MOPAN ASSESSMENT REPORT

IDB Invest

PART I

Analysis Summary

MOPAN

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MOPAN ASSESSMENT REPORT
2021-22

IDB Invest

PART I
Analysis Summary

MOPAN
Multilateral Organisation Performance Assessment Network

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.

This document is published under the responsibility of the Multilateral Organisation Performance Assessment Network (MOPAN). MOPAN is an independent body that is governed by a Steering Committee composed of representatives of all of its member countries and served by a permanent Secretariat. The Secretariat is hosted at the Organisation for Economic Co-operation and Development (OECD) and bound by its administrative rules and procedures and is independent in terms of financing and the content and implementation of its work programme.

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PREFACE

ABOUT MOPAN

The Multilateral Organisation Performance Assessment Network (MOPAN) comprises 22 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, as well as informs their policies and strategic decision making regarding the wider multilateral system.

MOPAN Members

as at 1 July 2023

*New Zealand and Türkiye are observers. MOPAN also collaborates closely with the European Union.

ABOUT THE ASSESSMENT OF IDB INVEST

This report provides a diagnostic assessment and snapshot of the Inter-American Investment Corporation (IDB Invest) and tells the story of its performance, within its mandate. It is the first MOPAN assessment conducted for IDB Invest and is a selective application of the MOPAN Assessment Framework for Private Sector Operations to IDB Invest. Specifically, it focuses on three key performance indicators: 2, 5 and 7. This assessment covers the period from 2016 through 2022.

The assessment of IDB Invest was conducted through a rigorous process and took a collaborative approach, by 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.

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

The following operating principles guided the implementation of this assessment. MOPAN's Methodology Manual[1] describes in detail how these principles are realised.

Box 1: Operating principles

- A MOPAN assessment takes a systematic, rigorous, impartial and transparent approach using structured tools for enquiry/analysis.
- A MOPAN assessment gives priority to the quality rather than to the quantity of information and balances its breadth and depth.
- The MOPAN assessment process efficiently builds layers of data by using different streams, which reduces the burden on the multilateral organisation being assessed.
- MOPAN assessment reports are concise. Adopting a focused methodology, they tell the story of the multilateral organisation's current performance.
- MOPAN assessments seek to be useful by building organisational learning in an iterative process that makes reporting accessible and leaves an "audit trail" of findings.

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

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

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

Part II: Technical and Statistical Annex provides detailed information and scoring for each MOPAN KPI, MI and element within the MOPAN Framework. It also contains the detailed underlying analysis of each score and the list of supporting evidence documents that fed into this assessment.

ACKNOWLEDGEMENTS

The MOPAN assessment of IDB Invest was conducted under the overall strategic guidance of Suzanne Steensen, Head of the MOPAN Secretariat. It was prepared under the responsibility of Samer Hachem and Erika MacLaughlin, who contributed to the assessment process, with support from Cara Yakush, Camille Hewitt and Anastasiya Sindyukova, who helped to finalise the report.

MOPAN is very grateful to Olivier Fankhauser, Eliane Moser, Marie-Josée Gingras and Eric Madueno from Canada for championing this assessment of IDB Invest on behalf of the MOPAN membership.

The assessment was conducted in co-operation with Centennial Group International. The team consisted of Gaiv Tata (team leader), Roland Michelitsch, Rakesh Nangia, Shivang Bhakta and Ieva Vilkelyte. The report also benefited from external peer reviews, conducted by Bob Finlayson and Walter Kolkma.

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 would like to convey appreciation to Alejandro Prada from IDB Invest, who internally co-ordinated the process and provided substantive feedback on the final draft report, as well as Alessandro Maffioli, Rodolfo Stucchi and other staff of the Development Effectiveness Division.

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

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

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ABBREVIATIONS AND ACRONYMS

CDC	Country Development Challenge
CRF	Corporate Results Framework
CS	Country Strategy
DEA	Development Effectiveness Analytics
DELTA	Development Effectiveness Learning, Tracking, and Assessment System
DEO	Development Effectiveness Overview
DVF	Development Effectiveness Division
FI	Financial Intermediary
IDB	Inter-American Development Bank
IDBG	Inter-American Development Bank Group
IDB Invest	Inter-American Investment Corporation (IIC)
KPI	Key Performance Indicator
LAC	Latin America and the Caribbean
MDB	Multilateral Development Bank
MI	Micro-indicator
MO	Multilateral Organisation
MOPAN	Multilateral Organisation Performance Assessment Network
MSME	Micro, Small and Medium-sized Enterprise
NSG	Non-Sovereign Guaranteed
OVE	Office of Evaluation and Oversight
PMO	Project Management Officer
RBM	Results-Based Management
SDG	Sustainable Development Goal
SEG	Social, Environmental and Corporate Governance Division
SME	Small and Medium-sized Enterprise
SSS	Strategic Selectivity Scorecard
UN	United Nations
USD	United States Dollar
XSR	Expanded Supervision Report

IDB INVEST

PERFORMANCE AT A GLANCE

IDB INVEST: PERFORMANCE AT A GLANCE

ABOUT IDB INVEST

The Inter-American Investment Corporation (IDB Invest) was established in 1986 pursuant to the Agreement Establishing the Inter-American Investment Corporation and began operations in 1989. On 30 March 2015, the Boards of Governors of IDB Invest and the Inter-American Development Bank (IDB) approved the transfer to IDB Invest, effective on 1 January 2016, of all operational and administrative functions associated with the IDB private sector and non-sovereign guaranteed activities to better serve clients and partners in the Region and to maximise developmental impact.

The IDB Group's Institutional Strategy, adopted in 2010 as part of the Ninth General Capital Increase (IDB-9), provides the overall context for IDB Invest's strategies. Its two overarching objectives are fostering sustainable growth and reducing poverty and inequality. The strategy has been updated twice, with the most recent update, in 2019, reformulating the development challenges as social inclusion and equality, productivity and innovation, and regional economic integration and also committing the IDB Group to address the cross-cutting issues of gender equality, inclusion and diversity; climate change and environmental sustainability; and institutional capacity and the rule of law.

IDB Invest's own strategy is based on a key 2015 Board of Governors resolution which implemented the Renewed Vision for the IDB Group private sector by mandating it to cover all activities which had previously been conducted through the non-sovereign guaranteed windows of the IDB Group (including with state-owned enterprises and excluding operations with sub-sovereign governments). The Renewed Vision focused on three principles/priorities, i.e. strengthening development effectiveness, development impact and additionality; maximising the efficient use of resources; and achieving synergies between the Group's public and private sector activities. This IDB Invest strategy is still under implementation. In March 2022, the IDB Invest Board of Governors mandated the preparation of a proposal for a new vision and business model for IDB Invest. Based on the proposal submitted by Management, in March 2023, the Board of Governors mandated the preparation of a capitalization proposal and implementation plan for the New Vision and Business Model for IDB Invest. This new model will focus on originating more impactful projects, de-risking private investment and crowding in finance through an "originate to share" model." IDB Invest is owned by its 48 member countries of which 26 are regional developing member countries. It is a legally separate and distinct member of the Inter-American Development Bank Group (the IDB Group), which also includes the IDB and the Multilateral Investment Fund (commercially known as IDB Lab). IDB Invest has a separate governance structure, including a Board of Governors, a Board of Executive Directors, management and staff. However, some IDB units and positions provide services across the IDB Group. IDB Invest has almost 500 employees across 5 departments. About 30% are located in 24 of the 26 IDB Group offices in the Latin America and the Caribbean (LAC) region while the rest of the staff are located at the IDB Invest headquarters in Washington, DC.

IDB Invest currently manages a portfolio of more than USD 18.6 billion of development-related assets from over 490 clients. IDB Invest operates in all of its regional developing member countries across Latin America and the Caribbean.

KEY FINDINGS

Upon the completion of the third MOPAN Assessment of IDB, shareholders requested a focused assessment of IDB Invest to be undertaken within a compressed time period. This resulted in a selective application of the MOPAN

Assessment Framework for Private Sector Operations to IDB Invest, with the assessment focusing on three key performance indicators (KPIs) (Box 2). The assessment also considered the manner in which IDB Invest adapted in response to the COVID-19 pandemic.

Box 2. Key performance indicators included in the IDB Invest Focused Assessment

KPI 2: Structures and mechanisms are 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.

KPI 5: Partnerships with clients and host governments support alignment to the strategic vision, including impact goals, financial sustainability and risk management.

KPI 7: The focus on results is strong, transparent and explicitly geared towards function.

This assessment relies on two lines of evidence: a document review and staff interviews and consultations. A survey was not conducted due to time constraints.

IDB Invest is rated satisfactory on KPI 2 based on the incorporation of cross-cutting issues in the Institutional Strategy; up-to-date strategies on cross-cutting issues; knowledge products and diagnostic tools; and mainstreaming of cross-cutting issues into operations. Notwithstanding the satisfactory performance, there are remaining challenges in interpreting how IDB Invest operations are contributing to development outcomes which need to be addressed.

The IDB Group's overarching goals are fostering sustainable growth and reducing poverty and inequality, which are in line with the Sustainable Development Goals. These goals include a focus on cross-cutting issues (gender and climate change) which have up-to-date Group-level strategies/action plans. The cross-cutting issues are explicitly considered during the preparation of investments, with appropriate diagnostics being undertaken with support from specialised staff. Further, project selection takes into account the potential impact on cross-cutting priorities (as part of both achieving development outcomes and assessing additionality).

Targets from these strategies are incorporated into the Corporate Reporting Framework (CRF) and utilised to monitor progress. Contributions to development outcomes and performance is monitored and reported for the Group and separately for IDB Invest. Performance is monitored largely through indicators which are input-oriented (i.e. measuring either the number of projects or financing volumes).

IDB Invest has been a leader in advancing the gender and diversity agenda in LAC through its key role in various global and regional initiatives, its flagship reports and well-developed diagnostic tools (i.e. gender lens investing) for its own use as well as for use by its clients. With regard to its own operations, progress is above expectations with regard to the targets for the proportion of new projects supporting gender and diversity. However, there are difficulties with interpreting how this performance is contributing to development outputs and outcomes since the current indicator combines projects that have specific gender equality and diversity components with projects where IDB Invest has provided additionality to activities in support of the cross-cutting issue. IDB Group's contribution to increasing the number of women entrepreneurs is now reported individually for each IDB Group institution, helping to present performance in this area more clearly.

IDB Invest should, in addition to the current headline indicator, introduce a more targeted sub-indicator that would include only operations for which gender equality is a key part of the development objective and where IDB Invest provides additionality.[1] This change would complement the current focus on mainstreaming by increasing attention to those operations where IDB Invest contributes to specific gender development outcomes and to additionality. IDB Invest should also continue its efforts to address the data limitations which have been a challenge for all multilateral development banks, given that support to women entrepreneurs is largely implemented indirectly through financial intermediaries.

IDB Invest is rated satisfactory on KPI 5. This rating is based on the presence of Group-wide country diagnostics and strategies that focus on private sector development and its systematic approach to considering country and institutional priorities during the selection of operations. Areas for improvement include: revising guidance on the preparation of country strategies to enhance IDB Invest's role in engaging with stakeholders on the private sector development agenda, strengthening the private sector content of the country diagnostics and playing a more central role for IDB Invest in the preparation of the diagnostics.

The IDB Group prepares Group-wide country diagnostics and country strategies for all regional developing member countries. Most country strategies contain a key priority or pillar focused on economic growth, productivity and/or private sector development providing the necessary entry point for designing and implementing suitable IDB Invest programmes. However, country strategies rarely identify any specifics of IDB Invest's future interventions or provide financial estimates of the scale of future IDB Invest investments. The alignment of individual IDB Invest operations with country strategies is validated through a Strategic Selectivity Scorecard. Alignment is one of the dimensions which increases the probability of investment selection.

There are three potential areas for strengthening country strategy development. After six years of implementation of the Renewed Vision and associated consolidation of IDB Invest business practices, it may be timely to review and potentially enhance the role that IDB Invest plays in country strategy formulation, particularly with regard to consultations and outreach with the private sector and governments on matters of interest to the private sector such as market deregulation and PPPs.[2] Second, while a joint diagnostic has merits in presenting a single Group-wide approach to clients, the private sector component of the diagnostic needs to be considerably strengthened. This is likely to require a larger and more central role for IDB Invest in the diagnostic process, including by co-leading the preparation of the country diagnostics. Finally, the Strategic Selectivity Scorecard may need to be revised based on the improved (private sector portion of the) diagnostic.

IDB Invest is rated satisfactory on KPI 7. This rating is based on IDB Group and IDB Invest strategic plans, progress monitoring through the Corporate Results Framework and annual Development Effectiveness Overviews, IDB Invest's Impact Management Framework, its close collaboration with the Office of Evaluation and Oversight, which has minimised differences in ratings assessments, and its ability to incorporate lessons learned into new operations. Areas for strengthening include: better integrating ex-ante, supervision and ex-post assessments of development impact; and systematising the role of client feedback into its Corporate Scorecard.

