

MOPAN ASSESSMENT REPORT

Inter-American Development Bank (IDB)

PART I
Analysis Summary



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MOPAN ASSESSMENT REPORT
2021-22

Inter-American Development Bank (IDB)

PART I
Analysis Summary

EXPLANATORY NOTE

MOPAN is the only collective action mechanism that meets member countries' information needs regarding the performance of multilateral organisations (MOs). Through its institutional assessment reports, MOPAN provides comprehensive, independent, and credible performance information to inform members' engagement and accountability mechanisms.

MOPAN's assessment reports tell the story of the multilateral organisation (MO) and its performance. Through detailing the major findings and conclusions of the assessment, alongside the MO's performance journey, strengths, and areas for improvement, the reports support members' decision-making regarding MOs and the wider multilateral system.

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PREFACE

ABOUT MOPAN

The Multilateral Organisation Performance Assessment Network (MOPAN) comprises 21 members* that share 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, on the one hand, contributes to organisational learning within and among the multilateral organisations, their direct beneficiaries and partners, and other stakeholders. On the other hand, MOPAN’s work helps Network members meet their own accountability needs and inform their policies and strategic decision making regarding the wider multilateral system.

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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.

Box 1: Operating principles

MOPAN will generate credible, fair and accurate assessments by:

- **implementing** an impartial, systematic and rigorous approach;
- **balancing breadth with depth**, adopting an appropriate balance between coverage and depth of information;
- **prioritising** quality of information over quantity;
- **adopting a systematic approach**, including the use of structured tools for enquiry/analysis;
- **providing transparency**, generating an "audit trail" of findings;
- **being efficient**, building layers of data, seeking to reduce burdens on organisations;
- **ensuring utility**, building organisational learning through an iterative process and accessible reporting;
- **being incisive**, through a focused methodology, which provides concise reporting to tell the story of an organisation's current performance.

Source: MOPAN 3.1 Methodology Manual, www.mopanonline.org/ourwork/themopanapproach/MOPAN_3.1_Methodology.pdf

The assessment report is composed of two parts. **Part I: Analysis Summary** is divided into three chapters. Chapter 1 introduces the IDB and its context. Chapter 2 presents a high-level overview of key findings. Chapter 3 takes a detailed look at the findings, and Chapter 4 provides information about the assessment methodology and its process.

The performance of IDB is scored against each performance area of the MOPAN Framework. The underlying analysis of each score, the list of supporting evidence documents, as well as the summarised results of the external partner survey conducted by MOPAN that fed into this assessment are available in **Part II: Technical and Statistical Annex**.

ACKNOWLEDGEMENTS

The MOPAN assessment of the Inter-American Development Bank (IDB) was conducted under the overall strategic guidance of Suzanne Steensen, Head of the MOPAN Secretariat. It was prepared under the responsibility of Erika MacLaughlin, Samer Hachem and Mitch Levine, who led the assessment process, with support from Cara Yakush, Camille Hewitt and Anastasiya Sindukova for the finalisation of the report.

MOPAN is very grateful to Olivier Fankhauser and Darren Rogers from Canada for championing this assessment of the IDB on behalf of the MOPAN membership.

The assessment was conducted in co-operation with IOD PARC. Simon Henderson led the assessment and is the principal author of the report. A team comprised of Judith Friedman, Kaia Ambrose and Josh Fuchs supported the assessment and contributed to the final report. The report also benefited from a peer review by Matthew Crump (Director, IOD PARC) and an external review by Walter Kolkma (ex-Director, Independent Evaluation, Asian Development Bank).

The external partner survey was administered by Cristina Serra-Vallejo from the MOPAN Secretariat, who also supported the implementation and finalisation of the survey.

The report was edited by Jill Gaston, and Baseline Arts Ltd provided the layout and graphic design.

MOPAN is grateful to the IDB and, in particular, Executive Vice-President Reina Mejia for the support given to this assessment and the collaborative approach adopted from the outset. MOPAN would also like to convey appreciation to Francisco Jose Joel Castro y Ortiz and Andrea Schirokauer who internally co-ordinated the process and the substantive review of the final draft report.

This assessment would not have been possible without the close engagement and valuable contributions of many senior officials and technical staff from the IDB and from representatives of development partners and government partners who participated in in-depth interviews and the survey.

Finally, MOPAN is grateful to all Steering Committee representatives for supporting the assessment of the IDB, as well as to its member countries for their financial contributions, making the report possible.

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ABBREVIATIONS AND ACRONYMS

CCAP	Climate Change Action Plan	LAC	Latin America and the Caribbean
COVID-19	Novel Coronavirus Disease 2019	M&E	Monitoring and evaluation
CPE	Country Program Evaluation	MDB	Multilateral Development Bank
CRF	Corporate Results Framework	MI	Micro-Indicator
DAP	Diversity Action Plan	MIF	Multilateral Investment Fund
ESPF	Environmental and Social Policy Framework	MOPAN	Multilateral Organisation Performance Assessment Network
GAP	Gender Action Plan	OVE	Office of Evaluation and Oversight
GDP	Gross Domestic Product	PMR	Project Monitoring Report
HR	Human Resources	PSG	Project-specific Grant
ICPR	Independent Country Program Review	SDG	Sustainable Development Goal
IDB	Inter-American Development Bank	SEA	Sexual Exploitation and Abuse
IDBG	Inter-American Development Bank Group	SG	Sovereign-Guaranteed
IFD	Institutions for Development Sector	USD	United States Dollar
IOD PARC	International Organisation Development Ltd		
KPI	Key Performance Indicator		

**INTER-AMERICAN
DEVELOPMENT BANK**
PERFORMANCE AT A GLANCE



INTER-AMERICAN DEVELOPMENT BANK: PERFORMANCE AT A GLANCE

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.

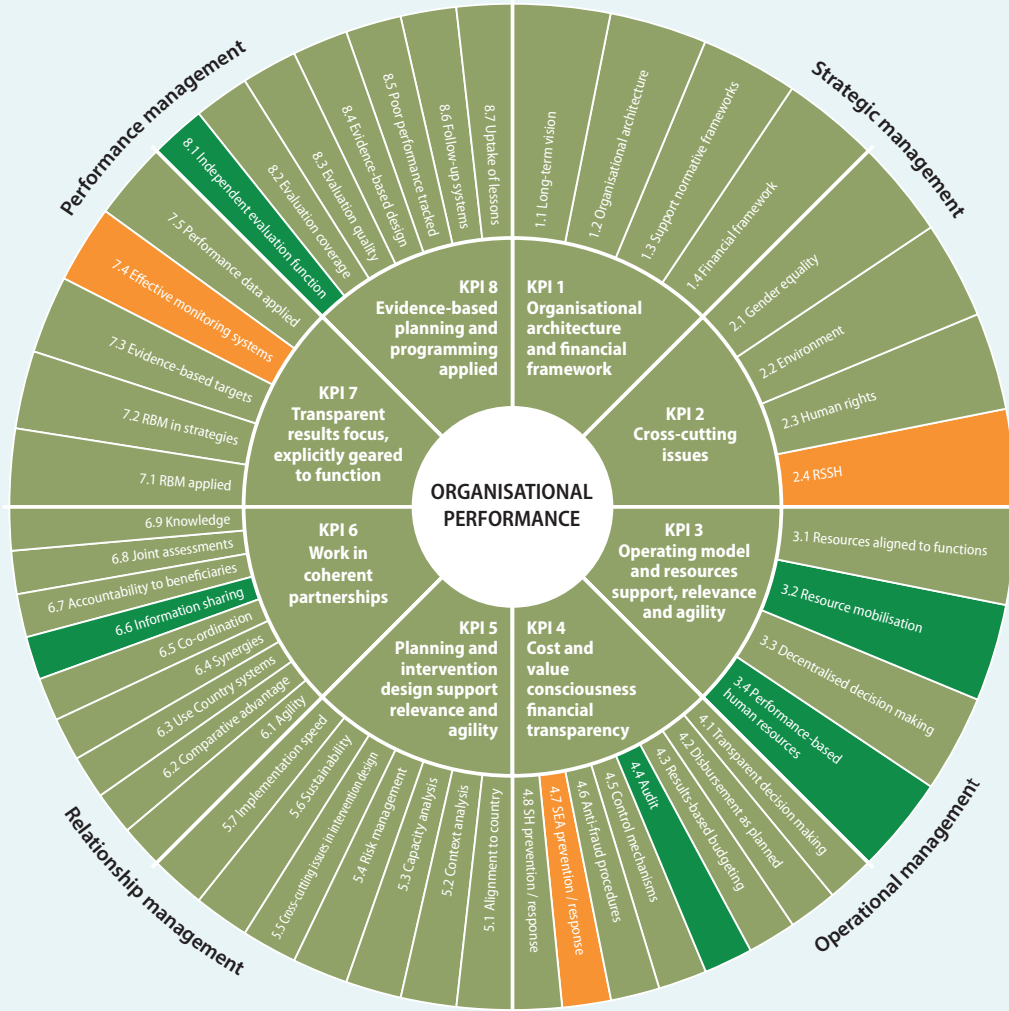
Against a background of generally strong performance in relationship management, the Bank faces a few issues that warrant consideration. Co-ordination with IDB Invest – a key partner for the IDB – remains a work in progress with attention required to align interests given different organisational cultures 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.

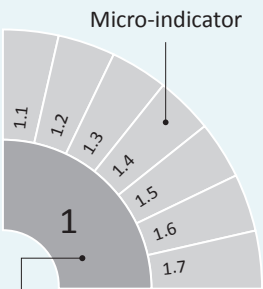
The available evidence for the Results section of the assessment framework points to the generally strong relevance of Bank operations in partner countries and also suggests that the Bank has continued to increase the cost-efficiency of its operations, though there remains scope for improvement. Implementation 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.

FIGURE 1: THE IDB'S PERFORMANCE RATING SUMMARY

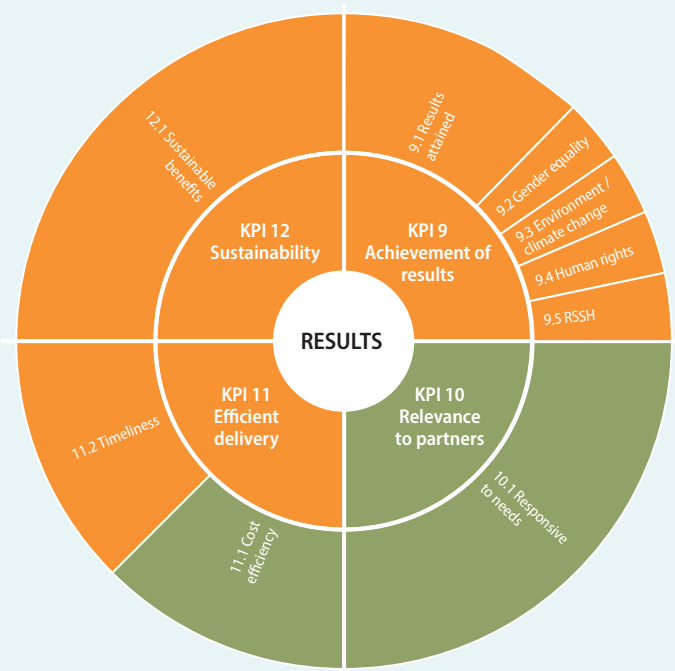


How to read these charts



Key Performance Indicator

- **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**



PART I

Analysis Summary

Key findings

Part I presents the key findings of the assessment. It starts by introducing the assessed organisation and its context. It then provides a high-level overview of key findings, followed by a detailed look at them. Finally, it outlines the main tenets of the assessment process and methodology.



BACKGROUND TO THE INTER-AMERICAN DEVELOPMENT BANK



INTRODUCING THE INTER-AMERICAN DEVELOPMENT BANK

Mission and mandate

The Inter-American Development Bank (IDB, or “the Bank”) is the main source of multilateral financing for economic, social and institutional development in Latin America and the Caribbean. The IDB was established in 1959 with the mission to contribute to accelerating the economic and social development of developing member countries in the region and to improve lives. Its key functions include: (i) promoting the investment of public and private capital for development purposes; (ii) using its own capital, alongside funds raised in financial markets and other available resources, to finance the development of member countries; (iii) helping member countries orient their development policies towards better resource utilisation; and (iv) providing them with technical assistance for development plans and projects.

The IDB is one of two separate legal entities that make up the IDB Group. The other is IDB Invest (formerly known as the Inter-American Investment Corporation), the IDB Group’s private-sector lending arm. IDB Invest is a multilateral body created and owned by its member countries to help develop small and medium-sized companies in Latin America and the Caribbean. In addition, the IDB Group includes IDB Lab (formerly known as the Multilateral Investment Fund), a trust fund administered by the IDB. Established in 1992, IDB Lab supports private projects, through loans, grants and equity, to promote innovation and entrepreneurship and to expand access to financing. 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 classifies borrowing member countries in two ways: according to the size and resilience of their economies (Groups A-D) and per capita income (Groups I-II). Borrowing member countries are eligible for finance from the Bank’s Ordinary Capital. Only countries in categories C and D (small and vulnerable) are in principle eligible for concessional resources. At present, only three countries (Haiti, Honduras and Nicaragua) receive concessional lending from the IDB.

The current strategic plan

The IDB Group’s core strategic document is the Institutional Strategy, adopted in 2010 as part of the Ninth General Increase in the Resources of the IDB and reviewed and updated every four years. The most recent update (the Second Update) was approved by the Bank’s Governors in July 2019 and reiterates the existing key development challenges identified as strategic priorities of the IDB Group in Latin America and the Caribbean:

- social inclusion and equality
- productivity and innovation
- regional economic integration.

In pursuing these objectives, the Second Update commits the IDB Group to also address the following cross-cutting issues as strategic priorities: gender equality, inclusion and diversity; climate change and environmental sustainability; and institutional capacity and rule of law. It also acknowledges three significant contextual factors relevant to the first half of the 2020s: disruptions associated with the rapid expansion of new technologies; heightened awareness of the need for private-sector resources in addressing the region’s developmental challenges; and the need for greater transparency in light of the rise in corruption scandals.

As a multilateral development bank (MDB), the IDB’s primary role in relation to the 2030 Agenda relates to the mobilisation of additional resources required to fulfil the Sustainable Development Goals (SDGs), in addition to using its own resources for contributing to the SDGs. The IDB’s vision for its contribution to this process is articulated in the joint statement issued in 2015 with other MDBs, From Billions to Trillions. Internally, the annual Development Effectiveness Overview maps the Bank’s key development priorities and cross-cutting issues to the SDGs and includes

a narrative report on results under each of the SDGs (Inter-American Development Bank, 2018). In addition to this, the IDB Group produces a Sustainability Report on an annual basis, which also relates certain areas of its support to the SDGs.

Governance arrangements

The IDB's governance is vested in the Board of Governors, the appointees of which are chosen by member countries and who each have voting power proportional to their country's capital investment in the IDB. The Board meets annually in late March or early April to review the Bank's operations and discuss key policy decisions. The outcomes of these decisions are articulated in the Approved Resolutions of the Board of Governors.

The Board of Executive directors is responsible for the conduct of the operations of the Bank and is made up of 14 executive directors (principals) and 14 alternates, for when the principals are absent. The Board of Executive Directors usually meets weekly and makes operational decisions related to loans, policies, country strategies and the Bank's administrative budget. Five standing committees review and discuss documents for the Board's approval:

- Audit Committee
- Budget and Financial Policies Committee
- Organization, Human Resources and Board Matters Committee
- Policy and Evaluation Committee
- Programming Committee.

The Board of Executive Directors is chaired by the current President of the IDB, who was elected in November 2022, replacing the incumbent who had been in the position for 15 years and the previous President elected in September 2020. The President also chairs the Board of Executive Directors of IDB Invest and the Donors Committee of IDB Lab.

Regional borrowing member countries, as a group, are the majority shareholders and therefore control the majority of the decision-making bodies of the Bank. The countries of Latin America and the Caribbean combined hold 50.02% of the IDB's shares, while the United States and Canada (regional, non-borrowing members) hold 30% and 4% of the Bank's shares, respectively. The remaining 15.98% of shares are held by non-regional, non-borrowing members (12.59% by other MOPAN members).

Organisational structure

The IDB is headquartered in Washington, DC, and has country offices in all 26 borrowing member countries. It also has two additional offices in Madrid and Tokyo that focus on the relationship with IDB member countries in each of the regions (exchanging knowledge and promoting the IDB) and work in a co-ordinated way with the Resource Mobilization Division. The IDB Group has established four regional hubs (Argentina, Colombia, Jamaica and Panama) which are intended to increase IDB Invest's field presence and provide enhanced technical support to regions (Inter-American Development Bank, 2020a).

The IDB has around 2 000 staff globally, of which 31% are based in country offices and 69% in the Bank's headquarters. (Inter-American Development Bank, 2020b).

Finances and operations

The Bank is predominantly financed by bonds it issues in international capital markets. The IDB's provision of loans and grants¹ to borrowing member countries is backed by four main funding sources: member countries' subscriptions and contributions; borrowings from capital markets; equity accumulated since the Bank's inception; and co-financing

1. The IDB does not provide grants directly but through its Grant Facility.

ventures. The Bank's total subscribed capital at the end of 2020 was USD 176.8 billion, of which USD 164.9 billion was callable capital. In 2020, the IDB administered 70 trust funds for loan and grant operations, with contributions totalling USD 445 million. Nearly 60% of the IDB's current trust funds are supported by MOPAN members, most commonly in the form of single-donor trust funds but also as multi-donor trust funds with MOPAN and non-MOPAN donors.

The IDB's principal earning asset is its loan portfolio. At the beginning of 2022, approximately 95% of the loan portfolio consisted of sovereign-guaranteed (SG) loans. Since its formation in 1959, the IDB has not written off and has no expectation of writing off any SG loans.

In 2021, the IDB approved 92 loans and guarantees in the amount of USD 13.1 billion. SG approvals to the most vulnerable and small countries (in categories C and D) reached 56% of the approved amount in 2020, the highest percentage over the last ten years. Total SG disbursements reached USD 13.4 billion in 2020, a 49% increase over 2019. At the end of 2020, the IDB's portfolio in execution comprised 616 projects and guarantees for a total approved amount of USD 59 billion. The active portfolio of non-reimbursable projects at the end of 2020 was 1 670 projects, totalling USD 1.9 billion, which includes 1 585 technical co-operation projects for USD 1 billion and 86 investment grants for USD 858 million.

The Bank's approved administrative budget envelope is USD 609.6 million for 2021, a 1.9% real budget reduction from the previous year. This reduction reflects the Bank's effort to promote efficiencies achieved as a result of changes to the working environment brought about by the COVID-19 pandemic (Inter-American Development Bank, 2021b). The Bank's administrative expense coverage ratio from existing operations stands at over 90%. This comes as a result of its income management model, which stipulates that the income from loan charges for SG loans, plus 90% of the loan charge income from non-SG operations, must be sufficient to cover at least 90% of the ordinary capital's administrative expenses on a three-year rolling basis (Inter-American Development Bank, 2019).

SITUATIONAL ANALYSIS

The period covered by this assessment has given rise to a number of internal change initiatives and external developments that have affected the Bank's operating context.

Though initially approved in 2015 prior to the assessment period, the Busan Resolution and accompanying merge-out of the IDB's private-sector operations occurred early in 2016 and have impacted the Bank's operations since 2017 (IDB Invest, 2019). These changes were designed to reflect a "renewed vision" for the Bank's private-sector operations, with a focus on strengthening development effectiveness, development impact and additionality and on maximising the efficient use of resources between the Bank's public and private-sector activities (Inter-American Development Bank, undated). Subsequently, in 2017, the Inter-American Investment Corporation was rebranded as IDB Invest, while 2018 saw the rebranding of the Multilateral Investment Fund (MIF) as IDB Lab (Inter-American Development Bank, 2020e). The MIF's new brand was designed to fulfil its mandate of becoming the IDB Group's innovation lab and to minimise confusion among the public about the entities that comprise the IDB Group (Inter-American Development Bank, 2020e).

The Bank has undergone ongoing changes in leadership with the election of new Presidents in October 2020 and November 2022, replacing the incumbent who had been in the position for 15 years, as mentioned above.² These leadership changes have been accompanied by a series of changes to the executive team, beginning in late 2020.³

2. See [https://www.iadb.org/en/about-us/office-president#:~:text=Mauricio%20Claver%2DCarone%20assumed%20the,\(IDB\)%20in%20October%202020](https://www.iadb.org/en/about-us/office-president#:~:text=Mauricio%20Claver%2DCarone%20assumed%20the,(IDB)%20in%20October%202020).

