIs) were adapted. The main adaptations arose from the nature of multilateral organisations that differs from that of private sector operations. One of the most important issues is that International Financial Institutions (IFIs) work mainly with private sector companies rather than governments, and private sector operations are expected to earn a positive financial return. Investors – and the IFIs working with them – also take on substantial investment risks if a project underperforms, and the financial performance of the portfolio and the institution is thus also typically of greater importance than for public sector multilateral development banks. Hence, for example, the performance area of relationship management had to be adapted to consider the different types of partnerships developed by private sector-oriented institutions (KPI 5).

ABOUT MOPAN

The Multilateral Organisation Performance Assessment Network (MOPAN) comprises 22 members² sharing a common interest in assessing the performance of the major multilateral organisations they fund.

Through its assessments and analytical work, MOPAN provides comprehensive, independent, and credible information on the effectiveness of multilateral organisations. This knowledge base contributes to organisational learning within and among the multilateral organisations, their direct beneficiaries and partners, and other stakeholders. MOPAN's work also helps its network members meet their own accountability needs and inform their policies and strategic decision-making about the wider multilateral system.

2. Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Qatar, Spain, Sweden, Switzerland, United Kingdom, United States. Türkiye and New Zealand are observers. MOPAN also collaborates closely with the European Union.