IDB Invest's results orientation is based on the strategic priorities defined in IDB Group Strategies and detailed through a series of Business Plans and Business Plan Updates since 2017 which have supported the implementation of the Renewed Vision. The CRF tracks progress in implementing the Institutional Strategy at three levels: regional performance, IDB Group contributions to development results and IDB Group performance. It also defines how the indicators at all three levels contribute to each of the 17 Sustainable Development Goals (SDGs). Measurement of

1. Since IDB Invest already assigns differential ratings for both dimensions, adopting this indicator would not require changes to existing systems and methodologies.
2. The guidelines pre-date the implementation of the Merge-Out and refer to the "New Corporation".

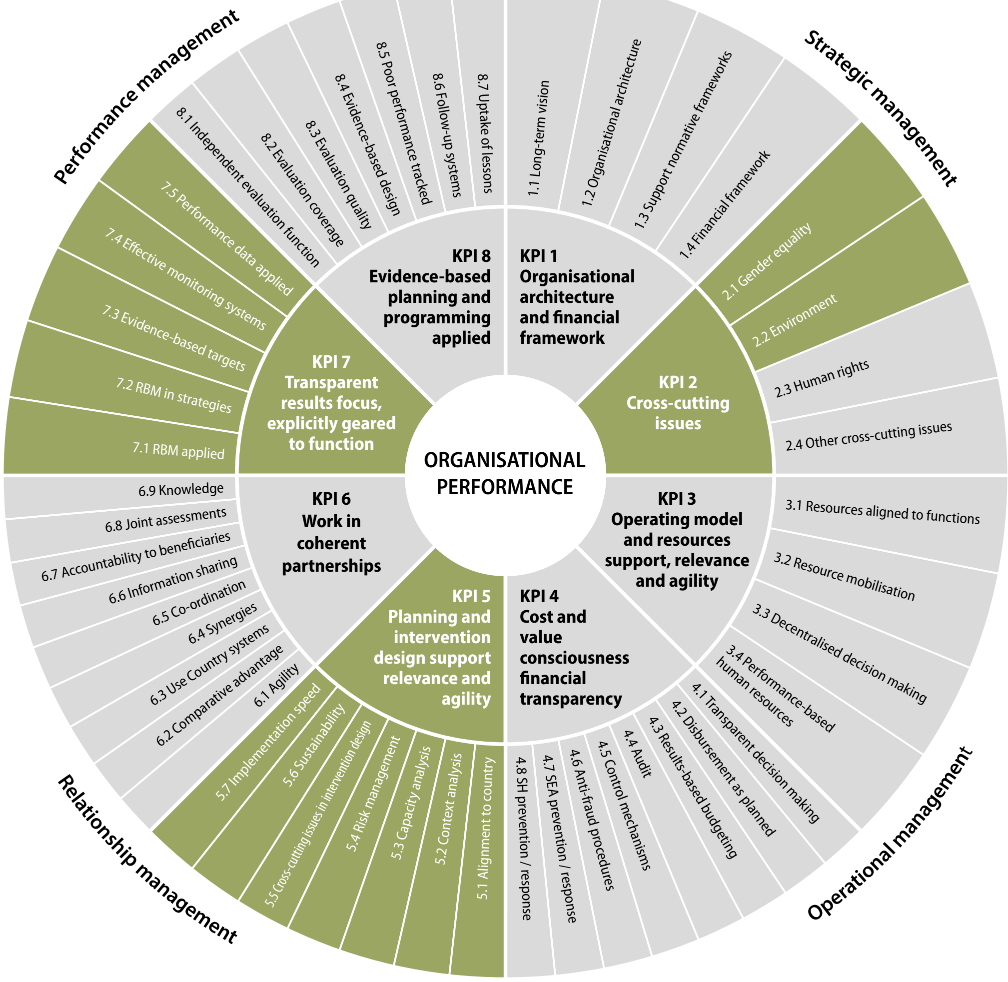
the Group's performance includes predominantly strategic alignment indicators which are largely input-oriented (measuring the proportion of the number of projects and/or lending volumes contributing to specific strategic priorities). IDB Invest's contributions towards the Group's performance also heavily emphasise these input-oriented measures[3].

The results-based management system could be further strengthened by systematically including client feedback from ongoing surveys of IDB Invest clients and including aggregated results in the Corporate Scorecard. There may also be benefits in further integrating the two tools within the Impact Management Framework – the Development Effectiveness, Learning, Tracking and Assessment (DELTA) tool focuses on ex-ante estimation and monitoring of development outcomes during supervision, and the Expanded Supervision Reports focus on the evaluation of development effectiveness when projects reach early operating maturity.

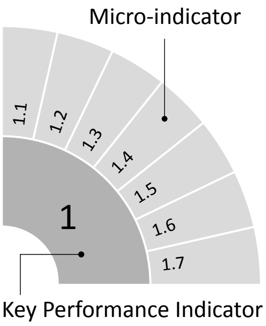
IDB Invest has responded appropriately to the COVID-19 pandemic by putting in place or scaling up financing arrangements as well as taking active measures to monitor and manage the impact of the pandemic on its portfolio. These have included: a USD 500 million crisis mitigation facility, USD 2 billion in additional financing under the Trade Finance Facilitation Program, the application of a COVID-19 lens, and procedural modifications to provide additional flexibility and agility during the crisis. The crisis has also required active management to mitigate the impact on its portfolio, particularly for financial intermediary operations.

3. Nine out of 16 IDB Invest-specific indicators use a proportion of projects and/or lending volumes.

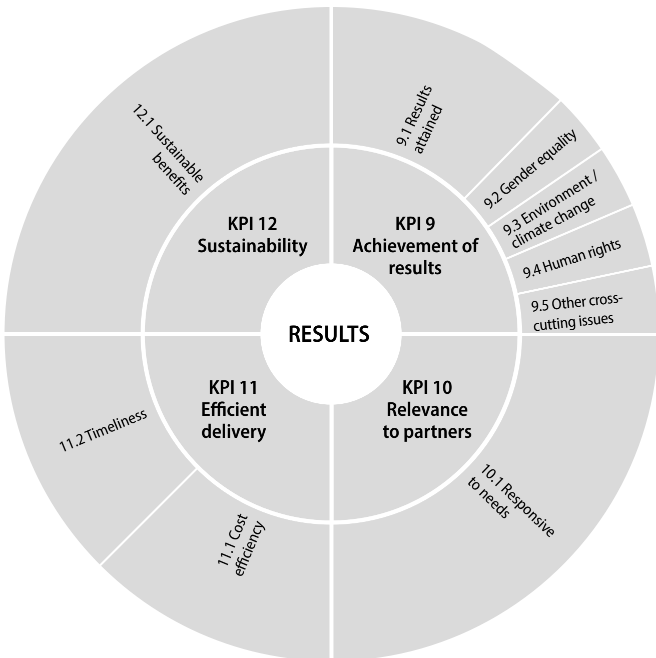
FIGURE 1: **IDB INVEST'S PERFORMANCE RATING SUMMARY**



How to read these charts



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



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 further details. Finally, it outlines the main tenets of the assessment process and methodology.

MOPAN

BACKGROUND TO IDB INVEST

INTRODUCING IDB INVEST

Mission and mandate

The Inter-American Investment Corporation (IDB Invest) was established in 1986 pursuant to the Agreement Establishing the Inter-American Investment Corporation and began operations in 1989. Its purpose is to promote the economic development of its regional developing member countries by encouraging the establishment, expansion and modernisation of private enterprises, preferably those that are small and medium-scale, in a way that supplements the activities of the Inter-American Development Bank (IDB).

The IDB Group's Institutional Strategy, adopted in 2010 as part of the Ninth General Capital Increase (IDB-9), provides the overall context for IDB Invest's strategies. Its two overarching objectives are fostering sustainable growth and reducing poverty and inequality. The strategy has been updated twice, with the most recent update, in 2019, reformulating the Group's overarching development challenges as, social inclusion and equality, productivity and innovation, and regional economic integration. The Strategy also commits the IDB Group to address the cross-cutting issues of gender equality, inclusion and diversity; climate change and environmental sustainability; and institutional capacity and the rule of law.

IDB Invest's own strategy is based on a key 2015 Board of Governors resolution which implemented the Renewed Vision for the IDB Group private sector by mandating IDB Invest to cover all activities which had previously been conducted through the non-sovereign guaranteed windows of the IDB Group (including with state-owned enterprises and excluding operations with sub-sovereign governments). The Renewed Vision focused on three principles/priorities: strengthening development effectiveness, development impact and additionality; maximising the efficient use of resources; and achieving synergies between the Group's public and private sector activities. This IDB Invest strategy is still under implementation. In March 2022, the IDB Invest Board of Governors mandated the preparation of a proposal for a new vision and business model for IDB Invest. Based on the proposal submitted by Management, in March 2023, the Board of Governors mandated the preparation of a capitalization proposal and implementation plan for the New Vision and Business Model for IDB Invest. This new model will focus on originating more impactful projects, de-risking private investment and crowding in finance through an "originate to share" model".

Governance arrangements

IDB Invest is owned by its 48 member countries of which 26 are regional developing member countries. All the powers of IDB Invest are vested in its Board of Governors, consisting of a Governor and an Alternative Governor appointed by each of its member countries. Voting power is proportional to the number of fully paid IDB Invest shares the member country owns, with each country receiving one vote for each fully paid share it holds. The Board of Governors has delegated all its powers to the Board of Executive Directors except certain powers reserved for the Governors under the Establishing Agreement.[1] The Board of Governors holds regular meetings, at least annually. The Board of Executive Directors[2] consisting of 13 Executive Directors (and 13 Alternates), who serve three-year terms, is responsible for the conduct of "the operations of IDB Invest and for adopting IDB Invest's annual budget. The President of the IDB, who is elected by the IDB Board of Governors and serves for a period of five years, is also the ex-officio chairperson of the Board of Executive Directors of IDB Invest but does not have the right to vote, except in the case of a tie.

1. Powers retained by the Board of Governors include: the power to admit new member countries, suspend a member, increase or decrease the capital stock, decide on appeals on interpretations of the Establishing Agreement made by the Board of Executive Directors, engage the services of external auditors, declare dividends, approve IDB Invest's audited financial statements, amend the Establishing Agreement and suspend permanently the operations of IDB Invest.

2. The Board of Executive Directors, engage the services of external auditors, declare dividends, approve IDB Invest's audited financial statements, amend the Establishing Agreement and suspend permanently the operations of IDB Invest.