3. See <https://www.iadb.org/en/news/idb-board-directors-appoints-new-executive-team>.

There have been multiple developments in the external operating environment affecting the Bank over this assessment period. The SDGs and the Paris Agreement came into effect in 2016 (Inter-American Development Bank, 2017). These multilateral agreements were accompanied by the articulation of *From Billions to Trillions*, a Development Committee publication outlining the MDBs' joint vision of how they can contribute to the delivery of the 2030 Agenda (World Bank-IMF, 2015). In addition, in 2017, MDBs adopted the Hamburg Principles to promote the mobilisation of private finance to meet the needs of the SDGs (World Bank-IMF, 2017).

Other key changes have included social, environmental and political developments in the Latin America and the Caribbean (LAC) region since 2017. The early period covered by this assessment was defined by a growing regional disconnect between citizens and the state, with low levels of trust in government and widespread dissatisfaction with public services, a steady negative trend that emerged after the 2008 financial crisis (OECD, 2018). This trend eventually culminated in a wave of mass protests across the region in 2019, reflecting growing dissatisfaction with regional inequality, corruption, delivery of public services and a dearth of economic opportunities and triggered a change of President in Bolivia and constitutional reforms in Chile (Inter-American Development Bank, 2020b).

These social and political developments have been compounded by regional environmental impacts. The LAC region is the second most disaster-prone region in the world (OCHA, 2020), and 2020 and 2021 were the first- and third-most active Atlantic hurricane seasons on record. Categories 4 and 5 hurricanes, Eta and Iota, hit Central America in November 2020, causing devastating effects, particularly in Guatemala, Honduras and Nicaragua (Inter-American Development Bank, 2021a).

Lastly, the COVID-19 pandemic has had an outsized effect on Latin America and the Caribbean. Despite being home to just 9% of the global population, almost three out of ten COVID-related deaths worldwide occurred in the region in 2020 (Inter-American Development Bank, 2021b). Mexico and South America were the parts of the region hit hardest, with significantly more deaths per million population than in Central America and the Caribbean (IMF, 2020). The region has also seen widespread economic impacts, experiencing its sharpest gross domestic product contraction (6.85%) since 1900, the most severe of any developing region (ECLAC, 2021). The crisis has caused serious setbacks to the region's economic development, with extreme poverty rising to levels not seen in the past 20 years (OECD, 2021). In many respects, the pandemic has exacerbated pre-existing structural weaknesses in the region, disproportionately impacting those working in informal employment and those with limited access to social protection (OECD, 2021).

COVID-19 has had a profound, systemic effect on the IDB, for both its internal and external operations. This is considered in Chapters 2 and 3.

MOPAN ASSESSMENTS OF THE INTER-AMERICAN DEVELOPMENT BANK

This is the third MOPAN assessment of the IDB, MOPAN assessed the IDB in 2011 (assessment report accessible here: <https://www.mopanonline.org/assessments/idb2011/index.htm>) and 2015-16 (assessment report accessible here: <https://www.mopanonline.org/assessments/iadb2015-16/index.htm>). Areas of strength and areas for improvement identified in the 2015-16 assessment are outlined below. A more detailed explanation is provided in Box 2.

Areas of strength

- a deepening of the IDB's focus on results and development effectiveness between the 2011 and 2015-16 assessments
- commitment to strengthening the Bank's value proposition, demonstrated through a programme of organisational management reforms
- Inclusion in the Bank's financial management systems and capabilities of a developing system for results-based budgeting
- the IDB's technical expertise and local knowledge as key factors in helping it to engage country clients credibly
- the Bank's strength as a key convenor across government, private, and civil society sectors based on its institutional credibility.

Areas for improvement

- the need to streamline the IDB's operating procedures
- the need to build on its drive for development effectiveness by identifying actionable improvements from the Bank's results-based management system
- potential risks to the Bank's efficiency from the requirement for annual budgeting and from caps on permanent staffing
- the need to mainstream cross-cutting issues remained a work in progress
- the need to continue to mainstream partnerships, and with this to create operational incentives and tools to support staff to mobilise co-financing and work in partnerships.

Box 2: Main strengths and areas for improvement identified in the MOPAN 2015-16 assessment

Main strengths

- The IDB's focus on results and development effectiveness has continued to deepen and evolve since the MOPAN assessment in 2011.
- The continued strengthening of the Bank's value proposition to clients is the main driver behind a significant programme of organisational management reforms.
- Financial management systems and capabilities are an important strength of the IDB, enhancing its capacity to meet the needs of all its clients going forward and underpinned by transparent rules and mechanisms and by an impressive system for results-based budgeting.
- The staff's technical expertise, proximity and deep local knowledge are key assets enabling the Bank to engage credibly in policy dialogue with country clients at the national and regional levels.
- The IDB has institutional credibility as a key convenor across government and private and civil society sectors, based on its standing as an international financial institution, its regional locus and its development expertise.

Areas for improvement

- Streamlining the IDB's operating procedures remains a concern for external stakeholders. Experience elsewhere suggests clients' expectations are only likely to rise, while the Bank's focus on development effectiveness may, in the short term, actually work against streamlining ambitions.
- While corporate reporting on the IDB's development effectiveness has been strengthened significantly, identifying actionable improvements for operations management should be a key objective for the Bank's results-based management system.
- Important aspects of its operating model may merit attention: annual rather than multi-year budgeting and the cap on the permanent staffing structure, with an associated heavy reliance on consultants, pose risks to the efficiency of IDB operations in many ways.
- While steps are being taken to make improvements, mainstreaming cross-cutting agendas such as gender equity and sustainability and cross-sectoral working remains a work in progress.
- It is important to continue building on the potential for partnership work. Mainstreaming partnerships as a general practice within the IDB Group is an important strategic challenge for the next few years. The Bank has set ambitious targets for mobilising resources through a diverse set of partners but recognises that it needs to create operational incentives and tools to support staff to mobilise co-financing and work in partnerships.

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OVERVIEW OF KEY FINDINGS



ASSESSMENT SUMMARY

MOPAN's performance conclusions consider four key attributes of an effective organisation: whether it understands future needs and demands; whether it is organised and makes use of its assets and comparative advantages, including operating in coherent partnerships; whether it has mandate-oriented systems, planning and operations; and whether it adapts/makes consistent improvements according to its resource level and operational context.

For the 2021 assessments, further consideration is given to the organisation's response to the COVID-19 pandemic and to the pandemic's universal and transformational effect on the organisation's mandate, mission, operations and activities.

Understanding of future needs and demands

The Inter-American Development Bank (IDB) is a forward-looking organisation that understands its role in the region. Its current Institutional Strategy sets the direction for all IDB Group members until 2023/24. Following the election of a new President in November 2022, discussions have been ongoing to establish a renewed forward looking vision and priorities. The recently approved roadmap of reforms to the IDB Group's business model and a proposed capital increase for IDB Invest, the IDB Group's private-sector arm, are intended to further increase the Bank's responsiveness to the region's needs, in particular with respect to inequality, climate change, greater public-private synergy and digitalisation. These reforms will be further operationalised in 2023.

The Bank's attention to a consistent set of cross-cutting priorities since 2010 has also been notable given increasing attention in recent years to issues relating to gender equality and women's economic empowerment, net-zero emissions and climate finance. While the Bank's approach to diversity and to institutional capacity and rule of law is at a different stage of development, the topics remain highly relevant in the region.

Use of strengths and partnerships to good effect

The IDB is widely recognised in the region for its key strength of financial stability and as a mobiliser of partners and other resources (See Figure 2). As the IDB is a multilateral development bank, it is not surprising that stakeholders in the region were most likely to identify "a responsible organisation" as a key characteristic of the IDB. Similarly, the IDB has a strong financial framework (a large majority of stakeholders were almost equally likely to identify the IDB as a "financially stable organisation"). This stability and prudent approach were important in enabling the Bank to rapidly ramp up its support in response to the COVID-19 pandemic. In contrast, less than half of the regional stakeholders surveyed recognised the IDB for its creativity, flexibility and risk-taking.

The Bank's financial standing is supported by strong internal and external controls to manage integrity risks including fraud, corruption and other risks associated with Bank-provided resources, though there is scope for the Bank to strengthen its approach to the risk of sexual exploitation and abuse.

FIGURE 2. KEY CHARACTERISTICS FOR WHICH THE IDB IS RECOGNISED BY REGIONAL STAKEHOLDERS

A responsible organisation	85%
A financially stable organisation	84%
An organization that mobilizes external partner knowledge and financial resources	78%
An organization that looks for and works with strategic partners	78%
They value approaches based on solid, quality evidence	77%
They collaborate effectively with their counterparts	76%
They're client focused	60%
An innovative organisation	56%
They're capable of responding quickly to their clients' needs	55%
An organization that stands out for its creativity	48%
A flexible organisation	46%
They stand out for taking risks venturing beyond what other organizations do	38%

Source: (IDB Regulation Survey 2022)

This MOPAN assessment highlights, in particular, the IDB's strong country focus, based on a deep understanding of its borrowing member countries' priorities and its commitment to working in effective, transparent partnerships with them. The IDB also leverages its standing and expertise in the region to mobilise knowledge and financial resources from a diverse range of strategic partners to support its member countries and its institutional objectives.

Mandate-oriented delivery

The IDB is mandated by its Governors to pursue the objectives set out in its Institutional Strategy while maintaining a secure financial base and triple-A status with the major international credit rating agencies. As the Bank is a demand-driven, member-owned organisation, it can be challenging to align the strategic development objectives agreed by all members and the interests of its individual borrowing members for aligning IDB's services with their countries' priorities. Overall, the IDB appears to resolve this challenge adequately.

The IDB has strong resource planning, management and control systems. The Bank's human and financial resource management systems are strongly results-oriented. The IDB actively promotes diversity, inclusion and equity in the workplace, but resourcing, talent recruitment and organisational culture will take time to reflect its ambitions. The IDB's results-based budgeting system continued to develop over the assessment period and, while still a work in progress, represents a notable effort in this regard.

The IDB takes the cost-efficiency of its operations seriously, and the available evidence generally suggests the IDB continued to make progress over the period. Nevertheless, limitations in both the available information and performance metrics relating to efficiency (both cost and timeliness) limit the strength of the assessment's conclusions in this context.

Project-level risk management systems have gone through a significant revamp to both increase their relevance for managers and strengthen the effectiveness of controls. These appear positive developments, but it is too early to determine whether they will lead to the changes in behaviour intended.

Notwithstanding these strong management systems, there is scope for the IDB to improve its monitoring and evaluation system. The clearest evidence of this need is the challenge the Bank currently faces in demonstrating its development results. Limitations in project monitoring arrangements, coupled with the lack of systematic reviews of development results for the Bank's sectors and cross-cutting issues (beyond the validation work carried out by the Independent Office of Evaluation and Oversight), leave the Bank exposed in this respect.

Adaptation and improvement

The IDB Group provided a multifaceted response to the COVID-19 pandemic designed to support service continuity and targeted assistance to member countries. In April 2020, the Board of Governors approved the relaxation of restrictions on the speed of disbursements, raised the limit on the permissible share of policy-based loans (budget support) financed by the Bank's Ordinary Capital and agreed that policy-based loans should prioritise the poorest and most vulnerable countries. Within two to four weeks of the start of the pandemic, the IDB underwent a new programming exercise with countries to identify priority needs and opportunities to reformulate existing projects. General waivers were introduced, and several fiduciary systems were streamlined to facilitate continuity of assistance in the face of significant market disruptions caused by the pandemic. In 2020, the IDB approved a record USD 12.6 billion in financing, including 36 sovereign-guaranteed projects relating specifically to COVID-19. All IDB Invest's approved commitments (totalling USD 5.5 billion) applied a COVID-19 lens, while IDB Lab deployed USD 20 million for innovative solutions related to the pandemic. Disbursement of sovereign-guaranteed loans in 2020 was USD 13.4 billion, a substantial increase on 2019 and double the baseline projections for 2020.

At the country level, the IDB is continually adapting to context with a view to improving its systems and maintaining value for borrowers. A significant organisational change – the “merge-out” of the IDB’s private-sector lending arm – was successfully completed during the review period. The Bank’s ambition to exploit the synergies possible from greater co-ordination of its public and private-sector operations (“One Bank”) remains a key part of its value proposition. Progress is being made but faces challenges. The proposed capital increase for IDB Invest, if approved, may in part address challenges stemming from the imbalance in resources between the two operations. However, evidence suggests further effort will also be required to overcome the differences in organisational cultures and gaps in knowledge of the other’s organisation, which can constrain effective interaction.

Box 3: 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.

Design controls for new operations ensure a high degree of relevance to both country development needs and the IDB's strategic priorities. Flexibility exists to adjust operations during implementation in line with changing needs and contexts. However, evidence suggests that a mismatch in incentives means this flexibility can lead to unintended consequences, weakening the underpinning development logic of IDB projects.

In terms of improvement, in addition to internal initiatives, the Bank benefits from a strongly independent Office of Evaluation and Oversight (OVE) and robust accountability systems for follow-up actions to evaluation recommendations. However, the uptake of lessons more generally and demonstrations of their application in new interventions are less well-developed. The IDB has procedures to ensure that new interventions are informed by learning from evaluation, but like many organisations, knowledge management and lesson-learning remain ongoing projects, with specific improvement initiatives currently being piloted.

THE INTER-AMERICAN DEVELOPMENT BANK'S FUTURE TRAJECTORY

As highlighted in the previous section, the IDB Group has articulated a vision that aims to build on the Bank's strengths and bring tailored solutions to support the region's post-COVID recovery.

The COVID-19 pandemic has brought about an estimated ten-year reversal in economic development in the Latin America and the Caribbean region, with increased inequality, a loss of productivity and an additional 25 million of the population sliding back into poverty. These setbacks have had a disproportionate impact on women and those communities that were already vulnerable. The stagnant growth of 2019 has been replaced with huge falls in gross domestic product (GDP), though some of these falls will be recovered in the coming years. Impact on human and physical capital also represents huge challenges for the Bank's operating context. The pandemic caused record numbers of lost learning days, firm closures and falling investment. Over the course of the pandemic, debt levels have risen from 58% to 72% of GDP, illustrating growing levels of fiscal fragility in the region.

As such, the IDB's future trajectory will largely hinge on the realisation of its new value proposition for the 21st century that aims to support sustainable and inclusive growth for the region. This was articulated as part of the Bank's recent reform package, which includes a roadmap to enable the Bank to expand business-friendly climate action, protect biodiversity, increase green finance and advance gender equality in response to the changes to its operating context brought about by the pandemic.⁴ These changes are to be accompanied by a capital increase proposal for IDB Invest that, if approved, would allow the Bank's private-sector arm to be more responsive to the region's needs, scaling up private investment in the region and creating formal jobs in response to rising unemployment brought about by the pandemic.

With these proposed developments, there are opportunities for the Bank going forward to originate more impactful projects, sustain some of the operational innovations developed in response to the pandemic, introduce new contingent and rapid-disbursement facilities, and crowd-in greater levels of investment to meet the needs of the region. These changes, combined with an enhanced role for the IDB as a hub, should allow for greater synergies between the IDB Group's public- and private-sector operations.

These organisational improvements will be accompanied by a new Agenda for Operational Excellence. The Agenda aims to re-engineer business processes to strengthen project management and the Bank's focus on results underpinned by more effective risk-based decision making. It will focus on two main aspects: reducing preparation times while maintaining technical soundness, effectiveness and efficiency of projects; and implementing a comprehensive portfolio management model that contributes to better tracking and achievement of development objectives. The latter proposes close monitoring of the main factors that affect project success.

4. See <https://www.iadb.org/en/news/idb-and-idb-invest-boards-mandate-historic-reforms-idb-invest-capital-increase-proposal>.

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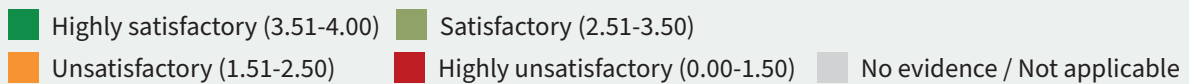
DETAILED LOOK AT FINDINGS



This chapter provides a more detailed assessment of the performance of the Inter-American Development Bank (IDB) across the five performance areas – strategic management, operational management, relationship management, and performance management and results – and the key performance indicators that relate to each area, accompanied by their score and rating. It illustrates findings and highlights feedback from stakeholders (e.g. from the survey).

The MOPAN performance scoring and rating scale are provided in Figure 3.

FIGURE 3. MOPAN 3.1 PERFORMANCE SCORING AND RATING SCALE, METHODOLOGY 3.1

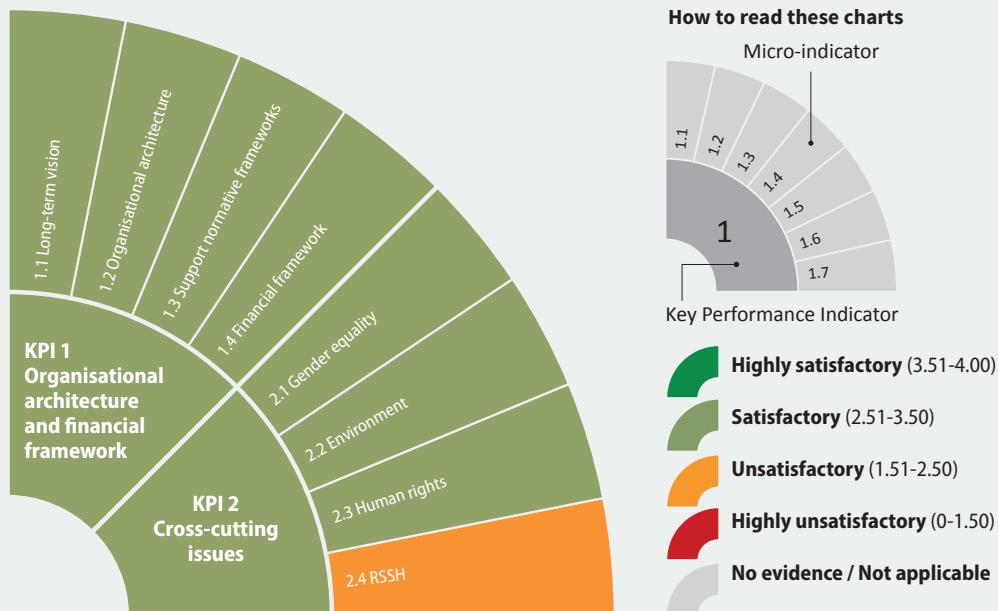


The assessment’s key findings draw on information from the three evidence sources (document reviews, interviews and a partner survey; see Chapter 4 for more information).

Further analysis per micro-indicator and detailed scoring, as well as the full survey results, can be found separately in Part II: Technical and Statistical Annex.

STRATEGIC MANAGEMENT

KEY FINDINGS



The Bank’s Institutional Strategy was established in 2010 as the IDB’s key strategic document and has been updated twice since then, with the latest receiving Board approval in 2019. The Strategy and its updates have articulated consistent strategic objectives and cross-cutting priorities over the years, though elaboration of the Bank’s comparative advantage has been more variable. The Strategy is monitored through the Corporate Results Framework. The IDB is aligned with relevant global commitments and is recognised regionally for its commitment to the Sustainable Development Goals.

The IDB's structure is well-aligned with its objectives and cross-cutting priorities. The operating model is based on a strong country/regional presence, with an office in every borrowing member country. The IDB is also strongly demand-led, working within the constraints imposed by its own financial framework and corporate objectives/priorities. This potentially creates an alignment challenge between the top-down strategic objectives articulated in its Strategy and the bottom-up demands of borrowing member countries. The Bank resolves this operationally at the country level through a matrix management model between country departments/offices and sectoral departments/divisions, under a single country representative for all IDB Group functions. The "merge-out" of its private-sector lending arm into a separate legal entity has generally been managed effectively.

The IDB has a strong financial framework and is widely perceived regionally as a responsible and financially stable organisation. Prudent financial policies and practices contribute to this solidity, which in turn enabled the Bank to respond strongly to the outbreak of COVID-19 in the region. Nevertheless, the Bank is perceived as conservative, and long-term financial projections are always indicative given the importance it attaches to managing corporate risk within the financial framework and maintaining its triple-A status with the credit rating agencies – an objective mandated by its Governors. The Bank also administers a range of funds in support of its strategic objectives. From the Bank's perspective, there is a strong strategic preference for mobilised resources that are utilised flexibly – to reduce the number and range of earmarking requirements. In practice, however, that remains a challenge.

The Bank continued to strengthen its approach to addressing its cross-cutting priorities over the assessment period. Nevertheless, further work is required across all priorities and in diversity and in institutional capacity and rule of law, in particular, given their relative stage of development.

Against this generally positive background, there are three areas where further attention is required to strengthen the IDB's strategic management systems:

- Mechanisms to facilitate co-operation between IDB divisions and units exist, but evidence suggests there is still scope to strengthen this aspect of the Bank's approach. Multi-sectoral working is one of the guiding principles for the Bank's approach, as identified in the Institutional Strategy. Nevertheless, operationalising the principle continues to present challenges. This is an important issue given the inherently multi-sectoral nature of many of the Bank's strategic priorities.
- The governance interface between the IDB and the IDB Group's private-sector lending arm, IDB Invest, generally works well, though this will be tested further if ambitions to expand and deepen the collaboration are realised. With this in mind, there may be merit in undertaking further research to identify potential obstacles and determine effective risk management strategies.
- Finally, additional progress in the cross-cutting priorities of diversity and of institutional capacity of rule of law will require strengthening staff capacity on the one hand and accountability arrangements on the other for both priorities.

The **strategic management** performance area explores whether there is a clear strategic direction in place that is geared towards key functions, intended results and the integration of relevant cross-cutting priorities. This area is assessed through the following two key performance indicators (KPIs).

KPI 1: Organisational architecture and financial framework enable mandate implementation and achievement of expected results

Performance rating: **Satisfactory**

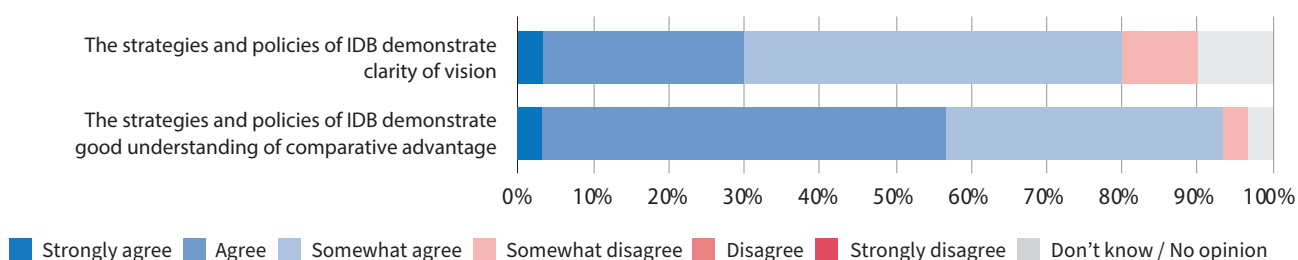
Score **3.04**

The IDB's strategic objectives are articulated through the Institutional Strategy. The Institutional Strategy is the IDB's principal strategic document, monitored through the Corporate Results Framework. Originally established in 2010 as part of the Ninth General Capital Increase in the Resources of the IDB, the Strategy was updated for the second time with Board approval in July 2019 as an IDB Group-wide strategic plan. It prioritises three broad development challenges (social inclusion and equality, productivity and innovation, and regional economic integration) and the cross-cutting issues of gender equality, inclusion and diversity; climate change and environmental sustainability; and institutional capacity and rule of law. A new strategy will be drafted by management following the election of the new President in November 2022.

Stakeholders generally agree that the IDB's Institutional strategy articulates a clear vision but are less confident in the clarity of the IDB's comparative advantage. Results from the IDB's own surveys of its partners and informed stakeholders in the region suggest the IDB Group has strong recognition as an important development actor in a number of its priority areas. The IDB itself is recognised most strongly for its role in promoting digital connectivity, actions to address climate change and environmental sustainability, and gender equality (65%, 64% and 62.5% net positive ratings, respectively, among its partners); it is recognised somewhat less so for its role in promoting state modernisation/institutional capacity (58% net positive rating) and diversity inclusion (50% net positive). MOPAN's survey of IDB Board members indicates general agreement that the IDB's strategies articulate a clear vision (57% agree or strongly agree). However, agreement regarding the clarity of the IDB's comparative advantage is much weaker (30% agree or strongly agree), perhaps reflecting the tendency of successive strategic updates to add more layers to the IDB Group without explicitly aligning with/replacing existing propositions.

The IDB is recognised regionally for its commitment to the Sustainable Development Goals (SDGs) and is aligned with relevant global commitments. Results of the IDB's own surveys of partners and informed stakeholders in the region indicate that the IDB is widely perceived as a strong supporter of the SDGs. Conversely, stakeholder recognition of both IDB Lab and IDB Invest in terms of supporting the SDGs is much lower. The Bank's key strategic

FIGURE 4. COMPARISON OF MOPAN PARTNER SURVEY RESULTS QUESTIONS 1(01) AND 1(02)



Source: Based on responses to the 2021 MOPAN External Partner Survey: IDB, 8-30 March 2022.

documents refer to the SDGs in the context of the region’s longer-term development needs and the Bank’s role in mobilising necessary development finance. All three levels of the IDB’s Corporate Results Framework are mapped to SDGs. SDGs, however, do not appear to be explicitly considered in all IDB Group country strategy documents. The IDB also actively contributes to other global commitments, including From Billions to Trillions, the MDB Statement for Crowding-in Private Finance and common means of tracking the mobilisation of climate finance. The prominence of these other initiatives in key corporate reports is variable.

The IDB’s organisational architecture is designed to address implementation challenges inherent in its operating model. The IDB’s operating model is based on a strong country/regional presence, with an office in every borrowing member country. It is also strongly demand-led, working within the constraints imposed by its own financial framework and corporate objectives/priorities. This potentially creates an alignment challenge between the top-down strategic objectives articulated in its strategic plan and the bottom-up demands of borrowing member countries. The Bank resolves this operationally by using a matrix management model between country departments/offices and sectoral departments/divisions. The model is operationalised at the country level, under a single country representative for all IDB Group functions (both public and private sectors) in each IDB Group country office. In addition, four IDB co-ordinators (appointed in 2019) are based regionally to help identify opportunities where the combined instruments of the IDB, IDB Invest and IDB Lab could generate greater development impact.

Staff interviewed about the Bank’s organisational structure did not raise significant concerns, suggesting the system is fairly effective. Respondents to the MOPAN survey generally agreed with this assessment, but it is notable that nearly one-quarter of donors and nearly one-fifth of Board members who responded disagreed that the IDB is organised in a way that fully supports its vision.

Mechanisms to facilitate co-operation between IDB divisions and units also exist, but evidence suggests there is still scope to strengthen this aspect of the Bank’s approach. Multi-sectorality is one of the Bank’s six guiding principles elaborated in its Institutional Strategy and is supported by mechanisms such as the Development Effectiveness Matrix and the double/triple booking system to account for inputs by staff.⁵ Previously reported performance (2017-19) suggested mixed effectiveness, with an increasing trend in multi-sector approvals and a declining trend in client satisfaction with the IDB Group’s use of the multi-sector approach. While the evidence suggests that internal collaboration increased during the IDB’s response to the recent pandemic, this remains an important area for attention given the inherently multi-sectoral nature of many of the Bank’s strategic priorities (e.g. digitalisation, the development of small and medium-sized enterprises, cross-cutting issues) and the advent of major, area-based development operations such as the Amazon Unit. The IDB’s own analysis in 2020 found common factors affecting “problem projects”, including designs by several divisions (double-booked) and the use of the multiple works lending modality.

Cross-unit co-operation is also an important requirement for other aspects of the Bank’s value proposition. Effective innovation and knowledge, another of the Bank’s guiding principles, is such an example. A recent strategic evaluation by the Office of Evaluation and Oversight (OVE) of IDB Lab found that effective and efficient collaboration with the Lab was constrained by a lack of clarity regarding the respective roles of IDB Group entities in innovation. Similarly, knowledge generation and management along with communications were identified during staff interviews as areas that could benefit from greater clarity regarding relationships, responsibilities and resourcing between units (including between those with centralised functions and distributed responsibilities).

5. The Bank’s six guiding principles are responsiveness, multi-sectorality, effectiveness and efficiency, leverage and partnerships, innovation and knowledge, and alignment.

The organisational interface between the IDB and the IDB Group’s private-sector lending arm, IDB Invest, generally works well, though this will be tested further if ambitions to expand and deepen the collaboration are realised. In 2017, when the IDB finalised the consolidation of private-sector operations with the “merge-out” of its private-sector lending arm, creating IDB Invest, the organisational arrangements envisage close co-operation between the two bodies. At the highest level, the IDB and IDB Invest are governed by the same member countries.⁶ Operationally, the IDB Group has established a number of arrangements to foster co-operation and avoid duplication of efforts. Having a single representative for each country for the entire IDB Group is important in this regard as is the introduction in 2019 of four IDB Group regional co-ordinators for IDB Invest (Bogota, Buenos Aires, Kingston and Panama City). Staff interviewed during the assessment view these organisational innovations positively.

In addition, the IDB provides a range of corporate services to IDB Invest (e.g. integrity, internal audit, ethics, communications, resource mobilisation) through a series of service level agreements. Staff interviews suggested that the arrangements work well, with any limitations typically relating to the resources needed to comply with the service level agreements, rather than to the agreements themselves. The IDB and IDB Invest also share the same key performance indicators in the Corporate Results Framework, though separate targets have been established in many cases and exact measurement methods may differ given differences in their operations.

In spite of the generally positive view of organisational arrangements, the assessment found some evidence of potential obstacles to certain forms of collaborative working between the IDB and IDB Invest. There may be merit in undertaking further research to identify potential obstacles and determine how best such risks can be managed, given the Bank’s ambition to expand IDB Invest operations and realise even greater synergies across the IDB Group.

The IDB is widely recognised as having a strong financial framework, albeit a conservative one. The IDB’s financial framework is underscored by its continuous triple-A status with rating agencies and is underpinned by strong support from its shareholders (as demonstrated by its preferred creditor treatment and access to callable capital). This solidity is evidenced both by the Bank’s capacity to respond to the COVID crisis in the region (see Box 4) and by the responses of informed stakeholders in the region to the IDB’s survey. Over 80% of respondents agreed strongly that the IDB is a responsible organisation and a financially stable one. In contrast, less than 40% perceived the IDB as standing out for taking risks compared to other organisations.

Nevertheless, the IDB’s financial framework also influences the Bank’s lending ability and its allocations to countries, given the effect of certain risk measures in the framework. Over 70% of the Board members who responded to the MOPAN survey agreed or strongly agreed that the Bank’s financial framework supports mandate implementation, and none disagreed. Views among donors, however, were more divided, with 40% who had an opinion agreeing and nearly 30% somewhat disagreeing.

The IDB mobilises and administers a range of funds to support its mission and the priorities of its donors. Within that, the Bank has a strong strategic preference for resources that can be utilised flexibly, but these are more challenging to secure in practice. In 2020, the IDB administered 70 trust funds for loan and grant operations, with contributions in 2020 totalling USD 445 million. Nearly 60% of the IDB’s current trust funds are supported by MOPAN members, most commonly in the form of single-donor trust funds but also as multi-donor trust funds with MOPAN and non-MOPAN donors. As far as possible, the Bank seeks to reduce the number and range of earmarking requirements and increase the strategic flexibility of funds.

6. The United Kingdom became a member of IDB Invest as of March 1, 2023.

Box 4: How the COVID-19 response has affected the IDB's mandate and delivery

With the COVID-19 emergency exacerbating socio-economic fragility, depressing economic activity and disproportionately impacting vulnerable sectors of the population in the Latin America and the Caribbean (LAC) region, the Bank identified the need to redirect its portfolio to this context early on in the pandemic (Inter-American Development Bank, 2021c).

The IDB Group has provided a multifaceted response to the pandemic designed to support the continuity of services and to target assistance to member countries. In April 2020, the Board of Governors approved two significant resolutions relating to the Bank's financial framework: a temporary relaxation of disbursement speed restrictions for projects relating to COVID-19 (Inter-American Development Bank, 2020c); and a temporary increase in the permissible share of policy-based loans financed with the Bank's ordinary capital resources along with the commitment to prioritise policy-based loans for the poorest and most vulnerable countries (Inter-American Development Bank, 2020c). The Board also endorsed the Bank's intention to work more closely with the International Monetary Fund and other international financial institutions in responding to the pandemic. These changes allowed the Bank to provide fast liquidity, but temporarily shifted the Bank's focus away from projects that typically advance its climate finance ambitions (infrastructure, sustainable urban development and agriculture) and affected its ability to provide climate financing in those areas (Inter-American Development Bank, 2020b).

In 2020, the IDB approved a record USD 21.6 billion in financing, including 36 sovereign-guaranteed projects relating specifically to COVID-19. All of IDB Invest's approved commitments (totalling USD 5.5 billion) applied a COVID-19 lens, while IDB Lab deployed USD 20 million for innovative solutions related to the pandemic (Inter-American Development Bank, 2021). Disbursements of sovereign-guaranteed loans in 2020 (USD 13.4 billion) represented a substantial increase on 2019 and double the baseline projections for 2020 (Inter-American Development Bank, 2019; Inter-American Development Bank, 2021b).

Dedicated project funding to address COVID-19 prioritised four areas: public health, safety nets, productivity and employment, and fiscal policies (Inter-American Development Bank, 2021b). This pivot towards the pandemic is reflected in the shift in approvals by economic sector between 2019 and 2020, with higher levels of approval of social investment, multi-sector approaches and health (Inter-American Development Bank, 2020a; Inter-American Development Bank, 2021a). The Bank's total approvals of reimbursable and non-reimbursable COVID-19 financing has been USD 8 billion, with 60% going to the smallest and most vulnerable LAC countries (categories C and D) (Inter-American Development Bank, 2021b). The Bank also developed an interactive online dashboard tracking the impact of COVID-19 on inhabitants of the LAC region and regional vaccine uptake. As the IDB has pivoted to support member states' responses, overall portfolio performance, particularly on corporate projects, has been affected. This is reflected in the number of projects classified as "alert" and "problem" increasing from 22 percent of the portfolio in 2019 to 31% in 2020 (Inter-American Development Bank, 2021d).

Stakeholders responding to the MOPAN survey generally had a favourable view of the Bank's pivot in its mandate and delivery as a result of COVID-19. The majority (63%) of those surveyed either agreed or strongly agreed that the "IDB has been able to adapt its programming and financing to respond to COVID-19 in an agile and responsive way", with only 2% of respondents expressing disagreement (OECD, 2022).

However, while multi-donor trust funds may be preferred, single-donor trust funds account for the largest share of approvals and, in recent years, the significance of project-specific grants (PSGs) has also increased. PSGs are the most earmarked grant product that the Bank has available. PSGs are, however, attractive for Bank operations, given they are relatively easy to establish and straightforward to administer (compared to a trust fund). The funding modalities have their own management requirements and different pros and cons for staff, depending on where they sit in the IDB. The Bank needs to manage potential misalignment of interests by ensuring staff incentives are appropriately oriented to achieve the desired strategic mix of fund types. The Bank defines the different permissible funding modalities but does not currently set out its preferred/optimal mix.

KPI 2: Structures and mechanisms in place and applied to support the implementation of global frameworks for cross-cutting issues at all levels, in line with the 2030 Sustainable Development Agenda principles

Performance rating: **Satisfactory**

Score **3.08**

The Bank has clearly stated the three cross-cutting issues in its Institutional Strategy, though their evolution within the Bank has differed.⁷ The Inter-American Development Bank Group (IDBG) Institutional Strategy (2010) provided a clear policy statement on the importance of three cross-cutting issues to be addressed in Bank operations. Gender equality and diversity, climate change and environmental sustainability, and institutional capacity and rule of law have continued to be prioritised in the two subsequent updates to the Institutional Strategy and are clearly embedded in IDBG's programming, though to different degrees. Compared with diversity and with institutional capacity and rule of law, the Bank's approaches to gender equality and to climate change and environmental sustainability are more developed, although there is further work to be done in order to fully understand gender and diversity inequalities in different contexts, as well as to bring clients on board to address these. There have been several Gender Action Plans (the most recent ones being 2017-19 and 2020-21), compared with one Diversity Action Plan (2019-21). The latter represents efforts to increase focus on and mainstream diversity issues, along with the Operational Guidelines for Indigenous Peoples Policy (2019) and the updated Gender and Diversity Sector Framework, which increases the focus on addressing diversity. With regards to institutional capacity, the Bank has a strong and committed team within the Institutions for Development Sector (IFD) but there is not yet an associated strategy or operational plan for this cross-cutting priority (though this was forthcoming at the time of writing).⁸

All cross-cutting issues are represented in Corporate Results Framework (CRF) indicators and the Development Effectiveness Overview reports, however, not all CRF indicators are disaggregated. Level 3 of the current CRF (2020-23) – IDB Group Performance – includes separate measures and targets for all cross-cutting issues in terms of the active share of new approvals annually. The previous CRF (2016-19) did not include target levels for the share of approvals, and the indicators used were less granular (with gender and diversity combined into one indicator and climate change and environmental sustainability as one indicator also). In addition to the CRF, the Bank's Gender Action Plan (GAP), Diversity Action Plan (DAP) and Climate Change Action Plan (CCAP) each have results matrices with specific targets for each year of implementation. Level 2 of the CRF comprises 27 indicators for the Bank's contribution to development results. Less than half of the relevant indicators, however, provide gender disaggregated results for beneficiaries, while only two (13%) disaggregate results for indigenous people.

Accountability for the implementation of cross-cutting issues is driven primarily through the CRF indicators (strategic alignment) and mainstreaming policies, where these exist. The CRF reports on each cross-cutting area. The Gender Policy includes monitoring indicators and the requirement to report to the Board of Executive Directors

7. For the purposes of analysis, the assessment examines gender and diversity separately; see Chapter 4.

8. IFD is leading a strategy to strengthen its staff skills for project design to ensure that adequate solutions-driven methodologies help staff understand and address policy and service delivery problems.

on implementation progress every three years. In addition, the GAP, DAP and CCAP have results matrices with specific targets for each year of implementation. The achievement of these targets is tracked annually (spearheaded by the Gender and Diversity Division for the GAP and DAP and by the Climate Change and Sustainable Development Sector for the CCAP). Final results for the GAP, DAP and CCAP are reported to the IDB Board of Executive Directors. Accountability for gender equality tends to focus on the mainstreaming of gender within projects at design, and to a degree at the output level during implementation, with less attention given to outcome-level results (that is, the degree to which systems, structures and behaviours have changed to shift gender inequality). Indicators regarding environmental mainstreaming and activities are defined in the results framework and monitored throughout project execution. The Bank's Sustainability Report tracks the level and scope of investments in environmental mainstreaming.

Beyond the CRF, accountability systems for diversity are sparse. According to the Operational Policy on Indigenous Peoples, the Bank periodically evaluates the implementation of this policy and the achievement of its objectives through independent reviews that include consultations with national governments, indigenous peoples, the private sector and civil society. The most recent evaluation was completed in 2018, for the 2011-16 period.

The breadth of the institutional capacity and rule of law cross-cutting area has posed challenges in accounting for IDB's work in this area. Beyond the CRF, there are no unique accountability or reporting measures for this cross-cutting issue. In part, this reflects the wide-ranging nature of the topic. This is expected to improve with the publication of the forthcoming strategy. Nevertheless, the fact that institutional capacity needs are pervasive in Bank operations and are typically addressed as an integral part of assistance has made it difficult to oversee the development of the Bank's approach in this area. Expert support from the Institutions for Development Sector is commonly not accessed (via the Bank's system to promote internal collaboration), hence monitoring reports understate existing synergies and efforts put into supporting institutional capacity. There is potential scope for better incentives/tracking systems in this regard.

The Bank screens new interventions for cross-cutting issues (to track strategic alignment), and processes are established to mainstream gender, diversity and climate change and environmental sustainability. Gender equality and diversity each have alignment screening tools. In addition, the Gender and Diversity Division and the Climate Change Division work annually with each sector division to determine which loan operations in the pipeline have the potential to mainstream gender and diversity and climate change and environmental sustainability. Alignment criteria are used to determine gender strategic alignment and diversity strategic alignment. This effort assists in meeting the Bank-wide target, set out in the GAP and DAP, for a certain percentage of loans that include gender-related results indicators. In addition, gender, diversity, and climate change and environmental sustainability feature strongly in the analysis of Country Development Challenges that underpins each country strategy and in the new Environmental and Social Policy Framework, which plays an important role in screening/safeguarding projects for significant social and environmental risks.