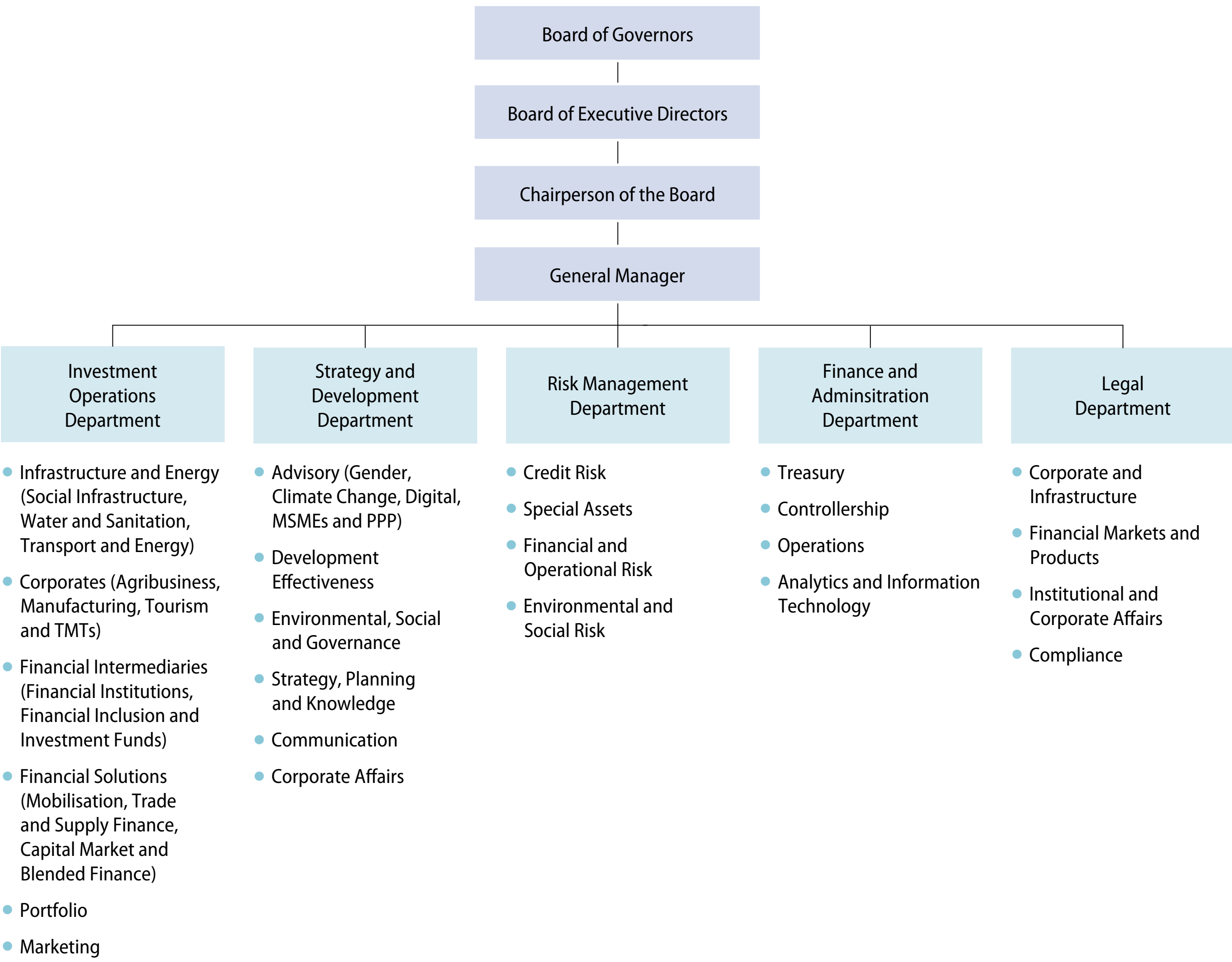
Organisational structure

IDB Invest is a legally separate and distinct member of the Inter-American Development Bank Group, which also includes the IDB and IDB Lab. IDB Invest has a separate governance structure, including a Board of Governors, a Board of Executive Directors, management and staff. However, some IDB units and positions provide services across the IDB Group. For example, there is a single country representative for all entities in the IDB Group. Further, there is a single IDB Group Office of Evaluation and Oversight. As is the case with most organisations, the organisational structure has evolved over time in response to business needs. For example, in 2016, IDB Invest adopted a Field Presence Plan, under which it planned to establish a field presence in all the regional developing member countries, reinforced with the opening of hubs to serve as regional centres of sector and technical expertise and business support for the country offices, located in Panama City, Port-of-Spain (later relocated to Kingston), Bogotá, and Buenos Aires. IDB Invest's current organisational structure is depicted in Figure 2.

Finances and operations

IDB Invest's operations are funded from capital/equity and debt. Capital has been provided by member countries through initial subscription and two capital increases as well through IDB Invest's retained earnings. Debt has been raised through bond issuances on the international capital markets in different currencies, products and maturities

FIGURE 2. **IDB INVEST'S ORGANISATIONAL CHART**



Source: https://www.idbinvest.org/en/how-we-work/institutional-information as well as through a small borrowing facility with the IDB. IDB Invest also mobilises financing from other investors through loan participations, loan syndications and other co-financing arrangements, unfunded participations, and guarantees of debt instruments. IDB Invest also provides blended finance solutions and advisory services funded with concessional resources provided by different public and private partners.

In order to fulfil its mandate, IDB Invest "provides financing through its development-related investments, which include loans, guarantees, investments in debt securities and equity investments where sufficient capital is not otherwise available on adequate terms in the market. IDB Invest also arranges financing from other investors through loan participations, co-financing arrangements, and unfunded participations" (IDB Invest, 2022, Condensed Interim Financial Statements (Unaudited)).

IDB Invest reports a sound balance sheet and a strong financial profile which includes high credit quality and top credit ratings. Fitch Ratings recently reaffirmed IDB Invest's credit rating as "AAA" and revised its outlook to "stable"; Standard & Poor's also affirmed its "AA+" and Moody's its "Aa1" ratings. Key financial indicators are highlighted in Table 1.

IDB Invest currently manages a portfolio of more than USD 18.6 billion of development-related assets from over 490 clients. Between 2019 and 2021, in part due to IDB Invest's response to the COVID-19 pandemic, the total number of annually committed long-term projects rose from 56 to 83, totalling USD 3.1 billion of long-term commitments in 2021. Short-term commitments totalled USD 3.2 billion in the same year. Total commitments by segment were distributed among infrastructure (26%), corporate (34%) and financial institutions (40%). Total disbursements in 2021 were USD 5.0 billion, and guarantees totalled USD 488 million. IDB Invest operates in all 26 of its regional developing member countries across Latin America and the Caribbean (LAC); the regional distribution of operations is presented in Figure 3.

IDB Invest has almost 500 employees across 5 departments. Thirty-six percent of staff are located in 24 of the 26 IDB Group offices in LAC while the rest of the staff are located at the IDB Invest headquarters in Washington, DC. More than 70% of IDB Invest's administrative and capital budget expenditures are for human resources (i.e. staffing and consultants), as shown in Table 2.

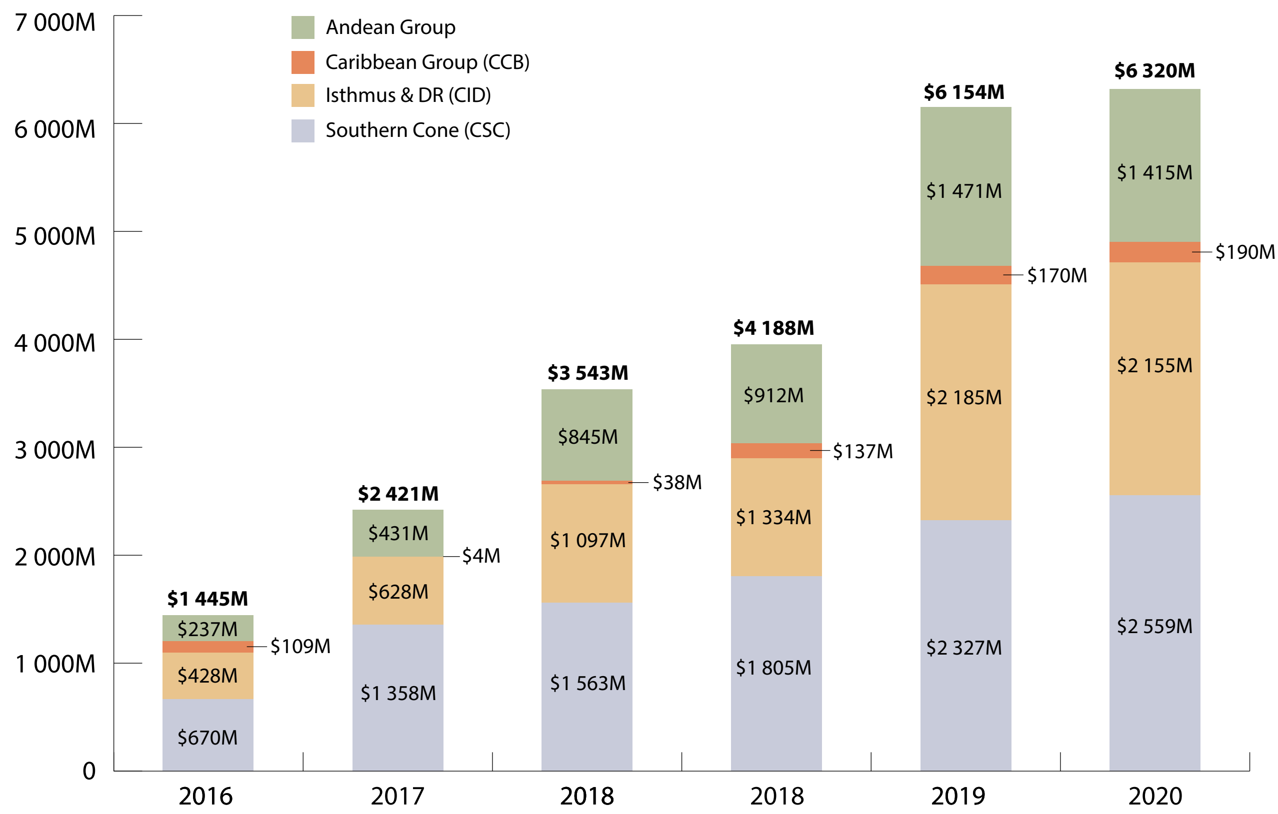
TABLE 1. **KEY FINANCIAL INDICATORS (USD THOUSANDS)**

	2017	2018	2019	2020	2021
Total liabilities and equity	2 185 395	3 209 253	3 899 824	6 424 312	7 551 424
Total liabilities	740 815	1 390 003	1 866 762	4 316 098	5 076 650
Development-related investments (net)	963 938	1 690 355	2 445 809	4 176 889	5 383 830
Equity	1 444 580	1 819 250	2 033 062	2 108 214	2 474 774
Net income (loss)	17 554	24 056	43 871	6 888	130 925
Equity to total assets	66.1%	56.7%	52.1%	32.8%	32.8%
Liquidity to total assets	54.6%	45.8%	34.9%	33.0%	25.9%
Liquidity to debt	184.4%	114.2%	82.5%	54.3%	42.4%

Note: "Equity" is drawn from the "Total Equity" line of the source table. "Total liabilities and equity" is calculated as the value of "Total Liabilities and Equity" from the source table.

Source: Based on IDB Invest (2022), *Annual Report 2021*, "Table 1: Selected Financial Data", p. 62, https://idbinvest.org/en/2021-annual-report

FIGURE 3. **IDB INVEST COMMITMENTS IN LATIN AMERICA AND THE CARIBBEAN, BY SUB-REGION (USD MILLION)**



Source: IDB Invest (n.d.), *Our Projects*, https://www.idbinvest.org/en/projects and IDB Invest (2022), *Annual Report 2021*, https://idbinvest.org/en/2021-annual-report

TABLE 2. **IDB INVEST'S 2022 ADMINISTRATIVE AND CAPITAL BUDGET PROPOSAL**

	2021 approved budget (USD)	2022 proposed budget (USD)	Change over 2021 approved budget (USD)	Change over 2021 approved budget (%)	Real increase (%)
Workforce	75 608 483	80 388 889	4 780 406	6.30%	3.80%
Consulting	10 581 585	11 287 325	705 740	6.70%	4.20%
Administrative	14 805 888	14 397 975	–407 913	–2.80%	–5.30%
IDB Services and Others	17 398 115	17 674 615	276 500	1.60%	–0.90%
Board of Governors/Executive Directors	1 116 077	1 139 300	23 223	2.10%	–0.40%
Administrative budget GRAND TOTAL	119 510 148	124 888 104	5 377 957	4.50%	2.00%

Source: IDB Invest (2021), *2022 Administrative and Capital Budget Proposal*, https://www.idbinvest.org/en/how-we-work/institutional-information

SITUATIONAL ANALYSIS

The LAC region had pre-existing development gaps and long-standing structural weaknesses even prior to the COVID-19 pandemic. The region had high rates of poverty (31%), anaemic growth rates (averaging 0.1% in 2019), low investment rates (18% of gross domestic product), limited fiscal space to support growth, low levels of human capital formation, a high vulnerability to climate change and increasing incidence of natural disasters. The region also performed poorly in implementing the rule of law and controlling corruption, leading to eroding public trust and deterring long-term private sector investment. All of these factors exacerbated social unrest in several countries. The situation further deteriorated due to the COVID-19 pandemic in several ways:

- The global economy contracted by 3.5% in 2020, the largest regional decline was in LAC where GDP declined by 7.0%. In addition, total employment declined by 10%, and an additional 44 million people in the region were expected to fall into poverty. There was a strong rebound of 6.9% economic growth in 2021 after the collapse that resulted from the pandemic, but this is now projected to slow to 3.5% in 2022 and to 1.7% in 2023 (IMF, 2022).

- The impact of COVID on health outcomes in LAC has been disproportionate. Almost 3 of 10 COVID deaths globally occurred in the region; this number accounts for 9% of the population.

- Private companies in almost all sectors have been severely affected, especially as inflation in the larger economies had the sharpest increase in 15 years, higher than in other emerging market regions.

- The economic downturn and policy reforms that most countries undertook to mitigate the impact of the pandemic have led to an unprecedented increase in public and private debt. A slower recovery, narrow fiscal space and limited buffers are likely to require an orderly debt workout to avoid a debt crisis. Governments will look even more to mobilise private sector financing, at a time when many private companies also have debt problems.

- Developing economies are likely to suffer longer-term impacts due to less effective and less resilient health systems, lower investments, job losses, disrupted supply chains and shrinking trade volumes, and productivity declines.

- In response to the COVID-19 pandemic, all the multilateral organisations adapted operations and provided unprecedented counter-cyclical lending to mitigate negative social and economic impacts. However, adaptation and response for private sector-focused operations were particularly necessary due to the adverse impacts of the pandemic caused by decreased demand and disruptions in travel and supply chains, with strong risks of financial losses (for multilateral organisations and clients), bankruptcies and job losses.

- Results of the COVID-19 pandemic, long-standing structural weaknesses and impacts of natural disasters – what IDB Invest describes as a “triple sudden stop” – have created the most severe socio-economic crisis in the LAC region during the over 60-year history of the IDB Group.