Institutional capacity and rule of law, by contrast, does not have any screening tool per se, but there is a list of specific features that are used to determine if an intervention is aligned. The Vice-Presidency for Sectors and Knowledge – with the technical support of IFD – has developed a methodological guide for institutional capacity that was recently approved and is expected to strengthen this aspect in the future.⁹

Focal points and knowledge products play a key role in bolstering Bank staff capacity to mainstream all cross-cutting issues, though gender equality and climate change are the most familiar areas. Bank staff are somewhat more familiar with gender equality and climate change concepts, language, actions, results and indicators than with

9. The Guidance Note for the Mainstreaming of Institutional Capacity and Rule of Law Cross-cutting Issue into the Country Strategy Cycle and the Project Cycle (GN-3129) was approved on 9 September 2022. It is being piloted in the preparation of the Paraguay Country Development Challenges.

diversity and with institutional capacity and rule of law. The continuous and evolving work over time has contributed to greater “institutionalisation” of gender equality and climate change. The Gender and Diversity Division conducts its own research, collaborates with other divisions, and organises policy dialogues and outreach activities in the region to further develop and disseminate knowledge related to gender and diversity. The recent creation of the Gender and Diversity Lab adds to the knowledge generation capacity of the Gender and Diversity Division. The Natural Capital Lab is part of the Climate Change Division and has an expanded workplan including biodiversity mainstreaming, disaster risk management mainstreaming and climate change mainstreaming.

More capacity needs to be built around diversity and institutional capacity and rule of law,¹⁰ although focal points are important elements for building this capacity. These two cross-cutting areas are not systematically integrated into country strategies or portfolios to the same degree as the others.

There are no formal training requirements for staff (i.e. during onboarding processes) on any of the above-mentioned cross-cutting issues. Establishing them may contribute to further capacity-building.

Resources appear adequate to promote cross-cutting issues, but uptake depends to an important degree on demand among borrowing member countries. In 2020, roughly half the Bank’s expenditure on operations’ preparation and supervision and on knowledge generation was attributed to cross-cutting priorities, with most accounted for by institutional capacity (19%), followed by climate change (16%) and gender and diversity (12%).¹¹ Since 2018, the proportion of Bank operations (new approvals) aligned with one or more of the cross-cutting priorities has increased steadily, implying expanded Bank support in these areas if implemented as planned. However, the Bank is also affected by demand from its borrowing member countries – notwithstanding the efforts of IDB focal points and country representatives to promote the inclusion of these issues in their lending portfolios. Direct investments remain small in all cross-cutting areas, but the growing volume of loans that have mainstreamed gender, diversity or climate change suggests an improving appetite and demand from borrowing members, as well as capacity in the Bank to advocate for these cross-cutting issues.

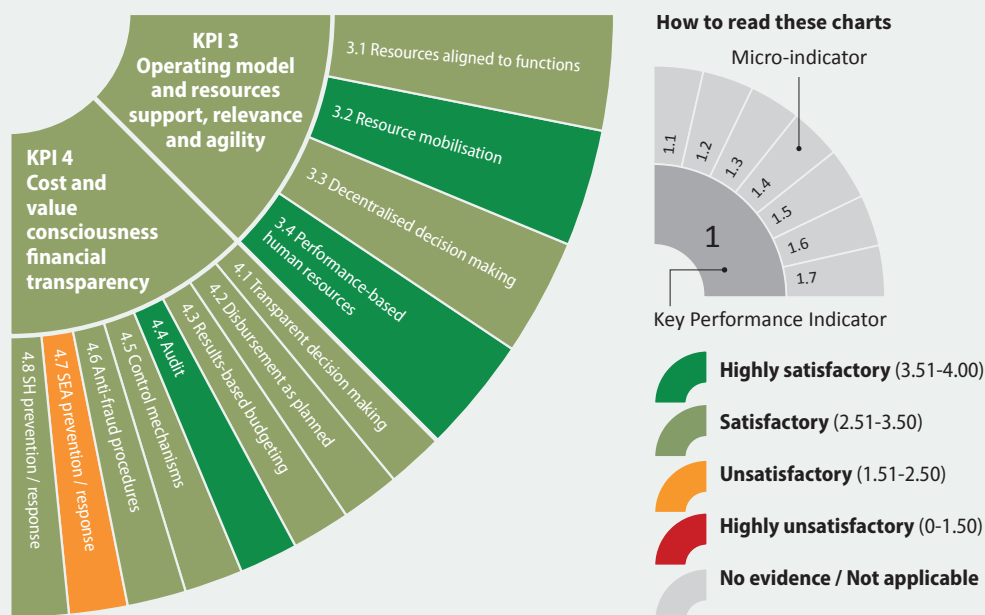
There is still work to be done, including to better understand and analyse diversity issues and address the full range of diverse groups (particularly lesbian, gay, bisexual, transgender and queer). The Bank is working to increase visibility on diversity issues through research, knowledge management and high-level events. The Bank also recognises that the localised nature of Indigenous Peoples and Afro-descendants as well as limited information on ethnic/racial communities and national political sensitivities make diversity more complex to tackle.

10. As mandated by the Board in 2021 and reflected in the Guidance Note for the Mainstreaming of Institutional Capacity and Rule of Law (GN-3129).

11. These numbers should be read in the context of the paragraphs above referring to the more targeted alignment screening tools for gender and climate change versus institutional capacity and rule of law.

OPERATIONAL MANAGEMENT

KEY FINDINGS



The IDB scores consistently well on operational management, reflecting the strength of its systems and processes in this area.

The IDB’s organisational structure and staffing are generally well-aligned with the requirements set out in the current strategic plan. Under its commitment to have “the right person in the right place at the right time”, the Bank’s 2020 Human Capital Strategy and its Flexible and Efficient Workforce Management Framework seek to maintain an optimal balance between the expertise and human capital available at headquarters and at the country level and between permanent staff and the complementary (consultant) workforce.

The IDB is widely recognised by stakeholders in the region as an organisation that mobilises external partner knowledge and financial resources. The IDB’s resource mobilisation efforts are consistent with its core mandate to reduce poverty and increase productivity in the region and with its strategic priorities expressed in the Institutional Strategy. The Bank mobilises resources from a diverse range of partners. Member countries in the region are an important source, with borrowing member countries contributing the majority of the Bank’s capital. That said, the breadth of the IDB’s mandate and strategic objectives make aligning resource mobilisation a relatively demanding task. The IDB does not have a specific resource mobilisation strategy, nor does it set targets overall or for particular funding modalities or partner types.

As a member-owned institution, the Bank must manage the tension between pursuing the strategic development objectives agreed by all members and addressing the interests of its borrowing members for commensurable access to the IDB’s services for their countries’ priorities. The evidence suggests that the Bank strikes a reasonable balance in this regard; allocation data indicate that strategic development objectives are generally resourced in line with expectations. That said, the Bank’s target for lending to countries in categories C and D (small and vulnerable) provides limited insight into the share of resources allocated to the poorest countries in the region, given that two-thirds of category C and D countries are high-income or upper-middle-income economies.

Programming is country-driven and guided by country strategy documents that are the product of ongoing structured dialogue with borrowing member countries. Within these strategies, there is scope to adjust operations, with country-level managers reporting they have sufficient flexibility to adapt to changing circumstances on the ground. Nevertheless, the Bank is an inherently centralised institution and, in the face of changing country contexts, current governance arrangements may be leading to the unintended consequences discussed below.

The Bank's human and financial resource management systems are strongly results-oriented. Human resources systems use data to monitor and report on performance and are increasingly geared towards the achievement of results. The IDB actively promotes diversity, inclusion and equity in the workplace as a priority, but resourcing, talent recruitment and organisational culture will take time to reflect its ambitions. The IDB's results-based budgeting system continued to develop over the assessment period and, while still a work in progress, represents a notable effort to relate resourcing to objectives.

The IDB has well-established internal control mechanisms to manage integrity risks including fraud, corruption and other risks associated with Bank-provided resources. This is demonstrated by the external auditor's unqualified opinion of the Bank's financial statements and internal controls over financial reporting. The Bank has embedded the "three lines of defence" model into its processes, taking steps during the period to strengthen further controls at levels 1 and 2. This includes actions to prevent and respond to sexual harassment in the workplace.

Notwithstanding the IDB's generally strong performance in operational management, the Bank faces a few but important risks and challenges that require further attention:

- As indicated above, managers at the country level can adjust interventions to respond to new contexts, but they cannot change the development objectives of a project without resubmission to the Board for approval. In practice, projects are frequently adjusted, but objectives less frequently. Such adjustments to the original design without associated changes to the intended objectives risk weakening the project's development intervention logic, and evidence from OVE analyses suggests this is a factor explaining the IDB's relatively low effectiveness ratings for completed projects. The Bank's new Operational Excellence Agenda includes steps to strengthen the assessment of development effectiveness during implementation. Whether it will address the incentive challenges facing managers on the ground remains to be seen.
- OVE, in both 2020 and 2021, found that when the IDB closed projects, information about compliance with the Bank's safeguards was generally lacking and, in some cases, issues had not been fully addressed during implementation and were still pending, including resettlement operations. This finding, coupled with the decision to lower the target level of compliance for the mitigation of high-risk social and environmental projects, may pose a significant risk for the Bank. The Bank's 2021 Environmental and Social Policy Framework (ESPF) is undoubtedly a positive step in strengthening the Bank's approach generally in this area, but it is not applied retrospectively and so will take several years to materially affect performance.
- Finally, the IDB took several steps in the assessment period to strengthen its approach to prevent sexual exploitation and abuse (SEA),¹² including both the joint commitment in 2018 with nine other international financial institutions to advance standards in this area and enhanced policies in the 2021 ESPF. Nevertheless, there is a need for a more targeted approach to SEA beyond its consideration as a gender-based project risk. The IDB has a broad definition of SEA articulated in the ESPF but does not have specific reporting to the Board on

12. Sexual exploitation means "any actual or attempted abuse of a position of vulnerability, differential power, or trust for sexual purposes, including but not limited to profiting monetarily, socially, or politically from the sexual abuse of another." The term sexual abuse means the actual or threatened physical intrusion of a sexual nature, whether by force or unequal or coercive conditions" *United Nations Glossary on Sexual Exploitation and Abuse* (2017) https://hr.un.org/sites/hr.un.org/files/SEA%20Glossary%20%20%5BSecond%20Edition%20-%2020217%5D%20-%20English_0.pdf

SEA. Although the new ESPF establishes a fast-track process for dealing with SEA, public reporting on incidents and actions taken does not yet take place. With regard to sexual harassment, the IDB has established a clear code of conduct and a blend of formal and informal channels for reporting and response. The Office of Ethics engages in prevention through outreach and training. The office also receives and investigates sexual harassment allegations. The number of allegations is low, and the IDB needs to determine whether more needs to be done to promote a speak-up culture. Given stakeholder attention to SEA and sexual harassment, this represents an area that merits further action by the Bank.

This **operational management** performance area gauges to what extent the assets and capacities organised behind the strategic direction and intended results ensure relevance, agility and accountability. This area is assessed through the two key performance indicators explained below.

KPI 3: Operating model and human and financial resources support relevance and agility

Performance rating: Satisfactory

Score 3.31

The IDB’s organisational structure is generally well-aligned with the requirements set out in the current strategic plan. The IDB is committed to having “the right person in the right place at the right time”. This translates into efforts to balance the expertise and human capital available at headquarters and at the country level and to respond organically to new demands and functions across the IDB’s operations. The IDB is working to strengthen its human resources (HR) function to better respond to emerging needs, priorities and challenges for the region. The HR function has expanded its training offer through the IDB’s BIDAcademy, increased its use of big data and analytics, and established a human resourcing services hub in Costa Rica to respond more readily to HR needs in the region to service IDB operations. With the COVID-19 pandemic moving all IDB staff to work from home, the IDB scaled up its virtual support to staff. As of April 2022, the IDB is in Module 3 (out of four “the new normal”) of the Return to Office Framework which has the offices at 50% capacity. As part of the merge-out of IDB Invest, the IDB Group established regional hubs to promote group synergies in each region and to ensure that the interests of both the IDB and the IDB Group are represented. At the same time, IDB country representatives represent public and private-sector interests for the whole IDB Group (with dual reporting lines within the IDB and IDB Invest).

The IDB is working steadily to enhance talent management and increase the flexibility of its resourcing to countries. With the 2020 Human Capital Strategy, the IDB emphasises the importance of IDB’s employees as the Bank’s key asset, the majority of whom are from borrowing member countries. The IDB is working to attract and maintain the best possible talent and is taking a flexible and “organic” approach to resourcing across the region – an approach that seeks to respond to the changing needs of the region based on strong analytics of country needs rather than one that pursues defined decentralisation targets. Transitioning from a heavy reliance on a complementary workforce, the IDB has introduced the Flexible and Efficient Workforce Management Framework to balance the ratio of staff to consultants.

HR systems use data to monitor and report on performance and are increasingly geared towards the achievement of results. Between 2016 and 2020, the Human Resourcing Department increased the use of data to optimise its employee performance management system. This has been accompanied by more consistent work-planning exercises with managers and continuous feedback across the IDB. Managers participate in annual calibration exercises to determine rewards and promotions; this has been part of an institution-wide approach to managing career mobility and promotions.

The IDB identifies “diversity, inclusion and equity” as a priority, but the resourcing, talent recruitment and the culture within the Bank do not yet reflect the IDB’s ambitions in this area. The IDB has initiated several

progressive human resourcing policies including an expanded parental leave policy to provide benefits to primary and secondary caregivers, introducing gender neutrality into parental leave benefits, Economic Dividends for Gender Equality certification to foster a more gender-equitable workforce, and efforts to facilitate accessibility for people with disabilities within the IDB. The IDB is working to enhance the diversity of its leadership and workforce and to ensure greater representativeness across Borrower member states. With this the IDB expanded its talent recruitment efforts to reach out to talent hubs in the region, focusing on indigenous and afro-descendent professionals. The CRF (2023) includes indicators not only to measure progress towards gender parity but also to measure the actions undertaken to promote diversity and inclusion in the IDB Group. Although the Bank's ambitions have not yet been fully achieved, results show progress in the IDB's efforts to both increase gender parity among staff and to promote diversity, equity and inclusion internally outcomes.

The IDB has broad resource mobilisation targets and an overarching roadmap to guide resource mobilisation.

Resource mobilisation efforts respond to the IDB's broad strategic orientation to reduce poverty and increase productivity in the region, building on the Bank's ordinary capital, the majority of which comes from borrowing member countries. The IDB's resource mobilisation efforts focus on diversifying the IDB's income streams to address the challenge of decreasing availability of overseas development assistance for LAC countries and tremendous inequality across the region and within countries.

Efforts to mobilise resources focus on diversifying partners and the ways that partners can support the region.

Resource mobilisation efforts offer a variety of opportunities, for diverse partners, through trust funds, project-specific grants and co-financing, which complement the IDB's ordinary capital. Resource mobilisation is a pillar of the IDB strategy with an emphasis on diversifying the IDB's donor base and exploring diverse financing modalities to provide greater opportunities for partnership. The IDB's resource mobilisation efforts focus on work with bilateral and multilateral donors, promoting domestic mobilisation and catalysing resources from the private sector. Co-financing is a preferred and principal source of resources for the IDB. Co-financing has been the predominant form in the current strategic period and accounted for 90% of the IDB's resources mobilised in 2020. The IDB also promotes partnership and collaboration for non-financial resources such as knowledge, cutting-edge technology and innovation.

Programming is country-driven, and there is scope to adjust operations to external changes on the ground; however, current governance arrangements may have unintended consequences.

Programming is guided by country strategy documents that, as stated above, are the product of ongoing structured dialogue with borrowing member countries. At the country level, managers are able to redesign and flex programming to respond to a changing context and emerging priorities but are not able to change the original development objectives of a project without resubmission to the Board for approval. In practice, projects are frequently adjusted but, in the absence of related revisions to their objectives, this practice risks weakening the intervention logic that linked the original design with the development objectives. Evidence from OVE analyses suggests this may explain in part relatively low ratings for the effectiveness of projects on completion.

KPI 4: Organisational systems are cost- and value-conscious and enable transparency and accountability

Performance rating: Satisfactory

Score 3.13

The Bank's organisational systems are generally well-developed and, as a result, they score strongly in this aspect of the assessment. The Bank has put in place effective planning, budgeting and expenditure management systems, as demonstrated by the external auditor's unqualified opinion of the Bank's financial statements and internal controls over financial reporting. Systems and policies are kept under review and subject to updating and upgrading as needs evolve. Examples include the introduction of an Anti-Money Laundering and Combating Financing for Terrorism Policy (2018), the latest Information Technology Strategy and the new Environmental and Social Policy (safeguards) Framework (2021). The Bank's approach to results-based budgeting is a strength and continues to evolve.

The IDB’s strong financial basis enables it to react to unforeseen crises that have a significant effect on the demand for its services. This agility is well-demonstrated by the Bank’s response to the outbreak of the COVID-19 pandemic (see Box 5).

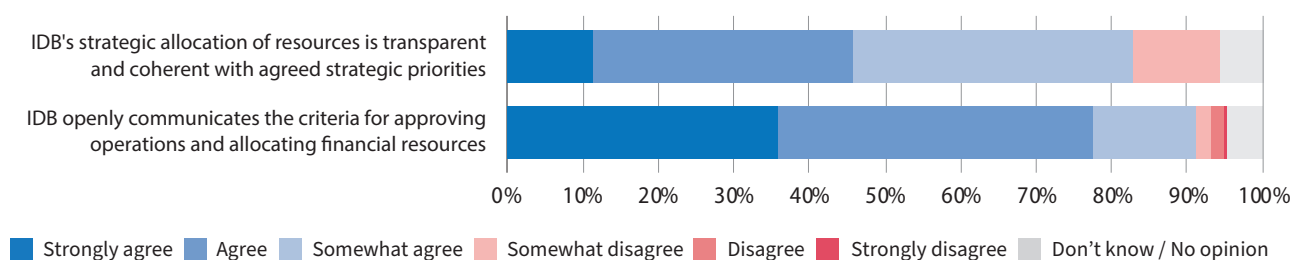
Nevertheless, based on the IDB’s Satisfaction Survey, generally stakeholders in the region are more likely to recognise the Bank for its qualities of responsibility, financial stability and resource mobilisation than for its flexibility and rapid responsiveness to clients.

The IDB’s approach to determining the strategic allocation of resources to its members is documented, but not all stakeholders feel it is clear. The Bank’s long-term sustainable level of lending is determined by a number of factors, including its mandate to maintain triple-A risk status with the international rating agencies. The Bank ensures that concessional financing is provided to the poorest countries that cannot access loans at ordinary rates, with recent revisions to the determination methodology designed to ensure that those countries with the greatest need are eligible. The allocation of ordinary financing envelopes to member countries is based on a formula, though, in practice, considerations other than purely allocative efficiency also affect allocations. Nearly 80% of respondents to the MOPAN survey agreed or strongly agreed that the IDB openly communicates the criteria for approving operations and allocating financial resources. However, only 35% of Board members and donors who responded to the MOPAN survey agreed or strongly agreed that the IDB’s strategic allocation of resources is transparent (see Figure 5).

The Bank faces multiple demands regarding the allocation of its resources but appears to strike a reasonable balance. This issue reflects the above-mentioned tension within the Bank between the strategic development objectives agreed by all members and the interests of its borrowing members for commensurable access to the IDB’s services for their countries’ priorities. The evidence suggests that the Bank strikes a reasonable balance in managing this tension. While outturn figures vary somewhat from year to year, allocation data (new approvals) indicate the Bank’s (admittedly broad) strategic development objectives are generally resourced in line with expectations. Nevertheless, the Bank’s first overarching objective, established in 2010 under the Ninth General Capital Increase in the Resources of the IDB is to reduce poverty and inequality, supported by the strategic goal of addressing the special needs of the less developed and smaller countries. The Bank’s target for lending to countries in categories C and D (35%) ensures available resources are allocated to the smaller economies among the membership but provides limited insight into the share of resources allocated to the poorest countries in the region, given that two-thirds of category C and D countries are high-income or upper-middle-income economies.

The IDB has effective systems to track and manage disbursements to members, though transparency regarding some aspects of the process could be improved. IDB central systems track the status of projects closely to monitor disbursements and identify variations from plans. Nevertheless, there is a tension between the early identification

FIGURE 5. COMPARISON OF MOPAN PARTNER SURVEY RESULTS QUESTIONS 1(05) AND 5(01)



Source: Based on responses to the 2021 MOPAN External Partner Survey: IDB, 8-30 March 2022.

Box 5: How has IDB demonstrated its operational flexibility in responding to COVID-19?

The onset of the COVID-19 pandemic significantly impacted the IDB's operations in several ways, with the Bank demonstrating its operational flexibility accordingly.

Initial steps included a new programming exercise with countries within two to four weeks of the start of the pandemic (Inter-American Development Bank, 2021a). General waivers were introduced for all pandemic response projects to allow for universal procurement eligibility, relaxing existing requirements that suppliers be sourced from borrowing member countries. Moreover, projects were given leeway to hire specialised procurement agencies from within the United Nations system (United Nations Office for Project Services, United Nations Development Programme, Pan-American Health Organisation) in response to the interruptions in supply chains brought about by the COVID-19 emergency, with the Bank approving the use of those agencies' own procurement policies to promote efficiencies.

A new digital system introduced just before the pandemic to process all procurement and disbursement processes on a "no-objection" basis also proved to be timesaving in the emergency. This innovation helped the Bank process a huge uptick in the volume of operations in a short space of time, with the Office of Institutional Integrity proving critical in ensuring the Bank did not skirt integrity requirements in spite of the enlarged throughput.

The Bank also streamlined a number of fiduciary processes, with the projects committee providing a 24-hour turnaround on responses to projects, simplifications of national competitive bidding, limited bidding, and price comparison processes. Indications from key informants interviewed suggest that some of these simplified bidding processes may be sustained beyond the scope of the Bank's pandemic response, although changes to waivers are likely to revert. Other key innovations included the development of four project prototypes for COVID-19 response projects, allowing for rapid approval (Inter-American Development Bank, 2021b). The Bank has also implemented a 22-day approval window for expediting the processing of sovereign-guaranteed operations, although it should be noted that certain survey respondents expressed concern over the unintended negative consequences this may have for integrating gender into new operations.

of likely non-approvals (enabling reallocation centrally) and country teams' meeting their programme targets. Staff interviews suggested that, while this is not a significant problem, there could be merit in better incentivising early warning by staff of potential non-approvals, through more transparent sharing of centrally held information on opportunities for accessing under-spent resources and the process whereby these are reallocated.

More generally, the Bank appears to be making less publicly available information on disbursement performance than previously. The IDB sets baseline projections for disbursements annually and routinely exceeds these (sovereign operations), suggesting the projections are conservative/floor targets. Previously, the IDB's corporate results framework (2017-19) reported on the percentage of sovereign-guaranteed (SG) loans that had been fully disbursed on time. Results for 2015-19 suggest on average only about one-quarter of SG loans met this objective. The indicator has not, however, been continued in the latest CRF 2020-23. Similarly, the Bank's Annual Business Review previously included detailed breakdowns and examination of execution performance but, since 2020, the Annual Business Reviews appear to have been streamlined and include much less analysis.

The IDB has well-established internal control mechanisms to manage integrity risks including fraud, corruption and other risks associated with Bank-provided resources. Staff and management, as the first line, are required to adhere to relevant policies, such as the Code of Ethics and Professional Conduct, the Framework for Preventing Fraud and Corruption, the recently updated Environmental and Social Policy Framework, the Project Risk

The Bank’s corporate response to the pandemic has reflected the need to enhance digital infrastructure, with investments to strengthen critical information technology areas and processes implemented to allow staff to pivot to working from home (Inter-American Development Bank, 2021c). IDB staff have been working remotely, for the most part, since 16 March 2020, with every IDB Group employee who normally works at headquarters and the IDB’s 28 country offices moving to remote working.¹³ Accordingly, the regularity of all-staff meetings has increased during the pandemic with participation from all country offices. Some informants pointed to the negative impact that working from home has had on the Office of Institutional Integrity’s ability to perform on-site investigations, making investigations of corruption, fraud and other prohibited practices in IDB Group projects more challenging to assess. Meanwhile, OVE has emphasised the importance of rethinking evaluation plans, teams and methodologies and increasingly using remote data collection practices in order to adapt to travel restrictions.

Other measures implemented by the Bank include extensions of existing staff and consultant benefits to protect the workforce and the subsequent development of a Return to Office Framework to manage a safe transition to a “new normal” working environment (Inter-American Development Bank, 2021a). A number of COVID-19 interactive dashboards have been developed to monitor the Bank’s operational response to COVID and the implementation of the Return to Office Framework.

Perceptions of the IDB’s flexibility in responding to COVID-19 gathered as part of the MOPAN partner survey were generally favourable. For example, in response to the attribute statement that the “IDB has been able to adapt its operating model in country in response to COVID-19 to ensure operational continuity”, 55% of respondents either agreed or strongly agreed, with only 2% of stakeholders expressing disagreement (OECD, 2022).

13. See <https://www.iadb.org/en/coronavirus/corporate-response>.

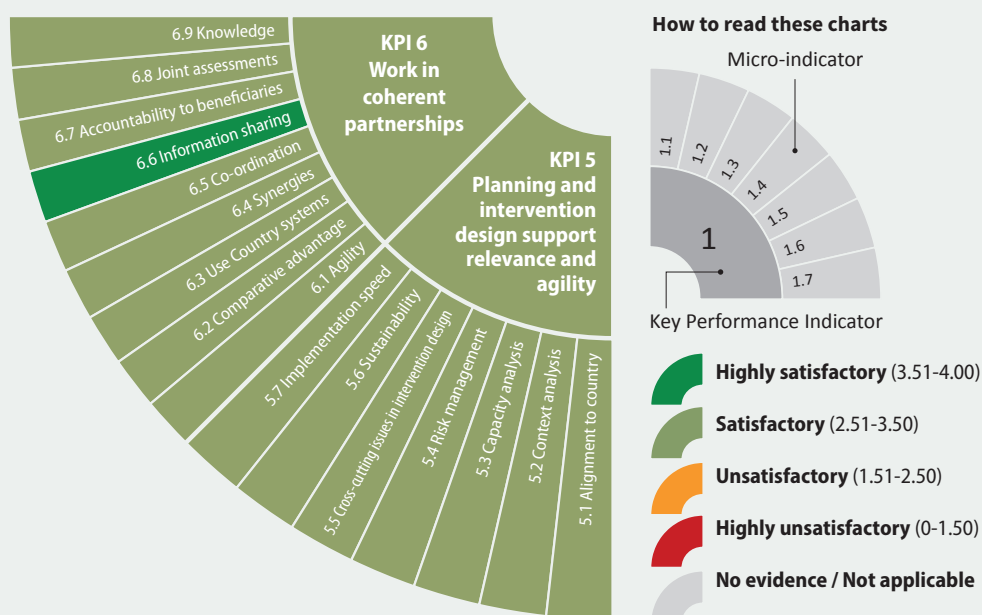
Management Framework, the IDB’s policy on Prohibited Practices, the annual Declaration of Staff Interests, and the recently established Anti-Money Laundering and Combating the Financing of Terrorism Framework. The second line comprises the Office of Ethics for the prevention and investigation of cases of employee misconduct; the Office of Risk Management for financial and certain non-financial risks in the IDB; the Environmental and Social Safeguards Unit in the Office of Risk Management; and the Office of Institutional Integrity for the prevention and investigation of prohibited practices in IDBG-financed operations (and part of the Sanctions system applied to contractors). The third line comprises the Office of the Executive Auditor, responsible for assurance and advisory review of the IDB’s governance, risk management and internal controls; the Independent Consultation and Investigation Mechanism, the IDB’s independent forum to address complaints from those affected by Bank operations; and the Office of Evaluation and Oversight (OVE), responsible for independent evaluation.

Nevertheless, steps to strengthen the Bank’s approach to environmental and social safeguards are still a work in progress. In 2017-19, the IDB did not meet its target for high-risk social and environmental projects implementing mitigation measures satisfactorily. In 2020 and 2021, the Bank exceeded the target but, while the IDB hired additional environmental, social and corporate governance specialists, these assessments relied on partners’ estimates, which are subject to an unknown margin of error. Furthermore, the IDB lowered the target from 90% to 84% for the period 2020-23. Given the “high risk” nature of these projects, the merits of lowering the target – effectively accepting 15% non-adherence raised questions. Finally, recent OVE validations of Project Completion Reports found that when the

IDB closed projects, information about compliance with the Bank's safeguards was generally lacking and, in some cases, issues had not been fully addressed during implementation and were still pending. The new ESPF in principle represents a significant strengthening of the Bank's approach. However, it is not being applied retrospectively and hence may take several years to roll out fully. Similarly, there are opportunities for the Bank to improve the transparency of its approach in terms of defining and reporting risks relating to sexual exploitation and abuse.

RELATIONSHIP MANAGEMENT

KEY FINDINGS



The IDB is a trusted partner to the region. The IDB scores well in its transparency and accountability to partners and in its risk management, which supports its reputation as a responsible organisation with knowledge about development issues. The IDB's comparative advantage extends from its regional expertise and footprint in the region, the broad range of financial and non-financial services that the Bank offers and the strong technical expertise that the IDB offers to its partners. The IDB is seeking to deliver solutions that optimise synergies between the private and public sectors, through increased efforts to deliver a whole IDB-Group approach that includes the IDB, IDB Invest and IDB Labs.

The IDB's role as a knowledge broker and connector to the region, supporting innovation and knowledge, is an area that has been strengthened during the current strategic period through organisational structuring and investment in the IDB's knowledge products, communications and technical specialists. However, the IDB's expertise, research and knowledge are not yet being fully optimised to affect development solutions.

The IDB's strong footprint in the region and its close relationships with regional member countries are recognised as key strengths. The IDB's primary relationships are with national governments whose priorities guide its strategies and programming. The IDB's attention to the unique challenges and opportunities within the region is indicated in the IDB's research, strategies and project design. The IDB is strongly focused on diagnosing, strengthening and using country systems and on addressing cross-cutting issues. With its focus on creating a culture of accountability, the IDB has established mechanisms for consultation with and feedback from diverse stakeholders through surveys, grievance mechanisms and big data to gather public opinion. The IDB has created feedback mechanisms for partners and project-affected people but does not yet have an explicit policy on accountability to beneficiaries. IDB

interventions are designed based on a clear understanding of the development context and partner capacity and are framed to support long-term development effectiveness. During project implementation, the IDB works closely with country partners to ensure an approach that is tailored to country needs. The IDB has the flexibility to adjust in response to contextual challenges, as demonstrated through its ability to reformulate or redesign projects to respond to the COVID-19 pandemic. Although the IDB's projects receive significant attention at the design stage for development effectiveness and sustainability, as noted elsewhere in the assessment framework, adjustments during project implementation have an impact on projects' alignment with their original objectives.

The diversity, number and management approach of the IDB's partnerships are commendable. The Office of Outreach and Partnerships manages the unique interests of partners through a dynamic team and integrated system. With this, the IDB has heightened its visibility as a partner in multilateral fora. However, the IDB's coherence with other development actors is variable. Co-ordination with IDB Invest remains a work in progress due to differences in their organisational cultures, skills and scale of resourcing. The IDB has established a framework to reduce transaction costs in joint operations with bilateral and multilateral agencies, which vary by country, sector and intervention.

Recognising the IDB's generally strong performance in relationship management, the Bank faces a few important risks and challenges that require further attention:

- Although the new ESPF offers additional guidance and clarity for borrowers in engaging with stakeholder groups as well as mechanisms for processing grievances from project-affected people, the IDB does not have an explicit statement on accountability to affected populations. While the ESPF is expected to address coverage gaps in previous operational policies on how the Bank engages with project-affected people at a project level, the Bank lacks a corporate policy statement that establishes the Bank's responsibility to protect and respond to those affected by IDB projects. According to the OVE evaluation of the Independent Consultation and Investigation Mechanism, there is not yet evidence of how the Bank has managed grievances, which suggests that a corporate management system for handling grievances and a related policy are areas that the Bank should consider developing to ensure greater accountability to those affected by IDB projects.
- There is opportunity to continue to enhance the IDB's methods for measuring the use of knowledge products for decision making. Currently, IDB measures "hits" and downloads of its publications and is working to understand how its knowledge products are used. Given the recognised high quality of the IDB's knowledge products, it will be important for the IDB to understand how knowledge is applied, to optimise the use of knowledge products for decision making and advocacy across the region and globally.
- In the interests of streamlining the CRF, the IDB removed indicators that monitored the implementation speed and timeliness of its interventions. The IDB should ensure transparency of the speed of implementation given its importance for ensuring development effectiveness.
- While the IDB's interventions are generally responsive to country contexts, stakeholders reported that the IDB's approach in the Caribbean is not sufficiently tailored to the local context. The IDB's efforts to increase its expertise in the Caribbean is an area in progress.
- The new ESPF requires that all proposed interventions are assessed for social risks, including the risk of misconduct with respect to host populations and sexual abuse. However, if the project is not considered high risk, the issue will not be routinely monitored. Even a project that is not rated high risk may encounter a residual risk of SEA given the involvement of project beneficiaries. SEA can occur across all categories of project risk and in projects where gender-based violence risks are not explicit, which makes this a gap which warrants attention.

The **relationship management** performance area looks at whether and to what extent the IDB engaged in inclusive partnerships to support relevance, leverage effective solutions and maximise results. This area is assessed through the two key performance indicators below.

KPI 5: Operational planning and intervention design tools support relevance and agility in partnerships

Performance rating: Satisfactory

Score 3.21

Informally known as *el banco amigo*, the IDB’s country programming is fully “country-driven and country-focused”. The IDB’s engagement with Borrower country governments is characterised by a close working relationship and understanding of the context and priorities of the countries and of the region as a whole. The IDB prepares joint country strategies with each of its borrowing member countries, which are based on analytical work on the macro-economic, political and social challenges of each country. The country strategies are political documents, that are the product of close dialogue with countries. Country strategies attempt to strike a balance between being sufficiently broad to accommodate contextual changes and specific enough to guide programming for the Bank. The IDB’s recently updated ESPF applies to all new interventions and is expected to enhance the focus on vulnerable groups and beneficiaries in project design and implementation. The IDB prioritises a multi-sector approach to projects and has seen a steady increase in its proportion of cross-sector teams, although this remains an area in development.

The IDB conducts strong contextual analysis, and all interventions are explicitly oriented within a country’s macro-economic, social and political context. All intervention designs benefit from the Country Development Challenges analysis, the IDB’s knowledge products, the country strategy and the sector frameworks, which provide a detailed assessment of the sectoral context in the region from a technical and operational perspective. Ongoing dialogue and monitoring by the IDB’s economists inform the IDB’s engagement with countries. While the IDB is up to date with the contextual changes, partners have mixed opinions on whether this translates into responsiveness to country needs.

The IDB has updated and expanded its tools for assessing institutional capacity to evaluate and respond to country capacity needs more effectively. The capacity of executing agencies is assessed as part of the risk analysis conducted during project preparation. The IDB has expanded its analysis of capacity from a focus on fiduciary capacity to a more inclusive assessment of management capacity, transparency, rule of law, digitisation and security. As part of the IDB’s Strengthening Country Systems strategy, the capacity assessment is intended to feed into technical support to strengthen country systems. The effectiveness of the new institutional capacity assessment tool has not yet been validated by OVE. Limited institutional capacity constrains project implementation. Evidence from the MOPAN survey suggests that, while the IDB considers the capacity of its partners in specific instances, it might not adequately address weaknesses in institutional capacity (though this is forthcoming).¹⁴

The IDB strengthened its Project Risk Management Framework in 2021, although there remains scope to enhance the analysis of risks across the Bank and over time. The IDB’s SG projects are required to assess environmental and social risks (safeguards), institutional capacity (fiduciary) risks and “other” risks. In January 2021, the IDB launched a revised Project Risk Management Framework following an extensive pilot phase. The process was closely aligned with efforts to update the Bank’s institutional capacity (fiduciary) risk assessment process as well. The changes to the Framework appear likely to enhance the quality of the Bank’s approach, though it is too early to see any significant change. In addition, portfolio-level analysis of risks, to inform learning, and enterprise-level risk management are still underdeveloped, though planned. Given the differences in risk taxonomy between the intervention level, country level and enterprise level in the IDB, ensuring effective and efficient intelligence

14. The IFD solutions-driven methodological approach, based on lessons learned from the IDB’s and multilateral and bilateral partners’ experiences, is a new tool that aims at helping address state capability gaps in projects.

co-ordination between the levels is an area that may also warrant further attention. Social risks, including the risk of misconduct with respect to host populations (and sexual abuse), are assessed as part of project design but, if a project is not considered high risk, the issue is not routinely monitored. The ability to identify such risks requires expertise, and the Bank is building its capabilities in this area.

As part of the project approvals process, the IDB assesses the extent of the gender, diversity, climate change and institutional capacity alignment of projects. The Development Effectiveness Matrix requires project proposals to assess cross-cutting issues and provides good practice standards as guidance. Strategic alignment of interventions to gender has increased since 2016, while diversity and rule of law remain a work in progress. Project alignment with cross-cutting priorities relates to the availability of resources and operational cross-cutting support, as well as an in-depth understanding of contextual issues, which still needs to be improved in the case of gender and diversity (i.e. carrying out gender- and diversity-based assessments prior to project formulation).

The IDB’s intervention designs and implementation are assessed with respect to the extent that they integrate critical aspects of sustainability. Project designs are framed to contribute to sustainable development outcomes. Projects often include components that serve to address deficiencies identified – such as technical assistance to build capacity or programme designs that focus on specific sector challenges. Sustainability is built into the IDB’s project cycle through screening all projects for potential environmental and social risks. Policy-based loans are an important instrument for providing flexible support to address fluctuating policy and legal contexts. A potential limitation in the capacity assessment is that it does not always include an assessment of the capacity or technical co-operation that is required to sustain an intervention. The IDB’s funds for technical co-operation are mainly allocated at the country level on an annual basis, which limits the flexibility of this funding to respond to emerging challenges or risks encountered in an intervention. Nineteen of the Bank’s 26 borrowing member countries have access to a dedicated pot of resources intended to remove bottlenecks from project implementation and to respond to emerging needs as they arise. Category A and B countries often approve sector-oriented technical co-operation to support the execution of the loan portfolio.

The IDB’s institutional procedures are broadly supportive of the speed of implementation and adaptability in line with country contexts and needs. The IDB takes a country-centric approach rather than applying a cookie cutter to its engagement in country, which supports the speed and relevance of implementation. However, stakeholders from the Caribbean reported that the approach taken to small and vulnerable countries is not sufficiently tailored to the local context. Views on the IDB’s responsiveness to country needs are mixed. Only a little over half of regional stakeholders (55%) strongly recognise the IDB as an organisation capable of responding quickly to clients’ needs. The IDB offers a diverse menu of financial instruments to respond to the needs and contexts of borrower countries and emerging country priorities. In spite of the diverse financial modalities offered, a recent OVE review found that, in practice, only a small number of lending instruments are used. Against this, the Bank has recently developed new products including commodity hedging and asset management. With respect to the IDB’s speed of implementation, efficiency is a focus of the IDB’s strategy, although the CRF no longer includes explicit benchmarks on the timeliness of its interventions.

KPI 6: Working in coherent partnerships directed at leveraging and catalysing the use of resources

Performance rating: Satisfactory

Score 3.26

Although the IDB does not have an explicit partnership strategy, it uses a roadmap for resource mobilisation and has expanded and strengthened its partnerships through ongoing dialogue with partners and joint partner initiatives. Borrower country priorities, as well as responsiveness to country priorities, drive the IDB’s programming. The IDB’s approach to partnerships focuses on identifying cutting-edge practices to provide multi-dimensional, innovative solutions to the region, supported by a “dynamic and constant” dialogue with government, non-government and private-sector partners for all public and private-sector support. Although the IDB is expanding and

better harnessing the potential of partnerships, stakeholders reported that the IDB sometimes gives the impression of “being the one and only actor in the region”.