The impact of COVID-19 on IDB Invest is addressed in Chapters 2 and 3.

PREVIOUS MOPAN ASSESSMENTS

This is the first MOPAN assessment of IDB Invest. It is a focused assessment, reviewing only KPIs 2, 5, and 7.

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OVERVIEW OF KEY FINDINGS

ASSESSMENT SUMMARY

Focused assessment scope

MOPAN Assessments are based on the Theory of Change which envisions that the effectiveness of a multilateral organisation's systems, policies and practices are inherently linked to the results and impact of its work. The assessments usually focus on four areas of organisational effectiveness (strategic, operational, relationship and performance management) and a fifth area of results achieved with respect to the multilateral organisation's mandate.

During the 2021 assessment cycle, for the first time, MOPAN began assessing multilateral organisations that primarily focus on private sector operations. This required adapting the existing MOPAN assessment framework to the specificities of organisations with private sector operations. [Reference and link to published document on PSO framework]

After the third MOPAN Assessment of IDB was completed, shareholders requested a focused assessment of IDB Invest. In order to undertake the assessment within a compressed time period, the MOPAN Assessment Framework for Private Sector Operations was applied selectively to IDB Invest. Specifically, the assessment focuses on three of the four areas of organisational effectiveness: strategic management, relationship management and performance management.

One key performance indicator (KPI) within each of the areas was selected for assessment. The three KPIs are:

- 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.
- KPI 5: Partnerships with clients and host governments support alignment to the strategic vision, including impact goals, financial sustainability and risk management.
- KPI 7: The focus on results is strong, transparent and explicitly geared towards function.

Given that the Office of Evaluation and Oversight was simultaneously conducting an evaluation of IDB Invest, a detailed assessment of results achieved was excluded from this focused assessment. However, the assessment considered the manner in which IDB Invest adapted in response to the COVID-19 pandemic.

Cross-cutting issues[1]

IDB Invest is rated satisfactory on KPI 2 based on the incorporation of cross-cutting issues in the Institutional Strategy; up-to-date strategies on cross-cutting issues; knowledge products and diagnostic tools; and mainstreaming of cross-cutting issues into operations. There are remaining challenges in interpreting how IDB Invest operations are contributing to development outcomes that need to be addressed.

The IDB Group's 2010 Institutional Strategy had two overarching objectives: fostering sustainable growth and reducing poverty and inequality. The objectives were reformulated during a 2019 Update to focus on social inclusion and equality, productivity and innovation, and regional economic integration. The strategy includes a commitment to addressing three cross-cutting issues: gender equality, inclusion and diversity; climate change and environmental sustainability; and institutional capacity and the rule of law. IDB Invest's own strategy (the 2015 Renewed Vision) adopts three principles i.e. strengthening development effectiveness, development impact and additionality; maximising the efficient use of resources; and achieving synergies between the Group's public and private sector activities.

1 This section summarises the assessment against KPI 2: Structures and mechanisms are 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.

Within this overall strategic context, IDB Invest focuses on gender and diversity and on climate change and environmental sustainability, which are two of the three cross-cutting issues in the Group's strategy. They are discussed in detail below. Both cross-cutting issues have up-to-date strategies and action plans. Targets from these strategies are incorporated into the Corporate Results Framework (CRF) and utilised to monitor both IDB Group and IDB Invest-specific progress (Box 3). The cross-cutting issues are explicitly considered during the preparation of investments through diagnostics undertaken with support from specialised staff. Further, project selection takes into account the potential impact on cross-cutting priorities (as part of both achieving development outcomes and assessing additionality). Recent independent evaluations are not available for either cross-cutting issue.[2]

IDB Invest also contributes to achieving the cross-cutting issue of the enabling environment. However, progress on this issue is only monitored for IDB.

Box 3. IDB Group Corporate Results Framework 2020-2023

The CRF tracks progress in implementing the Institutional Strategy at three levels: regional performance, IDB Group contributions to development results and IDB Group performance. The CRF maps how indicators at all three levels contribute to each of the 17 SDGs.

- Level 1. These indicators report on regional performance for key priorities: social inclusion and equality; productivity and innovation; economic integration; gender equality and diversity; climate change and environmental sustainability; and institutional capacity and rule of law.
- Level 2. These indicators report on IDB Group contributions to development results aligned to priorities identified for Level 1. Results can be filtered for each IDB Group institution, providing an indication of IDB Invest's contribution to each indicator, linked to individual operations.
- Level 3. These indicators measure the Group's performance under six categories: strategic alignment, development effectiveness, leverage and partnerships, efficiency, knowledge and innovation, and internal alignment to cross-cutting issues. Ten out of 11 strategic alignment indicators (and 10 out of 26 indicators at Level 3) measure the proportion of projects and/or lending volumes assessed as contributing to specific strategic and corporate priorities; these indicators are, hence, input-oriented.

IDB Invest's contributions towards the Group's performance also heavily emphasise strategic alignment indicators (9 out of 16 IDB Invest-specific indicators).

Source: The IDB Group Corporate Results Framework; https://crf.iadb.org/en/2020-2023/level-2/2020-L2-9?country=all&institution=all&year=all

Gender and diversity

IDB Invest has been a leader in advancing the gender and diversity agenda in Latin America and the Caribbean (LAC) through its flagship reports and its key role in various global and regional initiatives. It has well-developed diagnostic tools (i.e. gender lens investing) for its own use as well as for use by IDB Invest's clients. With regard to its own operations, the CRF links an increasing proportion of new projects supporting gender equality and diversity (i.e.

2 The Gender and Diversity Evaluation is from 2018 and assesses progress over the 2011-16 period. The Climate Change Evaluation is from 2014.

Level 3 strategic alignment indicators) with the number of women beneficiaries of empowerment initiatives (i.e. Level 2 indicator[3]), leading to an improvement in the Global Gender Gap Index (i.e. Level 1 indicator).

Progress is above expectations regarding the targets for new projects supporting gender and diversity.[4] A brief review of the projects making the largest contributions to the number of women beneficiaries supported by IDB Invest shows a focus on financial services, education and health. The reviewed projects included those with a specific emphasis on women as well as those that supported both women and other beneficiaries. Hence, the indicator has played an important role in focusing the attention of staff and management on gender and diversity in the development of new operations.

There are, however, two challenges with interpreting whether this achievement is leading to gender- and diversity-related development outputs and outcomes. First, the current indicator combines projects that have specific gender equality and diversity components with projects where IDB Invest has provided additionality through activities in support of the cross-cutting issue (e.g. design of corporate gender action plans and gender equality programmes). The proportion of new projects that either include specific gender and diversity components or where IDB Invest has provided additionality is not identified clearly. Second, while the IDB Group reported that in 2021 there were 192 270 women beneficiaries of empowerment initiatives, the lack of IDB Invest-specific data increases the difficulty of interpreting its contribution to this indicator.[5]

As attention to gender and diversity is now well embedded in IDB Invest operations, IDB Invest should introduce a more targeted sub-indicator should which would only include operations **both** that have clear gender objectives **and** where IDB Invest is providing additionality through other activities.[6] These changes would complement the current focus on mainstreaming gender by providing greater attention to the subset of operations where IDB Invest's performance is making a significant contribution to specific gender development outcomes. Since IDB Invest already assigns differential ratings for both dimensions, this sub-indicator could be developed within the existing system without much additional staff work. This approach would also be more consistent with the methodology currently used for assessing gender equality activities in bilateral official development assistance.

IDB Invest should also continue its efforts to address the data limitations which have been a challenge for all multilateral development banks (MDBs) given that support to women entrepreneurs is largely implemented indirectly through financial intermediaries (FIs). Data completeness and reporting quality are significant issues both for baseline (gender disaggregated) data as well as for monitoring and evaluation. FIs supporting women-owned and -operated enterprises, which are largely micro, small and medium-sized enterprises, have difficulties in providing such data. IDB Invest reports that it is already helping FI clients to better segment their portfolios and target women, and it will be important to maintain this focus on improving data reliability.

Climate change and environmental sustainability

Consistent with the MDBs' common approach to addressing climate change, the IDB Group Climate Change Action Plan identifies key actions including policy support, alignment of operations to the Paris Agreement, mitigation and

3. This indicator measures the number of women who receive support from IDB Group initiatives aimed at economic empowerment, which mainly focus on improving labour market outcomes and workplace conditions/benefits and on expanding opportunities for entrepreneurship. IDB Group initiatives that contribute to economic empowerment for women include technical and vocational training, scholarships for higher education, labour intermediation services, extension services for rural producers and farmers, financial and non-financial services for women entrepreneurs, financial education, direct employment, property and land titling, and access to technology. The other two Level 2 indicators (the number of countries with strengthened gender frameworks and the number of targeted beneficiaries of public services that have been adapted for diverse groups) are less directly attributable to IDB Invest.
4. The targets for the number of new projects supporting gender equality stood at 16% in the 2016-2019 CRF and increased to 25% in the 2020-2023 CRF. A diversity target of 5% was added to the 2020-2023 CRF. Against this, actual results in 2022 stood at 34% for gender and 10% for diversity. IDB had a target of 70% and actual results of 86%.
5. Even though these are not publicly reported, IDB Invest does separately monitor operations with development outcomes and/or additionality. It also tracks its own contribution to development outcomes.
6. See Box 5 for a detailed explanation of the proposed sub-indicator.

temperature goals, adaptation and climate resilience, climate finance, and reporting. Activities specific to IDB Invest are awareness raising among and advisory support to private sector clients, development and deployment of climate finance instruments including financing for decarbonisation, and insurance mechanisms for introducing renewable energy generation and storage solutions.

IDB Invest considers climate change when selecting projects, both as part of strategic selectivity as well as in terms of contributions to development outcomes and additionality. It undertakes climate risk assessments are undertaken as part of environmental and social due diligence and enhances the capacity of financial intermediary clients to develop green portfolios. Its COVID-19 response and strategies have incorporated environmental sustainability and climate change.

The CRF identifies the following IDB Invest-specific targets for Level 3 strategic alignment indicators: climate finance in IDB Group operations and projects supporting climate change mitigation and/or adaptation (and a sub-indicator for projects supporting agriculture, forestry, land use and coastal zone management). These are expected to support Group-level contributions to development outcomes (Level 2) such as emissions avoided, beneficiaries of enhanced disaster and climate resilience, habitats that are sustainably managed using ecosystem-based approaches, installed power generation capacity from renewable sources, and the value of investments in resilient and/or low carbon infrastructure. As in the case of gender, there are no IDB Invest-specific numbers reported at Level 2. Regional progress is also monitored for IDB Group strategic priorities (Level 1) including: CO2 emissions from fuel combustion, forest area as a proportion of total land area and annual reported economic losses from natural disasters.

Progress was largely on track for the proportion of projects supporting climate change adaptation and mitigation, particularly since the latter is clearly linked with a specific sector (i.e. energy/renewable energy). But progress was slightly below target with respect to the volume of climate finance due to various factors. These included the relatively high share of short-term finance resulting from IDB Invest's counter-cyclical response to the COVID-19 crisis[7] and the pandemic-related slowdown in infrastructure which traditionally accounted for an important share of IDB Invest's climate finance.

Inclusive partnerships at the country level[8]

IDB Invest is rated satisfactory on KPI 5 based on the presence of Group-wide country diagnostics and strategies that focus on private sector development and IDB Invest's systematic approach to considering country and institutional priorities during the selection of operations. Areas for improvement include: revising guidance on the preparation of country strategies to enhance IDB Invest's role in engaging with stakeholders on the private sector development agenda, strengthening the private sector content of the country diagnostics and playing a more central role for IDB Invest in the preparation of the diagnostics.

The IDB Group prepares Group-wide country diagnostics and country strategies for all regional developing member countries.[9] Most country strategies contain a key priority or pillar focused on economic growth, productivity and/or private sector development providing the necessary entry point for designing and implementing suitable IDB Invest programmes. country strategies rarely identify specifics of IDB Invest's future interventions or provide financial estimates of the scale of future IDB Invest investments. However, alignment of individual operations with country strategies is promoted through a Strategic Selectivity Scorecard, and alignment is one of the dimensions that increases the probability of investment selection (through scoring contributions to ratings of the Development Effectiveness, Learning, Tracking and Assessment [DELTA] tool). The selectivity of IDB Invest operations is again assessed at exit/

7 IDB Invest includes short-term finance in the climate finance indicator whereas most other MDBs only include long-term finance.

8 This section summarises the assessment against KPI 5: Partnerships with clients and host governments support alignment to the strategic vision, including impact goals, financial sustainability and risk management.