The IDB’s value proposition to partners is its expert knowledge, its close relationships with regional borrowing member countries and its convening power within the region. Partnership is framed as “a vehicle for unlocking innovation, knowledge and capital for sustainable development” in the region, building on the IDB’s regional expertise and proximity. The IDB Group’s comparative advantage as a partner to both the public and private sectors has not yet been fully embedded, although the IDB is working to strengthen its role as a partner to the private sector.

The IDB has an explicit commitment to strengthening country systems, supporting institutional capacity and promoting regional exchange. The Bank has a clear statement that country systems should be the first option for aid programmes for activities managed by the public sector and that country systems should be strengthened where they cannot be used. Although the IDB offers a range of cross-country exchanges, it has few regional integration projects. The Bank contributes nearly 40% annually of its non-reimbursable Ordinary Capital for regional work. Notwithstanding, according to stakeholders surveyed, the IDB might not optimise opportunities to use in multi-country or regional programming the lessons learned from successful national initiatives, to benefit more countries more efficiently.

A commitment to sustainable development provides a common framework for IDB’s work with country and development partners. Country strategies set out a broad framework for how the IDB will work with key donors to contribute to sector-specific support. While the IDB’s relationships with country partners are well-established, the IDB’s strategies do not always articulate how the IDB will complement other development actors.

The IDB actively co-ordinates key business practices to support external coherence with public and private-sector partners. To support a whole the IDB Group approach which brings both private- and public-sector opportunities, IDB Invest and the IDB have a common country strategy and a number of shared business practices, including partnership outreach, HR and back office services. The reality of promoting a coherent, whole-of-Group public-private sector offer to country partners, however, remains a work in progress, as there are still gaps in the skills and resources needed. Nevertheless, the IDB partners with over 150 public, private, multilateral and bilateral organisations through diverse arrangements that support financial and non-financial solutions to the region. The Office of Outreach and Partnerships leads partnership outreach and co-ordination through a presence at headquarters, in Asia and in Europe. Its work with partnership is responsive, dynamic and unique to each partner.

Information sharing and transparency of information is a priority, and the IDB has been recognised as a highly transparent multilateral development bank. The IDB performs very well against the methodology of the International Aid Transparency Initiative. Currently, the Bank’s Transparency Index Score is 95.5, and it is ranked fifth place overall. The IDB is one of only 11 donors that has reached the “very good” category in the Aid Transparency Index.

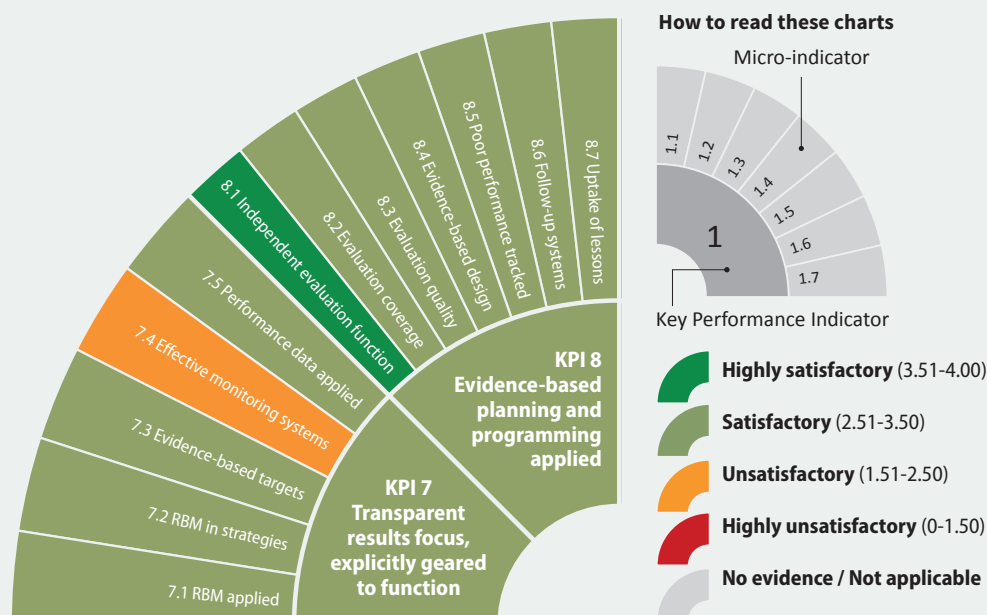
The IDB has a range of procedures and policies to support a culture of accountability to those affected by IDB projects. Replacing the IDB’s operational policies on resettlement, indigenous peoples and consultation with beneficiaries, the 2021 ESPF provides a basis for how borrowers for IDB projects should consult with project-affected people in higher-risk projects. In addition, the Independent Consultation and Investigation Mechanism is in place to provide a last-resort grievance mechanism for project-affected people. While stakeholders are generally positive about the IDB’s attention to environmental and social safeguards, the IDB’s strengthened guidance for accountability to affected people is in the early stages of implementation, and its effectiveness has not yet been assessed.

The IDB is generally seen to be a responsive, engaged partner that is receptive to feedback and maintains positive partner relationships. The IDB has an important role as convener of dialogue at the global and country levels, but engagement with stakeholders varies depending on the project, sector and partner. Project design and monitoring is intended to be conducted jointly with country partners. However, ensuring co-ordination and participation from stakeholders throughout the project cycle has been an ongoing challenge. The IDB participates in some global fora and took a leading role in co-ordinating regional dialogue on climate change as part of the 26th United Nations Climate Change Conference.

The IDB has an extensive knowledge and learning ecosystem which intends to serve both internal and external processes and stakeholders. The IDB has strengthened its role in knowledge production, through research, publications and blogs, and has increased the scale and number of training courses available to staff and partners. The current Institutional Strategy sets out two complementary corporate priorities for the IDB Group: to develop a Group-wide knowledge agenda; and to foster knowledge to enhance the IDB's competitiveness, positioning the IDB as both a knowledge broker, purveyor of knowledge and connector for the region. The IDB's knowledge base comes from technical sectoral experts, the Department of Research and Chief Economist, and the Knowledge Innovation and Communication Office. In response to the COVID-19 pandemic, the IDB hosted webinars, produced publications and developed a real-time information dashboard to support decision making across the region. Although the IDB produces an impressive body of high-quality knowledge products for diverse audiences, knowledge products are not fully optimised for decision making or advocacy, and the IDB does not yet have the indicators in place to monitor the uptake of its knowledge for decision making.

PERFORMANCE MANAGEMENT

KEY FINDINGS



The Bank exhibits a number of strengths with respect to performance management. IDBG Management continues to be strongly committed to results-based management approaches, which is demonstrated by the most recent strategic plans, CRF and its Development Effectiveness Framework.

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 a number of important and related challenges that limit its capacity to manage and account for performance effectively. These are:

- Systems to account for development results are underdeveloped. Current monitoring processes typically focus on performance in terms of financial and physical progress. This may be sufficient to identify and manage poorly performing projects, but it provides limited insight into the achievement of development objectives. Reporting in levels 2 and 3 of the CRF provides important information about alignment with objectives and the reach and provision of services supported by IDB projects. However, systematic reporting on development results remains a gap.
- Weaknesses in intervention-level monitoring and evaluation (M&E) represent an ongoing and significant challenge for the Bank. Problems arise from both poor-quality M&E design and failure to update the development logic and revise project objectives when support changes. These factors reduce project effectiveness and adversely affect the Bank's capacity to generate high-quality monitoring data (Micro-indicator [MI] 7.4), use performance data for decision making (MI 7.5), and track and manage poorly performing projects (MI 8.5).
- Evaluation recommendations are incorporated into new country strategies and interventions as evidenced in the Recommendations Tracking System. Interviews suggested there is less attentiveness in practice to integrate lessons learned, although the IDB has procedures and requirements for indicating how lessons inform new interventions and country strategies.

IDBG Management appears largely aware of these challenges and has a number of relevant initiatives underway. The Operational Excellence Agenda is seeking inter alia to strengthen M&E activities and increase the focus on development results during implementation. Similarly, the IDB is piloting a number of projects designed to collate and incorporate lessons more systemically into designs. It is too early to determine if these various initiatives will address the concerns outlined above.

The **performance management** area assesses the existence of systems geared towards managing and accounting for development and humanitarian results and the use of performance information, including evaluation and lesson-learning. This area is assessed through the following two key performance indicators.

KPI 7: Strong and transparent results focus, explicitly geared towards function

Performance rating: **Satisfactory**

Score **2.75**

IDB Group Management continues to be strongly committed to results-based management, which is emphasised in successive strategic plans, the CRF and the Development Effectiveness Framework. The CRF establishes indicator targets to drive operations in line with the IDB Group's strategic objectives and cross-cutting priorities. The CRF captures IDBG's performance through three levels of indicators (one to track regional progress related to IDBG's three challenges and cross-cutting issues; a level to track IDBG's reach related to challenges and cross-cutting issues; and a level that assesses performance against targets for operational delivery and organisational management). The

Development Effectiveness Framework and its key tools, the Development Effectiveness Matrix, Project Monitoring Report (PMR) and Project Completion Report, underpin the CRF and have been improved since the last MOPAN Assessment.

This commitment to results-based management is evident in the alignment of IDB strategies and projects.

Country strategies and interventions must have results frameworks that include indicators, targets, and baselines for planned outputs and outcomes. New interventions are assessed both for alignment with the priorities expressed in the country strategy document and with the IDB's strategic priorities.

The IDB has developed systems for monitoring and managing project implementation. At the intervention level, Project Monitoring Reports are produced semi-annually, while projects classified as higher risk in environmental or social safeguarding terms are monitored regularly to track evolving risks.

Completed projects are subject to a self-assessment by operations that examines relevance, effectiveness, efficiency and sustainability. At the country level, internal annual country portfolio reviews track progress against targets, while performance at the regional level is monitored by both country departments and sectoral departments and divisions. IDBG has invested in sophisticated data management systems and dashboards in order to improve its monitoring and reporting on performance. The new Knowledge, Innovation and Communications system offers an organised repository for capturing lessons and disseminating these to future interventions, in an attempt to streamline and automate the use of lessons learned. Bank staff are still becoming familiar with the Knowledge, Innovation, and Communications system and its potential to support a culture of consistent data use.

However, weaknesses in intervention-level monitoring and evaluation represent an ongoing and significant challenge for results-based management in the Bank. These weaknesses in turn contribute to uncertainty about the (development) results of Bank operations. They appear attributable to three main factors:

- First, OVE analysis of completed projects points to perennial weaknesses in the quality of interventions' M&E systems; shortcomings in M&E are a major factor limiting understanding of the effectiveness of Bank operations and associated ratings.
- Second, monitoring during PMR exercises is typically focused on financial and physical progress of Bank-supported projects, with much less attention paid to their development outcomes. While inputs and outputs are crucial in achieving intended results, they provide only a partial view of performance, and this limitation is evidenced in the discrepancy between the IDB's ratings of project performance during implementation and OVE's ratings of effectiveness at completion.
- Third, projects themselves may be adjusted during the course of implementation to adapt to changed circumstances, but their development objectives are often not modified to reflect these changes because of the bureaucratic requirements involved. This disincentive to restructure operations more completely can lead to a mismatch between the stated objectives and the project's ability to achieve them based on the revised approach. This issue again appears to be a factor explaining low effectiveness scores for completed projects.

In addition, although the IDB's CRF accepts OVE's overall success ratings for completed projects, there seem to be differences between the IDB's and OVE's rating methodology, which also contribute to the uncertainty regarding performance data.

The IDB is taking various steps to address this issue, though it is too early to determine if they will be successful.

In 2020, the IDB updated the Development Effectiveness Matrix to strengthen requirements for all new interventions

designed since August 2020. These improvements include the requirement to provide at least one valid results metric for each specific objective that the project aimed to achieve. At the country office level, the Smart Portfolio review process (as part of the Operational Excellence Agenda), is an early warning system for portfolio management that uses the PMRs to track the performance of the portfolio at the country level. The same agenda is also proposing greater M&E attention to development results during project implementation. For the IDB's Andean Group countries, as part of the Cultural Transformation process, rather than relying on biannual PMRs, a monthly Operational Report addresses milestones and flags problem areas, to provide more consistent attention to progress towards targets; in addition, the IDB has established initiatives like Smart Space (to exchange lessons) and the use of change agents to find solutions for different challenges. The assessment team also was told about various country offices' own initiatives to develop more tailored and useful tools for monitoring performance (such as dashboards and PMR simulations for day-to-day management). The extent to which these various initiatives are being aligned corporately is not fully clear. Similarly, the extent to which they address the fundamental weaknesses in the quality of underlying M&E data remains to be seen.

KPI 8: Evidence-based planning and programming applied

Performance rating: Satisfactory

Score 3.09

OVE is strongly independent, with its own budget, its own structure and autonomy over its work programme.

OVE is led by a director who is appointed by and reports directly to the Board of Executive Directors. Evaluation priorities are established by OVE in consultation with the Board, and to a lesser degree with Management. The evaluation function is supported entirely through core funds. OVE is guided by an evaluation policy (the latest being from 2019) which establishes the broad criteria for OVE's annual workplan. The criteria have continued to guide OVE and its production of evaluation outputs during the COVID-19 pandemic, even though this has involved significant changes to OVE's ways of working. In spite of limitations for data collection, OVE has maintained the volume and quality of its evaluations since the pandemic began.

OVE produces high-quality, credible, independent evaluations, supported by clear quality assurance processes, though there is potential scope to strengthen quality considerations further.

OVE undertakes 12 to 18 major evaluations annually, including project evaluations, sector and thematic evaluations, Country Program Evaluations, and corporate evaluations. OVE draws on a range of documents to frame its evaluation practice, such as the Protocol for Country Program Evaluation, the Evaluation Cooperation Group's Evaluation Good Practice Standards and the OECD Development Assistance Committee's Quality Standards for Development Evaluation, and it has an established quality assurance process. Evaluations demonstrate appropriate methodologies and are usually (but not always) based on robust evaluation matrices that are detailed in the Approach Papers, while limitations are set out ex-ante in the evaluation matrix but not elaborated ex-post in evaluation reports. There is no OVE evaluation guidance or manual that details the approach taken for independent evaluations. While IDB project team leaders and sectors specialists draw on OVE sectoral and thematic evaluations, Country Programme evaluations and project-level validations are viewed by some as first and foremost serving an accountability function, rather than supporting learning and improvement. The strong independence of OVE evaluations is perceived by some IDB staff as limiting their involvement in the process and the utility of recommendations as a result.

The IDB and OVE have established robust accountability systems for the follow-up of evaluation recommendations.

Recommendations from OVE evaluations and the IDB Management's response are discussed at the Board level. For Country Program Evaluations, timing is an important consideration, as these evaluations and their recommendations must be discussed and approved by the Board before the next country strategy can be discussed and elaborated. OVE's annual report includes a summary of recommendations from published evaluations, a management response and the Board's endorsement. The Recommendations Tracking System requires

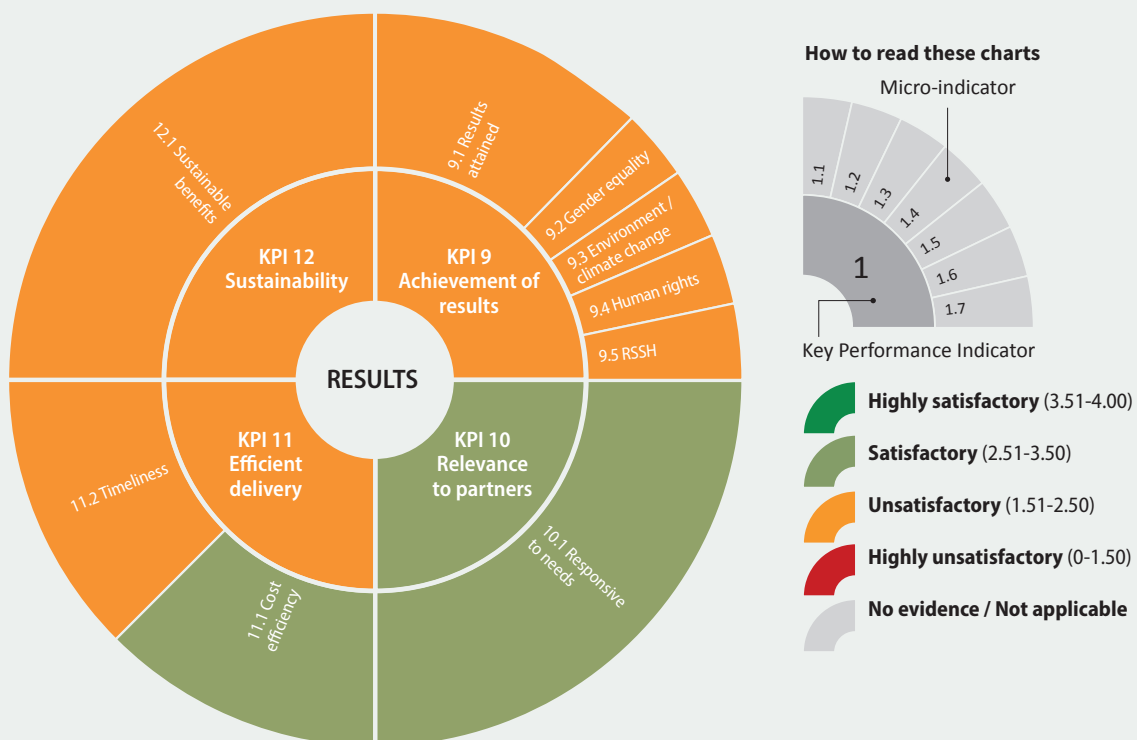
Management to develop concrete action plans for all OVE recommendations that the Board of Executive Directors endorse. The Office of Strategic Planning and Development Effectiveness monitors progress in the implementation of OVE’s recommendations, and OVE reports annually on System’s status.

However, the uptake of lessons from OVE and IDB evaluations and the demonstration of their application in new interventions is less well-developed. Generally, the IDB has procedures to ensure new interventions are informed by learning from evaluation. Sector framework documents and guidelines reflect lessons learned and country strategies include lessons from OVE Country Program Evaluations. Proposals for new interventions are required to demonstrate learning from experience. Nevertheless, there is a perception among some staff that IDBG’s culture has not fostered learning from what has and has not worked. In response, the IDB has developed a lessons repository and is piloting specific projects to incorporate lessons into design more systematically. However, incentives may also need to be considered (in addition to systems) if wider learning and lesson application ambitions are to be realised.

IDB systems to identify and track poorly performing projects are adequate, though the quality of information is limited by the M&E weaknesses discussed under KPI 7. PMR supervision exercises examine projects twice a year, typically focusing on physical and financial progress. Projects are consequently rated as satisfactory, alert or problem projects. Country-level staff address difficulties through increased monitoring and the priority allocation of supervision resources. Convergence, the IDB’s information management system, also enhances sector and portfolio managers’ capability to analyse problematic projects. While systems are adequate to identify and track projects experiencing physical and financial implementation problems, they provide limited insight regarding progress towards development objectives. The Operational Excellence initiative aims to, in part, address weak M&E systems and weak performance.

RESULTS

KEY FINDINGS



The available evidence for the Results section of the assessment framework points to the generally strong relevance of Bank operations in partner countries, in terms of their alignment with the Bank's strategic objectives and their fit with countries' priorities and the operating context. This is in line with the finding under KPI 5 that the Bank systems for programming at the country level (analysis of country conditions and dialogue with partners) are generally strong also. Where shortcomings in relevance exist, these are typically driven by changes in external factors though not exclusively; there is some room for the Bank to enhance further the relevance of its support by strengthening its approach to intervention design and implementation.

The evidence also suggests that the Bank has continued to improve the cost-efficiency of its operations, though there remains scope for improvement. OVE analysis of completed projects over the assessment period indicates an improving trend in intervention efficiency. But efficiency was, nevertheless, one of the lowest-scoring performance criteria during 2017-20. OVE Country Program Evaluations (CPEs) reviewed for this assessment also point to a positive trajectory for cost-efficiency, though with significant variation between programmes, suggesting there may be opportunities to apply improvements more widely. The recent OVE evaluation of IDB Lending Instruments found that administrative costs per USD approved in loans have been generally decreasing since 2011 for each modality. Given limitations in the IDB's existing corporate cost-efficiency measures, the Bank is expected to set a more ambitious target for its cost-to-portfolio indicators that better represents its efforts.

Implementation timeliness appears to have been an ongoing efficiency challenge for the Bank's operations over the assessment period, with mixed views on why. In the main, delays are attributed to changes in operating contexts (such as macro-economic crises) or partners' actions (including changing priorities) rather than the IDB itself. Nevertheless, other "external" factors affecting implementation, such as limited partner capacity, weak internal government co-ordination or limited interest in "soft" components, are quite predictable given the Bank's experience in the region. Greater attention to internalising these risks further in intervention designs may be warranted.

The Bank faces a significant challenge in demonstrating its development results. Over the period of this assessment (2017-21), OVE rated just one-third of completed SG projects and 44% of non-SG projects satisfactory for effectiveness. Beyond poor performance, OVE found that both inadequate M&E and the partial cancellation of project components were also important factors explaining low effectiveness ratings. Poor quality M&E limits the extent to which effectiveness can be determined, while partial cancellations – in the absence of the restructuring of objectives – adversely affect the development "logic" of an intervention and its ability to achieve the objectives originally set.

The MOPAN assessment framework also requires specific attention to the effectiveness of cross-cutting initiatives. The IDB is recognised in the region for its promotion of cross-cutting issues. Results of the IDB's own surveys of informed stakeholders in the region and its direct partners consistently point to a Bank that is perceived as a strong promoter of cross-cutting issues. Moreover, the Bank's own performance reports (Development Effectiveness Overviews) present examples of successful cross-cutting initiatives. However, the reports do not provide a systematic assessment of achievements, and this is a notable gap.

The Bank's CRF only offers limited insights in this regard: level 3 indicators are predominantly measures of resource allocation/alignment with objectives, leverage and efficiency of Bank operations, while level 2 indicators are largely measures of the Bank's reach or access to services assisted by Bank-financed projects. Both aspects are important steps on the pathway to development results but do not guarantee them. The Bank has a number of ongoing initiatives that may address limitations in demonstrating development results, but it is too early to say how comprehensively.

Sustainability of project-generated benefits also appears mixed for the Bank over the assessment period. OVE's analysis found around two-thirds of SG projects completed between 2017 and 2021 were rated satisfactory for

sustainability but the proportion had declined from a high of 77% in 2018-19 to 59% in 2021. For non-SG operations, typically a little over half were considered sustainable during the assessment period. Not surprisingly, uncertainty or fragility of the continuation of results was a common factor explaining weak sustainability prospects for both SG and non-SG operations. However, both types of operations also suffered from inadequate treatment of environmental and social issues identified during design and implementation, including the closure of projects with outstanding environmental or social issues still pending. Given that these cases include resettlement operations, this appears to be a significant risk for the Bank.

The **results performance** area explores to what extent relevant, inclusive and sustainable contributions to humanitarian and development results are achieved in an efficient manner. This area is assessed through the four key performance indicators that follow.

KPI 9: Development and humanitarian objectives are achieved and results contribute to normative and cross-cutting goals

Performance rating: Unsatisfactory

Score 2

The IDB is widely recognised in the region for its promotion of cross-cutting issues and the Bank can identify successes. Results of the IDB's own surveys of informed stakeholders in the region and its direct partners consistently point to a Bank that is perceived as a promoter of cross-cutting issues:

TABLE 1. PERCEPTIONS OF DIRECT PARTNERS AND INFORMED REGIONAL STAKEHOLDERS ON THE IDB'S PROMOTION OF CROSS-CUTTING ISSUES¹⁵

Strongly acknowledge the IDB's strengths in promoting ...	IDB direct partners	Informed regional stakeholders
Environmental sustainability	73%	59%
Climate change mitigation/adaption	72%	
Gender equality	70%	59%
Diversity	63%	
State modernisation and institutional capacity	69%	81%
Transparency and anti-corruption	63%	69%

In 2018, OVE evaluated the Bank's support for gender and diversity and found a number of positive developments, including increased mainstreaming of gender issues across interventions and country strategies. More recent successes identified by the Bank include Ciudad Mujer in El Salvador, strengthening gender equality in the workplace in Argentina and a chapter dedicated to successes in women's economic empowerment in the latest Development Effectiveness Overview. The IDB has also made progress promoting diversity issues, with over 70% of the country strategies included in this assessment identifying some aspect of diversity as an area for support. (That said, a simple comparison of references in the same documents suggests gender received over four times more attention.) Similarly, for climate change and environmental sustainability, OVE's reviews of country programmes have, for example, found that IDBG operations contributed to boosting cleaner and less costly energy generation in Mexico and helped to

15. IDB direct partners include stakeholders who have been directly implicated in the design, implementation and monitoring of IDB operations versus other informed regional stakeholders familiar with the broader development context.

consolidate a renewable energy market through its non-SG investments in El Salvador. The IDB's 2020 Annual Report highlighted success in establishing the Green Bond Transparency Platform, working with Chile and Colombia to develop sovereign green bonds and collaborating with Mexico on subnational green bonds.

The IDB faces challenges in demonstrating its development results. Each year, OVE validates completed SG and non-SG projects to determine to what extent they achieved their objectives (effectiveness). Over the period of this assessment (2017-21), OVE rated just one-third of completed SG projects and 44% of non-SG projects satisfactory in terms of effectiveness. The results for SG operations were virtually identical for all IDB sectors. Non-SG operations in infrastructure/energy were most likely to be effective, while operations with corporates were least likely. Underperformance generally is a factor explaining OVE's findings, but the poor quality of M&E data and the partial cancellation of project components also frequently limited the assessment of effectiveness, resulting in low scores. While these weaknesses do not guarantee poor development outcomes, they increase their likelihood given the challenge of "managing for results" in the absence of good quality performance information for key outcomes. Analysis of a sample of OVE CPEs and Independent Country Program Reviews (ICPRs) generally corroborated the intervention-level analysis.

However, the IDB does not systematically assess the development results of its operations at a sectoral or cross-cutting level. The Bank's Development Effectiveness Overview annually highlights achievements in key sectors and the cross-cutting issues. But there is no periodic, systematic analysis of whether its projects in key sectors or cross-cutting issues are achieving the intended development results. The Bank's CRF does capture key sectors and cross-cutting issues but not development results: Level 3 indicators are predominantly measures of allocation/alignment with objectives, leverage and efficiency of Bank operations, while level 2 indicators largely provide measures of the Bank's reach or contribution to the expansion/improvement of services. Both aspects are important steps on the pathway to development outcomes but do not guarantee it. For example, the level 2 indicator "Countries with strengthened tax and expenditure policy and management" is better understood as the number of countries with ongoing, IDB-assisted projects in this area. OVE's 2018 gender and diversity evaluation pointed to gaps in the Bank's capacity to measure the effectiveness of its operations in this field. This observation continues to apply to all cross-cutting issues. The Bank's previous CRF (2017-19) did report on the percentage of loans with satisfactory achievement of gender-related results at completion but this has been discontinued.

Many IDB projects include impact assessments (as part of the design process), but the results do not appear to inform a systematic assessment of the Bank's development results. While this gap is the Bank's responsibility, it is also true that OVE does not routinely examine effectiveness for cross-cutting issues. Neither the annual validation syntheses of Project Completion Reports, CPEs nor ICPRs examine cross-cutting issues systematically. A review of a sample of recent CPEs and ICPRs found that only three addressed gender as a cross-cutting issue (to varying degrees of depth), while six did not, even though gender equality was a cross-cutting priority objective in four of the country programmes. Similarly, the majority of CPEs reviewed provided limited evaluative information on outcomes for both diversity and institutional capacity and rule of law.

The Bank has a number of ongoing initiatives that may address this weakness, but it is too early to assess whether they will be successful. Poor quality project-level M&E data is a common constraint limiting OVE's ability to assess the effectiveness of completed projects, particularly so in the case of institutional capacity-building objectives. This may in part reflect inherent measurement challenges associated with institutional capacity (compared with, for example, service provision metrics). But nevertheless, the Bank strengthened its capacity assessment tools at the design stage during the assessment period, which may also help in the design of M&E systems. More generally, the Bank is proposing to introduce a comprehensive portfolio management system as part of its Operational Excellence Agenda. This is expected to strengthen the "in-flight" assessment of outcome achievement with the inclusion of a mid-term evaluation for ongoing projects.

The Bank also has a number of initiatives underway to improve the identification and accessibility of lessons from its operations. While important, lessons learned per se are not equivalent to a systematic periodic assessment of development effectiveness. Although not suggested during the assessment, the IDB's sectors could be well-placed to lead in addressing this gap. Both staff interviews and OVE CPEs point to the challenges of promoting cross-cutting issues with borrowing countries. Without a more systematic understanding of results in these areas, the Bank cannot form a complete view of the utility of current promotion strategies – for example, whether mainstreaming, the predominant strategy to date, is effective or whether more resources should be devoted to investments dedicated to gender equality.

KPI 10: Interventions are relevant to the needs and priorities of partner countries and beneficiaries, as the organisation works towards results in areas within its mandate

Performance rating: Satisfactory

Score 3

The evaluation evidence base suggests that the Bank's interventions are generally relevant. OVE annually reviews the relevance of completed IDB Group country programmes and all completed projects and conducts specific evaluations. OVE examines relevance in terms of not only IDB country strategy objectives but the development priorities of partner countries and the reality of operating conditions in each context. The overall picture obtained suggests that IDB Group operations are generally relevant. CPEs covering the assessment period in the main found that support was generally aligned with both country development priorities and the IDB's strategic objectives. At the intervention level, nearly 90% of completed SG operations reviewed since 2017 were judged to be relevant. For non-SG projects, the figure is nearly 70%, with evidence of an improving trend.

Limitations in relevance are typically driven by external factors, but not exclusively, and there is scope for the Bank to strengthen further its performance in this regard. Within OVE evaluation/validation reports, problems with relevance often reflect changing country circumstances, creating “legacy” projects that stakeholders found to be less relevant to the new context. Projects with long implementation periods are more at risk of these changes. However, relevance weaknesses also appear attributable to factors over which the Bank has greater control. In particular, overly broad/general objectives, insufficient recognition of local capacity constraints and poor vertical logic are issues that can be addressed in the design and during implementation and, for that reason, should not be encountered by evaluations at completion. The Bank strengthened its approach in this regard during the assessment period (with a revamped Project Risk Management Framework, continued development and application of the Development Effectiveness Matrix, the new Institutional Capacity Assessment Platform) so further improvements in performance may be expected.

OVE's recent evaluation of the IDB's Lending Instruments provides further insights to strengthen the Bank's ongoing relevance. In terms of the relevance of the Bank's “offer” in the region more generally, the study found that the IDB has introduced relevant amendments to improve its lending modalities and approaches, including amendments for the programmatic approaches (Conditional Credit Line for Projects and Multiphase Loan) and the contingency modality (Contingent Credit Facility for Natural Disaster Emergencies). It also found that the IDB has generally adjusted its business model in each country and found strategies to help reduce transaction costs for clients. Nevertheless, the study also pointed to potential relevance challenges. Only three of the IDB's ten lending modalities are widely used, with only higher-middle-income countries making use of a varied portfolio of instruments and modalities. Many CPEs included recommendations for improving the mix of lending instruments and modalities to better respond to countries' development needs and capabilities, while some CPEs identified the need for instruments better suited to support subnational governments.

KPI 11: Results are delivered efficiently**Performance rating: Unsatisfactory****Score 2.50**

There are limitations in the Bank's corporate performance information with respect to the efficiency with which operations are carried out. Corporately, the CRF includes two cost-efficiency ratios: the cost-to-income ratio, which compares administrative costs to operating income; and the cost-to-portfolio ratio, which compares administrative costs to the size of the portfolio. The metrics are intended to provide insight into the level of operational efficiency and productivity of the IDB Group entities. No single measure is without limitations, though Bank staff themselves question the merits of the cost-to-income ratio, given the influence of interest rates on the denominator. The cost-to-portfolio measure is perceived as more representative but currently does not portray the Bank's efficiency particularly well, given the headroom the Bank currently has under the target and the scale of potentially permissible increase in costs that could occur and still allow target achievement. The Bank has proposed a more ambitious target for its cost-to-portfolio indicator.

Similarly, assessing the timeliness of IDB operations is hampered by changes to the performance indicators reported in the CRF and data inconsistencies. Until 2020, the Bank's CRF included two indicators of timeliness: operations meeting target preparation time (%) and SG investment loans being fully disbursed on time (%). These indicators were discontinued in 2020, but performance from 2016 to 2019 suggests a somewhat worsening trend. Since 2020, the IDB's Annual Business Review no longer includes more detailed implementation information for SG operations. At the same time, the reported figures for median project preparation time are inconsistent across the Annual Business Reviews for 2019, 2020 and 2021.¹⁶ The information that is available, however, suggests that performance during the first part of the review period (2017-19) was mixed, but there was an improvement in this measure in 2020 and 2021, reflecting the Bank's responsiveness to COVID-related needs among members.

At the activity level, available evidence suggests the cost-efficiency of Bank operations improved over the review period, but there is scope for further improvement. Evidence from both OVE and the Bank's own analysis supports this view:

- At the level of individual interventions, there has been an improving trend in terms of the proportion of completed projects assessed by OVE as satisfactory for efficiency. That said, efficiency was one of the lowest-scoring performance criteria during the period 2017-20, and just 61% of SG and 53% of non-SG operations were rated efficient in the latest data available (2020). These findings in part appear attributable to measurement weaknesses in projects rather than demonstrable efficiency failings. However, inadequate management information with respect to costs and benefits itself increases the likelihood that projects fail to provide value for money.
- The sample of OVE CPEs reviewed for this assessment also suggests an overall positive trajectory for cost-efficiency during the assessment period, though with significant variation between programmes. Several countries within the MOPAN sample showed improvements in preparation and execution costs, while one worsened but remained below Bank averages, and a further three experienced higher costs largely driven by implementation delays. Not surprisingly, there appears to be a generalisable correlation between portfolio size and unit costs, with the larger countries in the sample performing better in this area, but many other factors were also important in the cases examined.

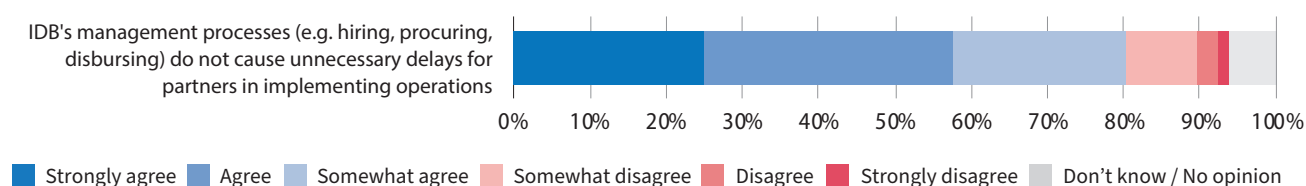
16. IDB has explained that the Annual Business Review 2020 used the average preparation time instead of the median preparation time. The Review has been edited and sent for republication to include both metrics and average and median times as well as a note explaining the adjustment.

- OVE’s analysis of IDB lending instruments found that administrative costs per USD approved in loans have been generally decreasing since 2011 for each modality. Almost all modalities had the lowest cost values in the most recent period (2017-19). Higher costs were associated with country-specific factors, such as the need for Congressional approval or ratification processes for IDB loans, highly bureaucratic procurement procedures, and low institutional capacity – issues that were not related to specific lending instruments or modalities but that applied across all instruments.
- The IDB’s strategy to strengthen country systems aims to improve operational efficiency through lower transaction costs (for the Bank and partners). For procurement systems, in 2018, the IDB reported a 14% reduction in transaction costs associated with the supervision of processes, surpassing the expected result of 11%. In financial management, the IDB reported that the average time savings by executing agencies as a result of using country accounting and reporting systems in Bank-financed operations came close to the target of 23% in 2018 as well. Notwithstanding the uncertain margins of error around these indicators due to variation and measurement error, the results are in keeping with the Bank’s efforts to lower transaction costs through digitalisation and the trend towards stronger country systems: 25 of the 26 Bank borrowing member countries had implemented or were implementing practices aligned with international standards in their fiduciary systems in 2018, and the number of interventions to address gaps was more than double the target.
- For trust fund donors, the IDB has also transitioned to a single audit, adding more frequent financial reporting and internal controls which offer both streamlined and enhanced reporting.

The Bank’s performance in terms of activity timeliness appears more mixed. Implementation timeliness appears to have been an ongoing challenge for the Bank’s operations over the assessment period. While some staff expressed concerns over the speed and bureaucracy associated with the Bank’s own procedures and response times, others felt the challenge lies more with partners’ procedures. In that case, the solution offered was not the further streamlining of IDB procedures but rather refreshing the nature of the collaboration between the Bank and partners, to facilitate faster decisions and outcomes. Partners’ responses to the MOPAN survey reflect this mix of perspectives. Only 58% of partners firmly agreed that the IDB’s own management processes do not cause unnecessary delays for partners in implementing operations (see Figure 6). A review of a sample of OVE Country Program Evaluations suggests implementation timeliness at the country level has also been mixed. The most common reasons for delays appear attributable to changes in operating contexts (such as hilstmacro-economic crises) or partners’ actions (including changing priorities) rather than the IDB itself. Nevertheless, factors such as limited partner capacity, weak internal government co-ordination or limited interest in “soft” components could reasonably be viewed as design flaws, given their predictability.

The Bank’s performance in responding to the COVID-19 pandemic highlights its capacity to improve in this regard. During 2020 and 2021, median preparation times for Bank operations improved, and both disbursements and approvals of SG loans were up significantly compared to previous years. Sovereign disbursements in 2020 and

FIGURE 6. MOPAN PARTNER SURVEY RESULTS QUESTION 6(09)



Source: Based on responses to the 2021 MOPAN External Partner Survey; IDB, 8-30 March 2022.

2021 were USD 13.4 billion and USD 11.7 billion respectively, compared with USD 8.9 billion in 2019. In addition to the tailoring of support to areas of immediate need, the Bank took steps in response to streamline fiduciary systems and counteract associated market problems (lack of suppliers and supply chain disruption). These included general waivers on procurement eligibility and consolidation of demands internationally as well as simplifying and speeding up some of the IDB's own processes and requirements. These steps appear to have played an important role in facilitating the Bank's rapid response to the pandemic; and some of them seem likely to be incorporated into business as usual. Going forward, the Bank has a number of initiatives underway designed to drive continued efficiency gains, notably the new Operational Excellence Agenda, which is expected to help reengineer business processes and client interactions to streamline operations.

KPI 12: Results are sustainable

Performance rating: Unsatisfactory

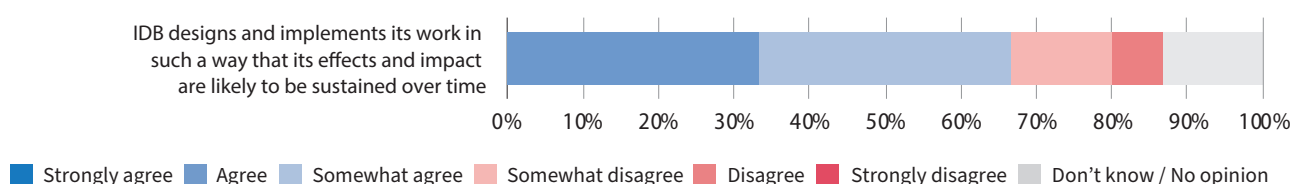
Score 2

The Bank's performance in terms of the sustainability of project results was mixed over the period and appears at risk of worsening. Each year, OVE validates all completed sovereign and non-sovereign projects. As part of that assessment, OVE examines the probability that project-generated benefits will continue, including any unmitigated social and environmental risks arising from underperformance on environmental and social safeguards. Results suggest mixed performance on sustainability with a potentially worsening trend for SG operations. For SG operations, around two-thirds of completed projects examined over the period (2017-21) were rated satisfactory in terms of sustainability, but the proportion had declined from a high of 77% in 2018-19 to 59% in 2021 (see Figure 7). For non-SG operations, typically a little over half were considered sustainable during the assessment period. Results from MOPAN's survey of Board members and donors corroborate this mixed picture. Less than half of the Board members who responded clearly agreed that the IDB designs and implements its work in such a way as to sustain effects and impact over time, while among donors who expressed a view, only a third clearly agreed.

Inadequate treatment of environmental and social issues is a factor of concern that in part explains sustainability weaknesses. Not surprisingly for both SG and non-SG operations, uncertainty or fragility of the continuation of results was a common factor explaining weak sustainability prospects. However, both types of operations also suffered from inadequate treatment of environmental and social issues identified during design and implementation. These weaknesses range from insufficient information to determine performance on environmental and social concerns, to closure of projects with outstanding environmental or social issues still pending. As these cases include resettlement operations, this appears to be a significant risk for the Bank and raises questions about where the Bank's safeguarding responsibilities reasonably end, given changing expectations among stakeholders on these issues.