9 Some country strategies pre-date the assessment period, specifically Nicaragua (2012-17) and Venezuela (2011-14).

evaluation. More than three-fourths of investment programmes were considered as being “relevant”, which refers to, among other things, their alignment with country and institutional priorities.[10]

The Group-wide strategies present a consolidated approach to addressing the development needs and priorities of member countries and require internal co-ordination between the public and private sector arms of the Group. To facilitate this co-ordination and to ensure a Group-wide approach, the organisational structure within the Group has been changed to institute joint reporting relationships for Country Resident Representatives. Recognising that many group representatives come from a public sector background, IDB Invest has provided ongoing training and maintains systematic interactions between this group and IDB Invest senior management, which were noted anecdotally to have led to better co-ordination.

The common Group diagnostic (Country Development Challenges report) is useful in ensuring that a holistic approach to the challenges facing the private sector is taken and potentially facilitates co-ordination within the Group on the roles of the public and private sectors – though these are necessarily contingent on each country’s approach to market development.

There are three potential areas for enhancing IDB Invest’s role in country strategy development. First, it may be timely to review and potentially enhance the role that IDB Invest plays in country strategy formulation, particularly regarding consultations and outreach with the private sector and governments on matters of interest to the private sector, such as market deregulation and public-private partnerships. The country strategy guidelines currently in use – the Renewed Vision and associated consolidation of IDB Invest business practices – have been implemented since 2017.[11]

Second, while a joint diagnostic has merits in presenting a single Group-wide approach to clients, the private sector component of the diagnostic needs to be strengthened considerably. IDB Invest should play a larger and more central role by co-leading the Country Development Challenges diagnostic report. The improvement of the private sector component of the diagnostic should take into account existing diagnostic products prepared by other private sector-facing MDBs in LAC. The potential for collaboration with such MDBs in preparing future diagnostic products should be explored. Finally, the Strategic Selectivity Scorecard may need to be revised based on the improved (private sector portion of the) diagnostic.

Results-based orientation[12]

IDB Invest is rated satisfactory on KPI 7. This rating is based on IDB Group and IDB Invest strategic plans, progress monitoring through the CRF and annual Development Effectiveness Overviews, IDB Invest’s Impact Management Framework, its close collaboration with the Office of Evaluation and Oversight (OVE), and its ability to incorporate lessons learned into new operations. Areas for strengthening include: better integrating ex-ante, supervision and ex-post assessments of development impact; and systematising the role of client feedback into its Corporate Scorecard.

IDB Invest’s results-based orientation is based on the strategic priorities defined in IDB Group Strategies and the Renewed Vision which has been detailed through a series of Business Plans and Business Plan Updates since 2017.

Results orientation is embedded into IDB Invest through systems that monitor performance at the investment level, particularly with regard to alignment with the institution’s strategic priorities, the development effectiveness of operations and the achievement of requisite financial rates of return. These bottom-up results are managed at the

10. Relevance was positively rated for 79% of Expanded Supervision Reports (XSRs) in 2021 and 87% of XSRs in 2022, though the ratings do not differentiate between project alignment with country strategies and corporate priorities. Relevance ratings also cover the design of the project, which accounts for a portion of the low relevance ratings.

11. The guidelines pre-date the implementation of the Merge-Out and refer to the “New Corporation”.

12. This section summarises the assessment against KPI 7, i.e. The focus on results is strong, transparent and explicitly geared towards function.

institutional level using a portfolio management approach. Results are aggregated from operation-level indicators in order to monitor institutional targets that, as noted above, focus on input-oriented measures.

The results systems have evolved and been strengthened considerably since 2017 through an iterative process. These have contributed to the progressive improvement in development outcomes that are close to, but to-date slightly below, targets established under the CRF.[13] A particular strength has been the systemic manner by which learning from past operations has been integrated into new operations. Similarly, there has been a constructive collaboration with OVE in using a streamlined approach to clear up backlogs of projects without self-assessments.

The Results-Based Management System could be further strengthened by systematically including client feedback from surveys already conducted of IDB Invest clients and including aggregated results in the Corporate Scorecard. This would be particularly important in certain areas that rely in part on qualitative inputs such as some aspects of the additionality assessment, where client inputs would be important complements to internal analysis. There may also be benefits in further integrating the two tools within the Impact Management Framework – DELTA focuses on ex-ante estimation and monitoring of development outcomes during supervision, and the Expanded Supervision Reports (XSRs) focuses on the evaluation of development effectiveness when projects reach early operating maturity.

COVID-19 responsiveness

IDB Invest has responded appropriately to the COVID-19 pandemic by putting in place or scaling up financing arrangements as well as taking active measures to monitor and manage the impact of the pandemic on its portfolio.

IDB Invest implemented a series of measures in response to the COVID-19 pandemic. These comprise a counter-cyclical increase in operations including a USD 500 million crisis mitigation facility, USD 2 billion in additional financing under the Trade Finance Facilitation Program, a COVID-19 lens that IDB Invest applied to all operations as part of its Impact Management Framework, and a series of temporary governance modifications designed to provide additional flexibility and agility during the crisis. It also introduced new financial instruments and new mobilisation products, grew supply chain finance products, and continued the expansion of local currency financing.

Even as it ramped up its response, in early 2020, IDB Invest estimated that the pandemic would have a significant impact on development results from its existing portfolio. By the end of 2021, the reported impact on the portfolio was less than initially expected. Nevertheless, with regard to achieving development objectives, 8% of the portfolio of 226 operations under supervision was in "problem" status, 26% in "alert" status and 58% in "satisfactory" status.[14]

Of the three business areas (i.e. financial intermediation, corporates and infrastructure), financial intermediation – which constitutes around half of portfolio commitments – was the most affected, with "alert" classifications increasing to 32% (up from 20% in 2020). This volatility was predictable since IDB Invest FI operations typically focus on expanding access to credit for underserved and riskier segments such as micro, small and medium-sized enterprises; in crises, asset quality deteriorates faster, and lending is scaled back more quickly to this market segment. This pattern is consistent with what is observed in other private sector-oriented multilateral organisations.

There was also some impact in delaying the implementation of operations involving cross-cutting issues. Some FIs that were preparing to launch portfolios for women-led small and medium-sized enterprises or green lending put plans on hold in order to focus on their core business.

13. CRF 2020-2023 targets 65% positive development outcomes. Actual results are close per both IDB Invest management and OVE ratings. Since 2020, OVE ratings have been lower than self-assessments by less than 5%. In 2022, OVE validations were 2% higher than self-assessments (i.e. 62% vs 60%). Including outcomes from existing projects in Special Assets, 2022 OVE ratings stood at 57%.

14. The "problem" determination only pertained to the achievement of development objectives and differed from the determination of projects in "problem" status that could potentially result in non-performing assets.

Box 4. Main strengths and areas for improvement identified in the MOPAN Assessment of IDB Invest

Main strengths

- Strategic management
  - Cross-cutting issues are incorporated into the Institutional Strategy.
  - There are up-to-date strategies on the cross-cutting issues.
  - Cross-cutting issues are mainstreamed into operations.
  - There are dedicated teams supporting cross-cutting areas and ratings.

- Relationship management
  - There are Group-wide country diagnostics and country strategies which help facilitate public-private approaches.
  - There is a Group-wide Country representative position.

- Results-based management
  - The Impact Management Framework has evolved to improve technical content and address staff behavioural incentives.
  - There is a feedback loop from lessons learned to new projects and close collaboration with OVE.

Areas for improvement

- Strategic management
  - The current indicator should be complemented by a more targeted sub-indicator that only includes projects having gender equality as a key part of the development objective and having significant additionality.
  - Client support for improving the reliability of the Women's Economic Empowerment indicator, particularly for FIs, should continue to be strengthened.

- Relationship management
  - Country strategy guidance should be updated to increase IDB Invest's role in consultations and outreach with the private sector and governments on matters of interest to the private sector such as market deregulation and public-private partnerships.
  - The private sector component of country diagnostics should be strengthened, and IDB Invest should co-lead preparation of the country diagnostics.
  - The Strategic Selectivity Scorecard should be improved, based in part on better country private sector diagnostics.

- Results-based management
  - The Results-Based Management System should systematically consider client feedback from surveys and should include aggregated results in the Corporate Scorecard.
  - The potential for integrating the two impact management tools, i.e. DELTA and XSRs, should be reviewed.

IDB INVEST'S FUTURE TRAJECTORY

Since 2017, IDB Invest has implemented the ambitious Renewed Vision to consolidate all of the private sector activities of the IDB Group under one institution. It has iterated its results-based management systems and procedures in support of efforts to improve development outcomes. Finally, it has helped its clients adapt to the significant challenges of surviving and growing through the COVID-19 pandemic. It is well positioned to enter the next phase of its evolution, including a renewed focus originating more impactful projects, de-risking private investment and crowding in finance through an "originate to share" model." The future scaling up of IDB Invest's impact is expected to be centred around the concept of "originating to share" with other impact investors interested in the LAC region. It builds on IDB's comparative advantage of originating and managing a portfolio balancing development impact and financial returns. It is expected to go further by increasing IDB Invest's role in selected countries, enhancing product/ instrument innovation and significantly scaling up resource mobilisation.

This new direction will require changes in several IDB Invest processes and systems. First, increasing IDB Invest programmes in selected countries will require a stronger private sector diagnostic and associated changes in approaches to selectivity. Impact management systems which are currently primarily geared to helping management and staff develop and oversee the portfolio would need enhancements to and simplification of metrics to more easily engage with external audiences. Furthermore, given the high interest of impact investors in cross-cutting areas (particularly climate change and gender), the measurement of impact and additionality may need to focus on direct contributions from the IDB Invest portfolio. Finally, the "originating to share" approach will likely require increased emphasis on client feedback mechanisms and better integration of client satisfaction into corporate reporting. The recommendations made in this assessment would support the improvement of systems which will be undertaken as part of the next phase of IDB Invest's journey.

CHAPTER III

DETAILED LOOK AT FINDINGS

This chapter provides a detailed assessment of IDB Invest's performance across three performance areas – strategic management, relationship management and performance management – as well as performance scoring and ratings for the selected KPIs within each area.

The MOPAN performance scoring and rating scales are listed in Figure 4.

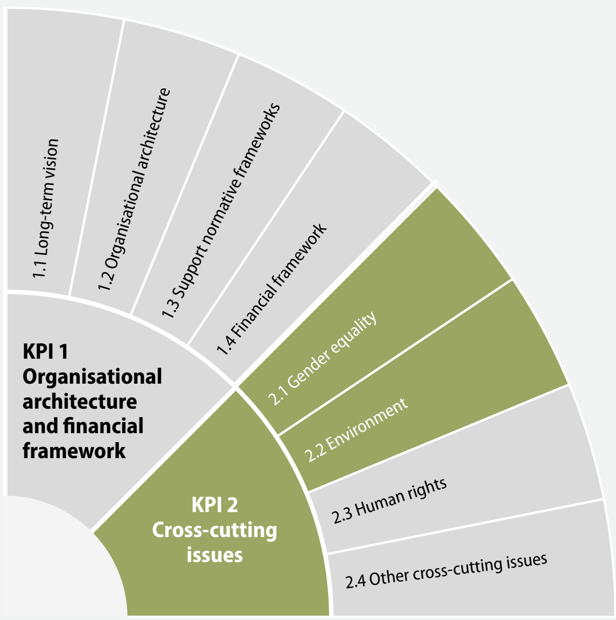
FIGURE 4. **MOPAN 3.1 PERFORMANCE SCORING AND RATING SCALE, METHODOLOGY 3.1**

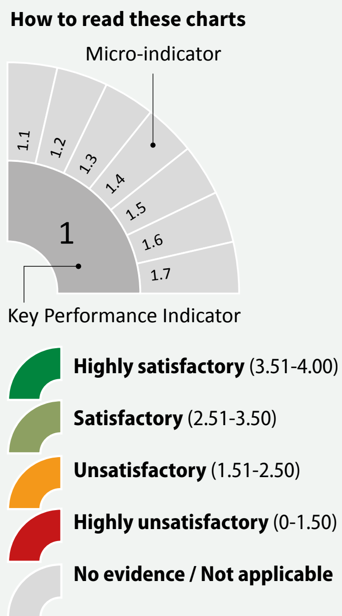
- Highly satisfactory (3.51-4.00)
- Satisfactory (2.51-3.50)
- Unsatisfactory (1.51-2.50)
- Highly unsatisfactory (0.00-1.50)
- No evidence / Not applicable

The assessment's key findings draw on information from two evidence sources (document reviews and interviews). A partner survey was not undertaken due to time constraints (see Chapter 4 for more information). Further analysis per micro-indicator and detailed scoring based on the MOPAN 3.1 methodology for private sector operations, as adapted for IDB Invest, can be found separately in Part II: Technical and Statistical Annex of the MOPAN assessment of IDB Invest.

STRATEGIC MANAGEMENT

KEY FINDINGS





The **strategic management** performance area explores whether there is a clear strategic direction in place that is geared to key functions, intended results and the integration of relevant cross-cutting priorities. This area has been assessed through one of the two key performance indicators (i.e. KPI 2).