Sustainability is affected (positively and adversely) by a mix of other factors over which the Bank has varying levels of control. OVE CPEs and ICPRs also provide insights about the factors aiding or hindering sustainability more broadly. At the country level, sustainability challenges are necessarily context-specific, but a review of CPEs and

FIGURE 7. MOPAN PARTNER SURVEY RESULTS QUESTION 4(10)



Source: Based on responses to the 2021 MOPAN External Partner Survey: IDB, 8-30 March 2022.

ICPRs suggests a few common themes for factors positively increasing sustainability prospects: institutionalisation of reforms (for example, in legislation); formal integration/commitments in government budgets; follow-on phases appearing more sustainable; and effective capacity-building support. Factors having an adverse impact on Bank-financed operations appear to include macro-economic/fiscal constraints, changing policy priorities, maintenance of infrastructure challenges and human capital shortages. While only limited weight can be placed on this rapid review, better performance by follow-on projects might point to the continuity of assistance required to achieve sustainability; however, adverse factors appear to raise questions for both the design of operations (given the predictability of human capital shortages) and the treatment of political and economic risks. Recent efforts to strengthen the Bank's approach to institutional capacity assessment and project-level risk management may be expected to support improvement in these areas, but the effects are not yet evident.

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ABOUT THE ASSESSMENT



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.

MOPAN conducted annual surveys from 2003 to 2008 and used a methodology titled the MOPAN Common Approach from 2009 to 2014. The MOPAN 3.0 Approach was first adopted for the 2015-16 cycle of assessments.

In 2019, MOPAN 3.0 Approach was relabelled as MOPAN 3.0* to acknowledge a change in how ratings (and their corresponding colours) were aligned with the scores defined for indicators. Compared to previous cycles conducted under the MOPAN 3.0 Approach, the threshold for ratings was raised to reflect increasing demands for organisational performance in the multilateral system. The underlying scores and approach to scoring remained unaffected.

Starting in 2020, all assessments have used the MOPAN 3.1 methodology (MOPAN, 2020),¹ which was endorsed by MOPAN members early that year. The framework draws on international standards and reference points, as described in the MOPAN 3.1 Methodology Manual. The approach differs from the previous one in the following ways:

- Integration of the 2030 Sustainable Development Agenda into the framework.
- Two new micro-indicators (MIs) for the prevention of and response to sexual exploitation and abuse and sexual harassment.
- A reshaped relationship management performance area, with updated and clearer Key Performance Indicators (KPIs) 5 and 6, which better reflect coherence. KPI 5 focuses on how partnerships operate on the ground in support of partner countries, and KPI 6 addresses how global partnerships are managed to leverage the resources of the organisation assessed.
- A refocused and streamlined results component.
- 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).

In applying the MOPAN Framework, COVID-19 is also be 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 an MO's preparedness to respond to the crisis,
- how COVID-19 has been reflected in the organisation's strategies, operations and results targets.

Table 2 lists the performance areas and indicators used in MOPAN 3.1.

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

TABLE 2. PERFORMANCE AREAS AND KEY PERFORMANCE INDICATORS

Aspect	Performance area	Key performance indicator (KPI)
Organisational effectiveness	Strategic management	KPI 1: The organisational architecture and financial framework enable mandate implementation and achievement of expected results
		KPI 2: Structures and mechanisms support the implementation of global frameworks for cross-cutting issues at all levels in line with the 2030 Sustainable Development Agenda principles
	Operational management	KPI 3: The operating model and human and financial resources support relevance and agility
		KPI 4: Organisational systems are cost- and value-conscious and enable financial transparency and accountability
	Relationship management	KPI 5: Operational planning and intervention design tools support relevance and agility in partnerships
		KPI 6: Work is carried out in coherent partnerships directed at leveraging and catalysing the use of resources
	Performance management	KPI 7: The focus on results is strong, transparent and explicitly geared towards function
		KPI 8: The organisation applies evidence-based planning and programming
Development/ humanitarian effectiveness	Results	KPI 9: Development and humanitarian objectives are achieved, and results contribute to normative and cross-cutting goals
		KPI 10: Interventions are relevant to the needs and priorities of partner countries and beneficiaries, as the organisation works towards results in areas within its mandate
		KPI 11: Results are delivered efficiently
		KPI 12: Results are sustainable

Source: MOPAN (2020), MOPAN 3.1 Methodology Manual,

http://www.mopanonline.org/ourwork/themopanapproach/MOPAN_3.1_Methodology.pdf

APPLYING MOPAN 3.1 TO THE INTER-AMERICAN DEVELOPMENT BANK

Interpretations and adaptations of the methodology

This assessment has used the MOPAN 3.1 methodology, but the KPIs have been interpreted so as to be meaningful given the specific mandate of the Inter-American Development Bank (IDB). The assessment team made a number of adaptations to the MOPAN framework in order to reflect the IDB's status as a multilateral development bank (MDB) and the Bank's own mandate.

Specifically, KPIs relating to the Bank's financial framework and resourcing activities were adapted to reflect the differences between the IDB's funding windows and those of a United Nations agency, with differences in interpretation also being applied to the private sector-facing elements of the IDB's activities. The IDB's role in replenishment, trust funds and the issuance of bonds was also considered when interpreting these KPIs, while elements around earmarked funds were excluded due to their lack of application in an MDB context.

With regard to cross-cutting issues, the MOPAN framework was adapted to include those specifically relating to the IDB's mandate and strategic plan, namely gender equality and diversity, environmental sustainability and climate change, and institutional capacity and rule of law. Additionally, while presented as a single cross-cutting issue by the IDB, the assessment treated gender and diversity separately given differing stages of maturity in the Bank (which would have rendered a combined assessment less informative) and interests of MOPAN members. These cross-cutting issues informed the assessment team's interpretation of the Bank's mainstreaming activities (KPI 2 and KPI 5), as well as the interpretation of the Bank's results in the areas to which these cross-cutting issues apply (KPI 9).

The scope of the assessment is the IDB. For aspects of the MOPAN framework where the IDB, IDB Invest and IDB Lab are subject to common policies or processes, the assessment has explored alignment and co-ordination across the IDB Group members, though the emphasis remains on the IDB. Aspects where IDB Invest and IDB Lab have their own separate and distinct processes do not form part of the assessment. Typically, these relate to operational systems and practices (reflecting the IDB's different objectives and governance arrangements). Specific areas of organisational performance for IDB Invest, including cross-cutting issues and results management, are the focus of a separate MOPAN assessment.

Lines of evidence

This assessment draws on three main lines of evidence: an extensive document review, an online survey, and key informant interviews and consultations. Included in the document review were the results of the IDB's own reputation and partner satisfaction surveys, solicited as part of the IDB's External Feedback System. The three lines of evidence are described below:

- **Document review:** This comprised publicly available documents published between mid-2016 and early 2022 as well as guidelines and policies that are "current and in force". They were limited to those in final form (not draft versions), recognised by management, and available in English. The 268 documents reviewed included 25 evaluations.
- **Online survey:** Partners surveyed fall into the following categories:
 - borrower country representatives
 - donor government representatives
 - representatives of non-government donors to trust funds
 - peer organisation representatives
 - civil society organisation representatives
 - private-sector representatives
 - knowledge partner representatives.

A total of 624 partners responded to the survey, a 10.9% response rate. The survey gleaned responses from the 7 partner typologies listed above across 27 different countries, as well as input from IDB Board Members. The survey was conducted between 8 and 30 March 2022 (for more details, see Part II: Technical and Statistical Annex).

The survey shared with stakeholders by the MOPAN Secretariat was streamlined to reflect the availability of survey data from recent IDB satisfaction and reputational surveys. Data from these surveys was mapped by the assessment team to the MOPAN framework, with the MOPAN questionnaire being customised to probe areas of the framework that were not covered by data from the IDB surveys.

- **Interviews and consultations:** These were undertaken virtually between 15 February and 6 April 2022 as follows:
 - headquarter interviews with 31 senior managers, and 21 consultations with staff groups
 - country/regional level interviews with 11 mid- to senior-level staff.

Discussions were held with the institutional lead of the IDB assessment as part of the analytical process. These served to gather insights on current priorities for the IDB from the perspective of MOPAN member countries.

General information about the sequence and details related to these evidence lines, the overall analysis, and the scoring and rating process as applied to the IDB can be found in the MOPAN 3.1 Methodology Manual (MOPAN, 2022).

METHODOLOGY FOR SCORING AND RATING

The approach to scoring and rating under MOPAN 3.1 is described in the *2020 Methodology Manual* (MOPAN 2020a), which can be found MOPAN’s website.²

Each of the 12 KPIs contains several MIs, which vary in number. The KPI rating is calculated by taking the average of the ratings of its constituent MIs.

Scoring of KPIs 1-8

The scoring of KPIs 1-8 is based on an aggregated scoring of the MIs. Each MI contains several elements, which vary in number and represent international good practice. Taking the average of the constituent scores per element, a score is then calculated per MI. The same logic is pursued at aggregation to the KPI level, to ensure a consistent approach. Taking the average of the constituent scores per MI, an aggregated score is then calculated per KPI.









Scoring of KPIs 9-12

The scoring of KPIs 9-12 is based on a meta-analysis of evaluations and performance information, rated at the MI level and aggregated to the KPI level. For KPI 9, results against the mandate and contribution to cross-cutting results are given equal weight. KPIs 9-12 assess results achieved as per evaluations and annual performance reporting from the organisation assessed.

Rating scale

Whenever scores are aggregated, a rating scale is used to translate scores into ratings that summarise the assessment across KPIs and MIs. The rating scale used under MOPAN 3.1 is shown below.

FIGURE 8. RATING SCALE FOR MOPAN ASSESSMENTS

 Highly satisfactory (3.51-4.00)	 High evidence confidence
 Satisfactory (2.51-3.50)	 Medium evidence confidence
 Unsatisfactory (1.51-2.50)	 Low evidence confidence
 Highly unsatisfactory (0.00-1.50)	
 No evidence / Not applicable	

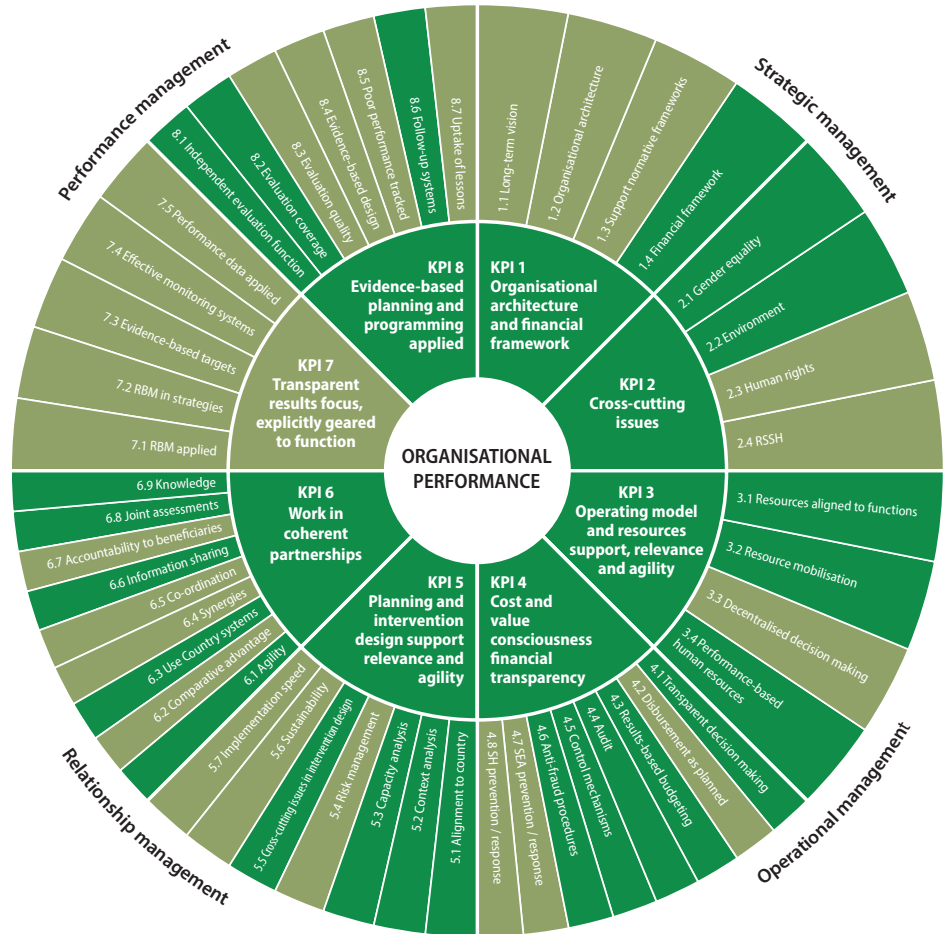
A score of “N/E” means “no evidence” and indicates that the assessment team could not find any evidence but was not confident of whether or not there was evidence to be found. The team assumes that “no evidence” does not necessarily mean that the element is not present (which would result in a zero score). Elements rated N/E are excluded from any calculation of the average. A significant number of N/E scores in a report indicates an assessment limitation (see Section 4.4). A note indicating “N/A” means that an element is considered to be “not applicable”. This usually owes to the organisation’s specific nature.

² http://www.mopanonline.org/ourwork/themopanapproach/MOPAN_3.1_Methodology.pdf

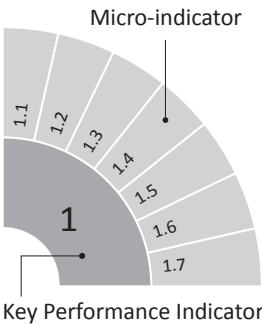
FIGURE 9: THE IDB'S PERFORMANCE RATING SUMMARY (PREVIOUS RATING SCALE)

Changes to MOPAN's rating system

As previously stated, MOPAN's methodology is continuously evolving, and a recent notable change concerns how ratings (and their corresponding colours) were applied based on the scores at MI and KPI levels. Compared to the pre-2019 rating scale (applied in Figure 8), the threshold for each rating has been raised to reflect the increasing demands of organisational performance in the multilateral system. The underlying scores and approach to scoring are unaffected.



How to read these charts



- **Highly satisfactory** (3.01-4.00)
- **Satisfactory** (2.01-3.00)
- **Unsatisfactory** (1.01-2.00)
- **Highly unsatisfactory** (0-1.00)
- **No evidence / Not applicable**

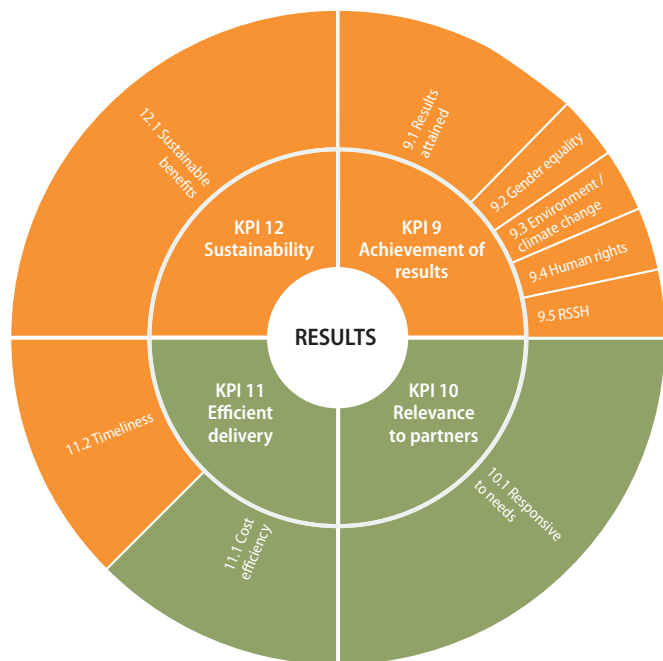
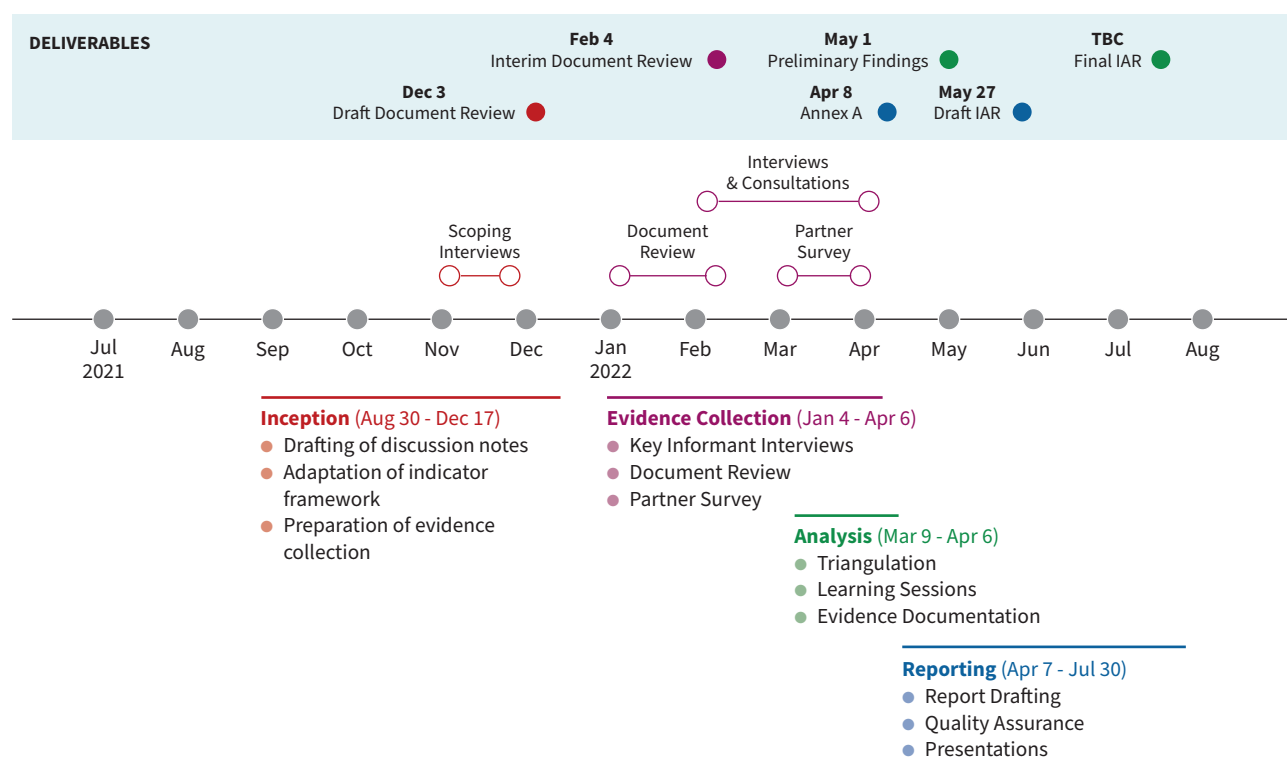


FIGURE 10: MOPAN 2021 IDB ASSESSMENT TIMELINE



LIMITATIONS

While the team was unable to visit the IDB's headquarters or meet in person with IDB stakeholders due to COVID-19 travel restrictions, there were no significant limitations to the successful delivery of the assessment. This MOPAN assessment coincided with the detailed preparations for the Board's consideration of a possible general capital increase. This, combined with the continuing challenges posed by the pandemic, made for a demanding time, and it was not always possible to complete each phase of the assessment within planned timelines (see Figure 10).

However, with the assistance of key stakeholders within the Bank, the assessment team was able to engage virtually with a broad range of stakeholders from across the Bank's operations, as well as having access to the necessary documentary evidence required to conduct the review. The Executive Vice President and numerous Vice Presidents showed strong leadership buy-in into the assessment, with this commitment reflected in the hard work from the Bank's assessment focal points to introduce stakeholders and to source requested evidence.

The Bank has a widespread presence across Latin America and the Caribbean, with country offices and country partners spread across the region. While the assessment team did not have the capacity to engage with every country in which the Bank operates, the 11 countries included in the assessment were purposively selected to be situationally representative of the breadth and depth of the Bank's operations and comprise a range of country typologies.

None of the limitations expressed above had a material impact on the level of confidence for the ratings included in this assessment, as the assessment team undertook sufficient steps to mitigate any associated risks in this regard.

REFERENCES

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