IDB Invest is rated satisfactory on KPI 2 based on the incorporation of cross-cutting issues in the Institutional Strategy, up-to-date strategies on cross-cutting issues, knowledge products and diagnostic tools, and mainstreaming of cross-cutting issues into operations. There are remaining challenges in interpreting how IDB Invest operations contribute to development outcomes, which need to be addressed.

KPI 2: Structures and mechanisms are 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 3.17

As IDB Invest is part of the IDB Group, its strategy is firmly anchored in the Group strategy and takes into account Group-wide policies on cross-cutting issues (gender and diversity, and climate change and environmental sustainability). The IDB Group's Institutional Strategy, adopted in 2010 as part of the Ninth General Capital Increase (IDB-9), provides the overall context for IDB Invest's strategies. Its two overarching objectives are fostering sustainable growth and reducing poverty and inequality. The strategy has been updated twice, with the most recent update, in 2019, reformulating the development challenges as social inclusion and equality, productivity and innovation, and regional economic integration. The update also commits the IDB Group to address the cross-cutting issues of gender equality, inclusion and diversity; climate change and environmental sustainability; and institutional capacity and the rule of law.

IDB Invest's own strategy is based on a key 2015 Board of Governors resolution implementing the Renewed Vision for the IDB Group's private sector. This resolution mandated IDB Invest to cover all activities that had previously been conducted through the non-sovereign guaranteed windows of the IDB Group. The Renewed Vision focused on three principles/priorities, i.e. strengthening development effectiveness, development impact and additionality; maximising the efficient use of resources; and achieving synergies between the Group's public and private sector activities. This IDB Invest strategy is still under implementation. In March 2022, the IDB Invest Board of Governors mandated the preparation of a proposal for a new vision and business model for IDB Invest. Based on the proposal submitted by Management, in March 2023, the Board of Governors mandated the preparation of a capitalization proposal and implementation plan for the New Vision and Business Model for IDB Invest. This new model will focus on originating more impactful projects, de-risking private investment and crowding in finance through an "originate to share" model."

IDB Invest focuses on gender and diversity as well as climate change and environmental sustainability. These reflect two of the three cross-cutting issues in the Group's strategy (the Second Update to the Institutional Strategy). Both cross-cutting issues have up-to-date Group-level strategies and action plans that also identify specific goals and activities for IDB Invest. IDB Invest's business plans incorporate two of the three cross-cutting issues as strategic priorities. While IDB Invest contributes to the achievement of the third cross-cutting issue (i.e. the enabling environment), progress on this issue is currently only monitored for the IDB.[1]

Recent independent evaluations on the two cross-cutting issues were not available. The last Independent Evaluation for Gender and Diversity dated from 2018 and assessed progress over the 2011-16 period (hence largely pre-dating the period of the current assessment). The last Independent Evaluation for Climate Change was undertaken in 2014.[2]

Specific indicators and targets for cross-cutting issues are regularly monitored as part of the Corporate Results Framework (CRF) and annual Development Effectiveness Overview Reports. Targets for both cross-cutting issues are incorporated into the CRF 2020-2023 and are utilised to monitor both Group-level and IDB Invest-specific progress. The annual Development Effectiveness Overview Reports analyse the main factors positively and negatively affecting progress.

1 The Corporate Results Framework measures the percentage of new projects approved supporting institutional capacity and the rule of law.

2 An Independent Evaluation of Environmental and Social Safeguards was undertaken in 2018.

Cross-cutting issues are explicitly emphasised during project selection using specific diagnostics and support from specialised staff and training. Being IDB Invest strategic priorities, cross-cutting issues are explicitly considered during the preparation of investments. In particular, project selection includes consideration of the potential impact of these cross-cutting priorities (as part of both achieving development outcomes and assessing additionality). Specific diagnostics/risk assessments are undertaken. Support is provided by teams of multidisciplinary staff with a field presence and expertise, including: the Diversity, Equity, and Inclusion team in the Advisory Services Division and the Environmental, Social and Governance Division (both in the Strategy Department), and the Environmental and Social Risk team in the Risk Management Division. In addition, IDB Invest also collaborates with IDB's environmental sustainability and climate change teams. IDB Group has optional climate change training; however, its sustainability policy training, which includes climate change as well as social, environmental and corporate governance issues, is mandatory.

Project designs incorporate attention to cross-cutting issues through either incentives or advisory support. The screening process identifies potential opportunities for supporting cross-cutting issues. In the case of gender and diversity, this support has ranged from performance-based incentives (such as lower interest rates based on achieving gender and diversity project goals) to the provision of advisory services to clients. Both activities have been affected by the scarcity of concessional funds. In the case of climate change, greater availability of concessional funds has allowed more flexibility.

IDB Invest has been a leader in advancing the gender and diversity agenda in the Latin America and the Caribbean (LAC) region. IDB Invest has produced flagship reports and has taken a key role in various global and regional initiatives. It has well-developed diagnostic tools (i.e. gender lens investing) for its own use as well as for use by its clients. With regard to its own operations, the CRF links a growing proportion of new projects supporting gender equality and diversity (i.e. Level 3 strategic alignment indicators) with increasing the number of women beneficiaries of empowerment initiatives (i.e. Level 2 indicator) leading to an improvement in the Global Gender Gap Index (i.e. Level 1 indicator).

While IDB Invest has surpassed its strategic alignment targets for the proportion of projects supporting gender and diversity, there are challenges with interpreting whether this has supported increased outputs and outcomes. Progress has been above expectations with regard to the strategic alignment targets for new projects supporting gender and diversity. In 2022, 34% of all projects supported gender equality; while this was down from 50% in 2021, it was still above the 25% target. Similarly, in 2022, 7% of all projects supported diversity; this was lower than the 10% achieved in 2021, but it was above the 5% target. Hence, the use of indicators has played some role in focusing the attention of staff and management on gender and diversity in the development of new operations.

However, there are two difficulties with interpreting whether this achievement is leading to development outputs and outcomes. First, the current indicator combines projects that have specific gender equality and diversity objectives with projects where IDB Invest has provided additionality to activities in support of the cross-cutting issue. It is, hence, difficult to assess both what portion of the increased proportion of new projects supporting gender and equality has contributed to increasing the number of women beneficiaries and where IDB Invest has made a significant contribution. Contribution to increasing the number of women entrepreneurs is now reported separately for each IDB Group institution, demonstrating IDB Invest's contribution more clearly. Between 2020 and 2021, 69 956 women benefitted from 83 IDB Invest projects.

IDB Invest should complement the current focus on mainstreaming gender by providing greater attention to the extent to which its performance is contributing to specific gender development outcomes. In addition to the current headline indicator, a more targeted sub-indicator should be introduced that would include only operations both that have clear gender objectives and where IDB Invest is making a clear contribution. Since IDB Invest already

Box 5. Introduction of a gender sub-indicator

IDB Invest has made progress towards mainstreaming gender considerations into project design. During project design, contributions to gender and diversity development outcomes and additionality are assessed in the Development Effectiveness, Learning, Tracking and Assessment (DELTA) tool at one of four levels: "no", "somewhat", "yes" and "exceptional". Currently, contributions assessed at the levels of "somewhat", "yes", and "exceptional" are sufficient for counting projects as contributing to the corporate indicator. This approach has increased attention to gender and diversity considerations during project design. However, a majority of projects have been rated as contributing "somewhat" to both development objectives and additionality.

This progress in mainstreaming should be complemented with a greater focus on projects contributing significantly to gender and diversity outcomes. A sub-indicator should be added that includes operations at only the top two levels (i.e. "yes" and "exceptional") for both development outcomes and additionality. With regard to development outcomes, this would ensure that (i) the projects included have an objective to promote gender equality or women's empowerment or to support women-owned/led micro, small and medium-sized enterprises (MSMEs), and (ii) 50-90% of project beneficiaries are women, women-owned/led MSMEs, and/or female-headed households. Similarly, with regard to additionality, projects where IDB Invest involvement results in concrete actions to generate tangible improvements in gender equality or diversity and inclusion policies and practices. In addition, this sub-indicator would more closely link with IDB Invest's contributions to Group development outcomes.

This approach would also be more consistent with the methodology currently used for assessing gender equality activities in bilateral official development assistance. The OECD Development Assistance Committee reports on gender equality in all bilateral official development assistance as "principal" (gender equality as the main objective), "significant" (gender equality as an important and "deliberate" objective but not the main reason for undertaking the project) or "not targeted".

assigns differential ratings for both dimensions, this sub-indicator could be developed within the existing system without much additional staff work. This change would more clearly link the strategic alignment indicator with IDB Invest's (Level 2) contributions to development outcomes.

Through the CRF, IDB Invest should continue its efforts to help clients improve the reliability of data on women participating in empowerment initiatives. Data limitations have been a challenge for all multilateral development banks (MDBs), given that support to women entrepreneurs is largely implemented indirectly through financial intermediaries (FIs). Data completeness and reporting quality is a significant issue both for baseline (gender disaggregated) data as well as for monitoring and evaluation, since FIs that support women-owned and -operated enterprises, which are largely micro, small and medium-sized enterprises, have difficulties in providing such data. IDB Invest reports that it is already helping FI clients to better segment their portfolios and target women, and it will be important to maintain this focus on improving data reliability.

Consistent with the MDB common approach to addressing climate change, the IDB Group Climate Change Action Plan identifies key actions including policy support, alignment of operations to the Paris Agreement,

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

mitigation and temperature goals, adaptation and climate resilience, and climate finance and reporting. IDB Invest-specific activities included: awareness raising among and advisory support to private sector clients, development and deployment of climate finance instruments including financing for decarbonisation, and insurance mechanisms for introducing renewable energy generation and storage solutions.

IDB Invest considers climate change when selecting projects, both as part of strategic selectivity as well as through contributions to development outcomes and additionality. It undertakes climate risk assessments as part of environmental and social due diligence and enhances the capacity of financial intermediary clients to develop green portfolios. Its COVID-19 response and strategies have incorporated environmental sustainability and climate change.

IDB Invest's contribution to addressing climate change is reflected in the IDB Group CRF. The CRF identifies IDB Invest-specific targets for the following Level 3 strategic alignment indicators: climate finance in IDB Group operations and projects supporting climate change mitigation and/or adaptation (and a sub-indicator for projects supporting agriculture, forestry, land use and coastal zone management). These are expected to support Group-level contributions to development outcomes (Level 2) including: emissions avoided, beneficiaries of enhanced disaster and climate resilience, habitats that are sustainably managed using ecosystem-based approaches, installed power generation capacity from renewable sources and the value of investments in resilient and/or low carbon infrastructure. As in the case of gender, there are no IDB Invest-specific numbers reported at Level 2. Regional progress is also monitored for these IDB Group strategic priorities (Level 1): CO2 emissions from fuel combustion, forest area as a proportion of total land area and annual reported economic losses from natural disasters.

IDB Invest has made mixed progress on targets linked to environmental sustainability and climate change commitments. New approvals supporting climate change mitigation and adaptation exceed expectations[3]. Clear alignment with a sector (i.e. energy and renewable energy) has helped. The approved amount of climate finance, which was 23% in 2020, reached 29% in 2022, just shy of the 30% target[4]. This was attributed to three factors: the relatively high share of short-term finance resulting from IDB Invest's counter-cyclical response to the COVID-19 crisis[5] a focus on mobilising the greatest share of projects possible and the pandemic-related slowdown in infrastructure that traditionally accounted for an important share of IDB Invest's climate finance.

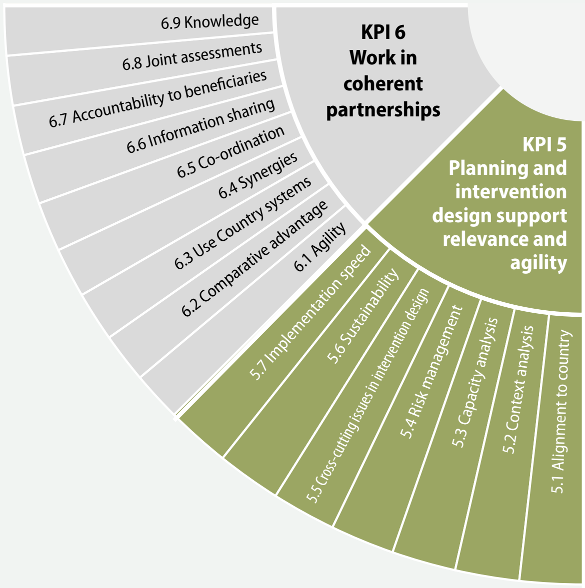
3 The target for new approvals supporting agriculture, forestry, land use and coastal zone management (a sub-indicator of new approvals supporting climate change and mitigation) stood at 7% in 2021, slightly below the 8% target.

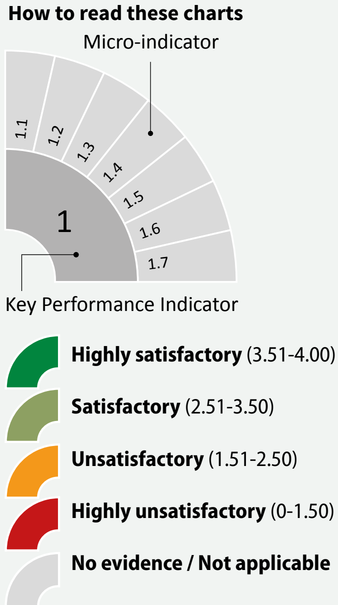
4 IDB Group, including IDB Invest, provides data as part of the Joint Report on Multilateral Development Banks' Climate Finance. It, hence, adopts the common methodology for tracking climate finance, which includes funds from own account as well as MDB-managed external resources.

5 IDB Invest includes short-term finance in the climate finance indicator whereas most other MDBs only include long-term finance.

RELATIONSHIP MANAGEMENT

KEY FINDINGS





The **relationship management** performance area looks at the extent to which IDB Invest has engaged in inclusive partnerships to support relevance, leverage effective solutions and maximise results. This area has been assessed through one of the two key performance indicators (i.e. KPI 5).

IDB Invest is rated satisfactory on KPI 5 based on the presence of Group-wide country diagnostics and strategies that focus on private sector development and the systematic approach to considering country and institutional priorities during the selection of operations. Areas for improvement include: revising guidance on the preparation of country strategies to enhance IDB Invest's role in engaging with stakeholders on the private sector development agenda, strengthening the private sector content of the country diagnostics and playing a more central role for IDB Invest in the preparation of the diagnostics.

KPI 5: Partnerships with clients and host governments support alignment to the strategic vision, including impact goals, financial sustainability and risk management

Performance rating: Satisfactory	Score 3.16

IDB Invest participates in the formulation of IDB Group country strategies and associated diagnostics which are largely aligned with national development strategies and institutional priorities. Country strategies provide a Group-wide view for IDB, IDB Invest and IDB Lab in a given country for a four- to six-year period; these are developed in co-ordination with national governments, and the time period of country strategies is consistent with that of the underlying national development strategies. The country strategy guidelines require alignment with both national development strategies and institutional priorities (including cross-cutting issues). They also require a review of market impact and the business-enabling environment.

A review of six country strategies (and associated independent evaluations by the Office of Evaluation and Oversight) indicated that the guidance was followed in all but one country.[6] All country strategies reviewed included a priority or pillar focused on private sector-led growth that provides a suitable basis both for IDB Invest's involvement in the country strategy and for the analysis of the market and business environment in the associated diagnostics (Country Development Challenges). The analysis was holistic (i.e. across the IDB Group) and appropriately was not just specific to IDB Invest.

The reviewed country strategies rarely identified details of IDB Invest's future interventions or provided financial estimates of the scale of future IDB Invest investments. This information gap arises from two considerations: information about transactions may not be available for the outer years of country strategies where the transaction cycle is shorter, and there may be confidentiality considerations in disclosing details about transactions under preparation. This places a greater onus on ensuring that the country strategies are developed with bottom-up inputs from IDB Invest and that subsequently country strategy priorities are taken into account in the programming of IDB Invest's interventions.

There is scope to enhance IDB Invest's role in formulating country strategies. The country strategy guidelines – written when the Merge-Out was just being initiated – need to be updated to take into account IDB Invest's current capabilities and field presence and increase its role with regard to private sector consultations and outreach. In particular, IDB Invest staff could have a more formal role in discussions in areas such as market deregulation, privatisation and the development of public-private partnerships. Further, consideration needs to be given to enhancing the private sector component of the joint diagnostic, which is likely to require IDB Invest to play a more central role. The strengthening of the private sector diagnostic should take into account existing diagnostic products prepared by other private sector-facing MDBs in LAC,[7] and potential for collaboration with such MDBs in preparing future diagnostics should be explored. Given the central role that the private sector is expected to play in most developing countries, IDB Invest staff should co-lead, together with the IDB, the preparation of the country diagnostics.

IDB Invest systematically translates country strategies into operational priorities through operational selectivity tools. IDB Invest translates the country strategies into country-level operational priorities through the Strategic Selectivity Scorecard which uses relevant criteria (such as a lack of access by targeted beneficiary groups) to identify sector and thematic priorities in the country. The Development Impact, Learning and Tracking Assessment (DELTA) tool, which assigns a development impact potentiality score, also considers other corporate priorities such as cross-cutting issues in assessing development impact and additionality. Further, operations that demonstrate alignment with the Strategic Selectivity Scorecard receive a higher DELTA score.

IDB Invest project proposals require contextual analysis and have mechanisms to deal with external shocks that hurt project fundamentals. All new operations must describe development challenges and opportunities. As part of the supervision process, changes in the project context are tracked to see if they will likely impact project viability. In the event of a change in viability, IDB Invest takes measures to protect its investment and maximise development outcomes. As part of the COVID-19 response, IDB Invest modified loans to ensure their viability (IDB Invest, 2022, 2021 Information Statement).

As an MDB making investments directly and indirectly (through financial intermediaries) in the private sector, IDB Invest defines its risk appetite and actively manages the inherent risks in its portfolio with the

6. Country strategies and Country Program Evaluations were reviewed for Brazil, Colombia, El Salvador, Jamaica, Mexico and Uruguay. The El Salvador country strategy was the only one that did not incorporate productivity, which was in the national development strategy and is also an IDB Invest priority area.

7. These include the World Bank Group Country Private Sector Diagnostics reports. Six reports were prepared for the LAC in 2021 and 2022 for Bolivia, Chile, Ecuador, Haiti, Honduras and Jamaica.

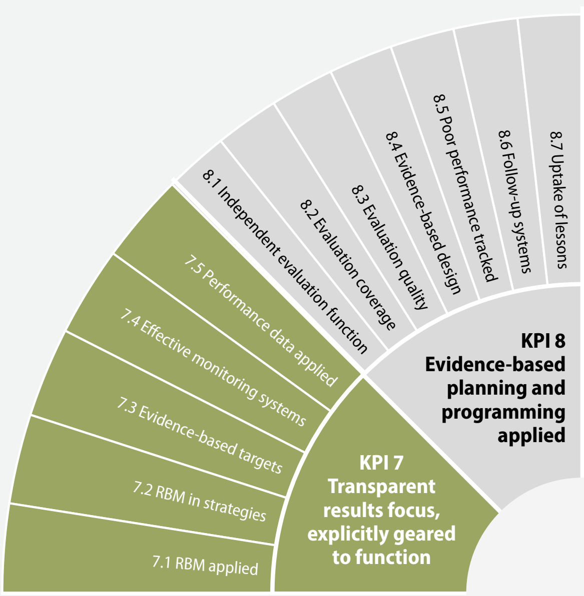
goal of maintaining its long-term financial sustainability. IDB Invest has a Risk Appetite Policy that is focused on maintaining its long-term financial sustainability and that provides the anchor for specific guidance for identifying, mitigating and monitoring risks throughout the project cycle. A variety of risks (credit risk, market risk, legal risk, integrity risk, and environmental and social risk) are considered at various stages of the project cycle. The analysis is differentiated based on the financing instrument offered. Risk specialists exercise judgment independent of the task team. The monitoring of risks continues throughout the project lifecycle with updated risk ratings produced at least annually as part of Annual Supervision Reports.

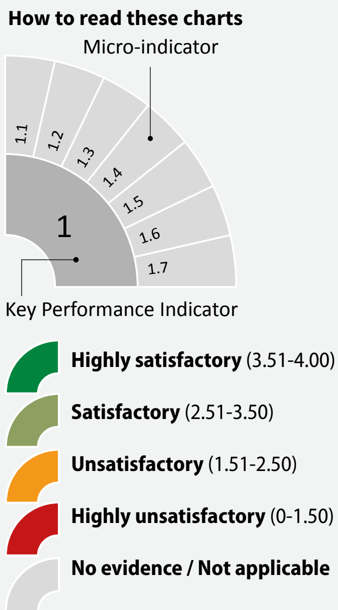
Projects include analysis of cross-cutting issues mainly through the Environmental and Social Sustainability Policy, which, if present, are then monitored throughout the project cycle. At the design stage, opportunities for environmental sustainability and climate change and gender and diversity are identified, and blended or advisory services are used to bolster development impact. Environmental, Social and Governance (ESG) officers are embedded throughout the design process to handle ESG issues and identify opportunities. ESG officers are also embedded in the monitoring process to ensure compliance with any ESG plans. Material changes, including cross-cutting issues, following the design stage, are meant to be updated and then tracked.

Projects are monitored and assessed on their ability to meet deadlines and requirements as outlined in their agreements. IDB Invest, through its internal databases and systems, ensures timelines are created for pre-approval and implementation processes. Afterwards, timelines are tracked to ensure that disbursement can be released and that projects adhere to their agreements. Client feedback systems are in place but must capture clients' views on timeliness and the project cycle process.

PERFORMANCE MANAGEMENT

KEY FINDINGS





The **performance management** performance area assesses the existence of systems geared to managing and accounting for development results and the use of performance information, including evaluation and lesson-learning. This area is assessed through one of the two key performance indicators (i.e. KPI 7).

IDB Invest is rated satisfactory on KPI 7. This rating is based on IDB Group and IDB Invest strategic plans, progress monitoring through the CRF and annual Development Effectiveness Overviews, IDB Invest's Impact Management Framework, its close collaboration with the Office of Evaluation and Oversight (OVE), which has minimised differences in ratings assessments, and its ability to incorporate lessons learned into new operations. Areas for strengthening include: better integrating ex-ante, supervision and ex-post assessments of development impact; and systematising the role of client feedback into its Corporate Scorecard.

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

Performance rating: Satisfactory	Score 3.14

The IDB Group has a long-running corporate commitment to a results culture as reflected in the Busan Resolution, which underpins IDB Invest's strategic focus. The IDB Group Institutional Strategy was adopted in 2010 as part of the Ninth General Capital Increase (IDB-9). After the First Update to Institutional Strategy in 2015, the CRF was updated for the 2016-19 period. After the Second Update to the Institutional Strategy in 2019, the CRF was updated for the 2020-23 period. In addition, IDB Invest's Renewed Vision identifies five priority business areas: increasing access to finance and technical assistance for micro, small and medium-sized enterprises; promoting infrastructure for development; supporting innovation and technological development; enhancing the private provision of basic goods and services, income generating opportunities and social mobility for vulnerable populations; and fostering green growth.

IDB Invest deploys an Impact Management Framework that helps to translate institutional priorities into actionable steps across the project cycle. The framework has five elements: selecting the right projects and clients; assessing potential impact and designing projects for results; managing and evaluating the portfolio for impact; generating and transferring knowledge; and implementing operational findings. A number of tools are deployed to maintain a focus on results throughout the project cycle, including: Strategic Selectivity Scorecards; the DELTA tool; financial contribution ratings; Expanded Supervision Reports (XSRs) and the Development Effectiveness Analytics platform. In 2022, IDB Invest made it mandatory for operational staff to take DELTA training.

IDB Invest has made substantial progress in addressing one of the key challenges faced by all institutions, i.e. ensuring that lessons learned from completed projects are considered in the design of new projects.

While the focus is on ensuring that each project is appropriately designed and implemented, IDB Invest's approach is to manage its portfolio to balance impact and financial management. Under this approach, IDB Invest balances DELTA scores with financial contribution ratings during project design and approvals and subsequently, it seeks to maintain a median DELTA score for its portfolio. The DELTA tool is reportedly fairly robust in predicting final development outcomes. However, since it includes a number of factors, like all rating systems, there is some scope for improvement/fine-tuning.

IDB Invest also utilises two tools in assessing development outcomes over the project life cycle. During project approval and supervision, the DELTA tool is used to manage to development outcomes using economic and social benefits, stakeholder analysis, sustainability and additionality. However, when the project is completed or nearing completion (i.e. it reaches early operating maturity), the XSR is prepared by Management and validated by OVE using the standard evaluation criteria of relevance, effectiveness, efficiency and sustainability.

The two systems have similar but different criteria and weights on different dimensions of assessing development outcomes (see Box 6). While the results of the two tools are reported to be aligned, the risk of potential misalignment and the transaction costs of using two tools need to be reviewed. There may be benefits in streamlining the current approach to utilising two tools – one (the DELTA tool) focuses on ex-ante estimation and monitoring of development outcomes during supervision, and the other (XSRs) focuses on the evaluation of development effectiveness when projects reach early operating maturity.

The CRF has three development effectiveness indicators for IDB Invest: satisfactory performance of its ongoing portfolio, satisfactory results on project completion, and satisfactory implementation of mitigation measures for projects with higher environmental and social risk. The 2022 Development Effectiveness Overview report analysed progress against these indicators. It noted that, with regard to the satisfactory classification of active projects, actual results stood at an average of 59% over 2020-21 as compared to a target of greater than 70%; it also noted that the effects of COVID-19 continued to be a driver of "alert" and "problem" classifications. With regard to the achievement of satisfactory development results at completion, actual results during 2020-21 stood at 61% as compared to a target of greater than 65%. The Development Effectiveness Overview notes key differences across sectors, with infrastructure and corporates doing better than financial intermediaries, as the latter were more affected by the greater economic uncertainties arising from COVID-19.

The CRF also reflects IDB Invest's enhanced performance in mitigating risk. The implementation of mitigation measures for higher-risk projects was at 99% compared to a target of 90%. This strong progress was attributed to

Box 6. Assessing development effectiveness: DELTA and XSR tools

During project preparation and supervision, the Development Effectiveness, Learning, Tracking and Assessment (DELTA) tool is a key part of IDB Invest's Impact Management Framework. It is an internally developed system that has been refined since 2017. DELTA assigns ratings to individual operations based on development outcomes (65% of the weighting) and additionality (35%). Within development outcomes, 70% of the score is attributed to economic and stakeholder analysis and 30% to sustainability.

When projects reach Early Operating Maturity, an Expanded Supervision Report (XSR) is prepared that assigns ratings for overall development outcome, relevance, effectiveness, efficiency and sustainability. All items receive a 20% weight except for effectiveness, which is weighted at 40%; additionality is separately considered. Overall, 65% of projects were expected to achieve positive development outcomes, and actual results are close, per both IDB Invest management and OVE validation ratings. Since 2020, OVE ratings have been lower than self-assessments by less than 5%. In 2022, OVE validations were 2% higher than self-assessments (i.e. 62% vs. 60%). Including outcomes from exiting projects in Special Assets, 2022 OVE ratings stood at 57%.

The two systems have similar but different criteria and weights on different dimensions of assessing development outcomes, as mentioned earlier. For example, DELTA combines development outcome and additionality, whereas in the XSR they are assessed separately. Alignment is assessed in both DELTA and the XSR but weighted differently. The achievement of development objectives receives the highest weight in the XSR, whereas DELTA assigns relatively high weights to the expected beneficiaries, etc. Moreover, it should be noted that while DELTA is an internal tool, XSR ratings are validated by OVE.

The DELTA tool is reportedly fairly robust in predicting final development outcomes. Internal IDB Invest analysis indicates that a higher DELTA rating at closing (at the front end of a project) was significantly correlated with a positive evaluation result at maturity. However, this analysis was based on the small sample available to-date of 49 projects with OVE-validated XSRs. Hence, the robustness should continue to be reviewed as additional validated XSRs become available.

closer monitoring and strengthened support for higher-risk operations in recent years as a result of increased field presence of environmental and social specialists; greater awareness of environmental and social policies issues within project teams; quarterly environmental and social risk reports and capacity-building efforts; and better integration of these topics into portfolio reviews.

Results targets are grounded in evidence and logic but could benefit from client surveys or other systematic feedback. IDB Invest's targets and indicators are adequate to capture causal pathways between specific investments and other operations and project investment outcomes. Project indicators and targets are monitored by staff over the project life cycle to ensure alignment and development impact. For example, IDB Invest does not systematically aggregate data from client surveys to validate the assumptions made regarding its financial and non-financial additionality. The Results-Based Management System could be further strengthened by systematically incorporating client feedback from surveys already conducted of IDB Invest clients and including aggregated results in the Corporate Scorecard. This would be particularly important for dimensions such as the assessment of additionality, where client inputs would be important complements to internal analyses.

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ABOUT THE ASSESSMENT

ASSESSMENT APPROACH

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

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

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

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

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

The MOPAN Framework was adapted for private sector-oriented institutions during the 2021 assessment cycle. To adapt the framework, the MOPAN Secretariat retained the services of an experienced evaluator with a strong private sector background. The evaluator compiled a draft and received numerous comments from the MOPAN Secretariat and the two service providers conducting the assessments of the International Finance Corporation and the European Bank for Reconstruction and Development as well as management and staff of both institutions.

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

APPLYING MOPAN 3.1 TO IDB INVEST

Interpretations and adaptations to the methodology (when applicable)

The Focused Assessment covers three of the five assessment areas (excluding operational management and results). Within the three areas, it assesses a limited number of KPIs. In the case of IDB Invest, KPI 2 in strategic management, KPI 5 in relationship management and KPI 7 in performance management. Even for the selected KPIs, the MOPAN assessment framework for private sector operations has been further adapted to the specificities of IDB Invest (Table 3).

TABLE 3. **IDB INVEST FOCUSED ASSESSMENT: PERFORMANCE AREAS AND KEY PERFORMANCE INDICATORS**

Aspect	Performance area	Key performance indicator (KPI)
Organisational effectiveness	Strategic management	**KPI 2:** Structures and mechanisms are 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
	Relationship management	**KPI 5:** Partnerships with clients and host governments support alignment to the strategic vision, including impact goals, financial sustainability and risk management
	Performance management	**KPI 7:** The focus on results is strong, transparent and explicitly geared towards function

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

Lines of evidence

This assessment relies on two lines of evidence: a document review and staff interviews and consultations. A survey was not conducted due to time constraints. The assessment team collected and reviewed a significant body of evidence:

- **Document review**: This comprised publicly-available documents published between 2016 and 2021 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 113 documents reviewed included 22 evaluations and evaluation syntheses.

- **Interviews and consultations:** These were undertaken virtually between 7 and 16 December 2022 and included: headquarters interviews with two senior managers, three consultations with staff groups and an interview with one mid- to senior-level staff member at the country or regional level. Discussions were also held with the Institutional Lead for the IDB Invest assessment during the inception phase to gather insights on current priorities from the perspective of MOPAN member countries.

General information about the sequence and details related to these evidence lines and the overall analysis as applied to IDB Invest can be found in the MOPAN 3.1 methodology.

METHODOLOGY FOR SCORING AND RATING

The approach to scoring and rating under MOPAN 3.1 is described in the 2020 Methodology Manual, which can be found on MOPAN's website.[1]

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.

Rating scale

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

FIGURE 5. **RATING SCALE FOR MOPAN ASSESSMENTS**

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

- **High evidence confidence**
- **Medium evidence confidence**
- **Low evidence confidence**

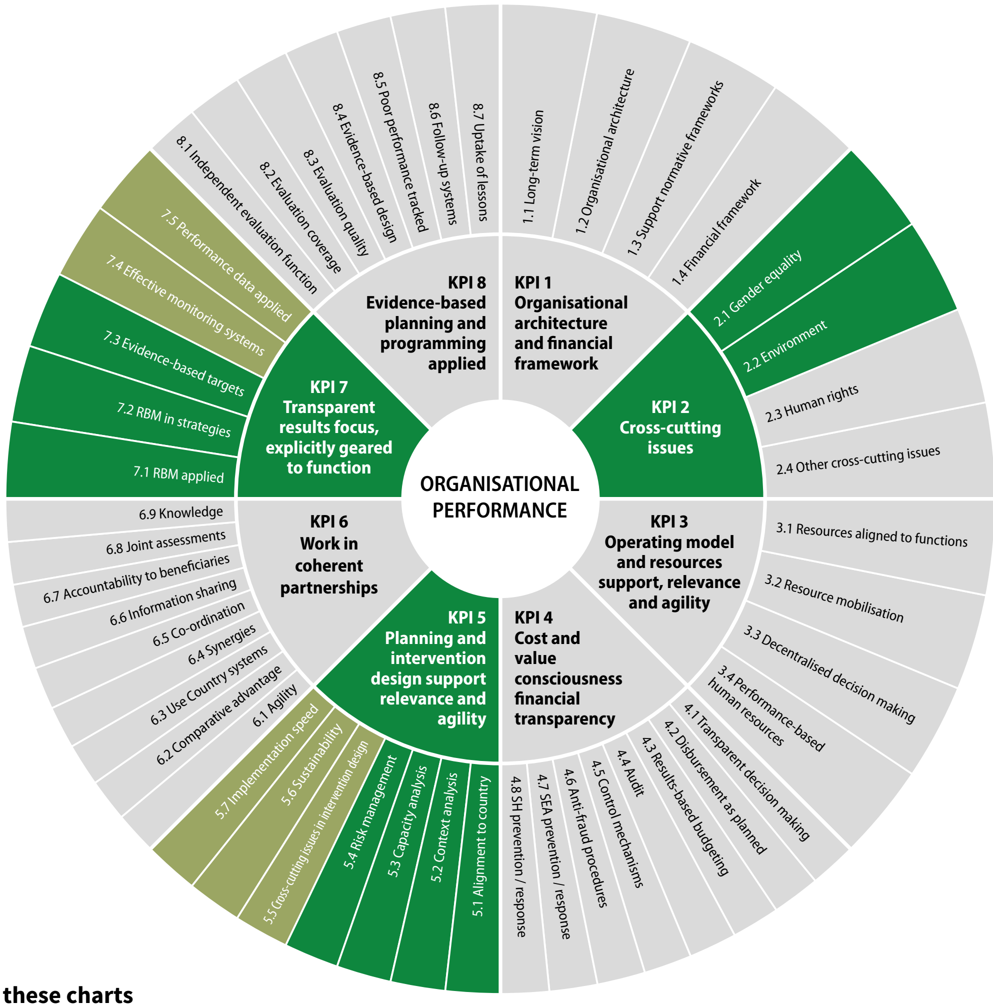
A score of "no evidence" (N/E) indicates that the assessment team could not find any evidence but was not confident of whether or not there was evidence to be found. The team assumes that N/E does not necessarily mean that the element is not present (which would result in a zero score). Elements rated 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 the Limitations section below). A score of "not applicable" (N/A) usually owes to the organisation's specific nature.

Changes to MOPAN's rating system

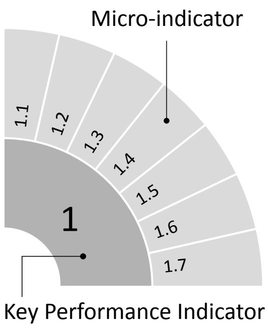
MOPAN's methodology is continuously evolving, and a recent notable change concerns how ratings (and their corresponding colours) are applied based on the scores at MI and KPI levels. Compared to the pre-2019 rating scale, applied in Figure 5, the threshold for each rating has been raised to reflect the increasing demands of organisational performance in the multilateral system. The underlying scores and approach to scoring are unaffected.

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

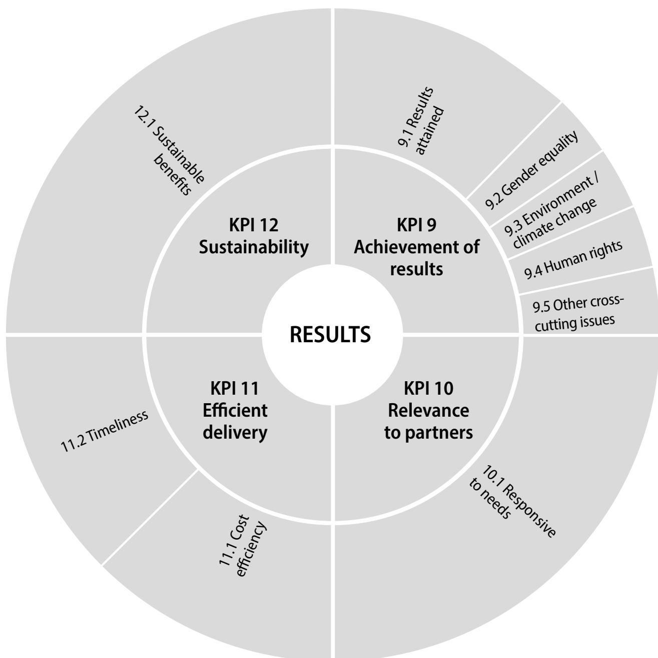
FIGURE 6: **IDB INVEST'S PERFORMANCE RATING SUMMARY (PREVIOUS RATING SCALE)**



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**



ASSESSMENT PROCESS

ASSESSMENT PHASE	Inception (May-August 2022)	Evidence collection (July-December 2022)	Analysis (October-December 2022)	Reporting (December 2022-April 2023)
Key activities	• Adaptation of indicator framework • Preparation of evidence collection – key informants and key documents for review	• Key informant interviews • Document review	• Triangulation • Learning sessions • Evidence documentation	• Report drafting • Quality assurance • Presentations
Key activities timeline	• Draft inception report (20 July 2022)	• Document review (July-December 2022) • Key informant interviews (December 2022)		• Draft final assessment report (April 2023)

LIMITATIONS

The assessment applies a standardised framework that provides a picture of the organisation's performance. Thus, any general strengths and limitations of the MOPAN 3.1 methodology, which are laid out in MOPAN 3.1, Section 8, apply to this assessment too.

In addition, there are a few limitations specific to this assessment of IDB Invest and, subsequently, to the confidence that can be ascribed to the findings. Given the short timeframe for the assessment, the evidence base had to be limited to a document review and interviews. There was not sufficient time for a survey, hence the results could not be triangulated against this evidence line.

Despite the more limited scope of evidence reviewed, the team is confident that this report provides an accurate and fair reflection of IDB Invest's core corporate processes that position it to achieve development results.