

Washington DC, September 26, 2023

Ms. Caroline Leclerc  
Alternate Executive Director for Canada  
IDB Invest

Ms. Suzanne Steensen  
Head, MOPAN Secretariat  
2, rue Andre-Pascal  
75775 Paris CEDEX 16, France

## **Subject: IDB Invest Assessment of IDB Invest 2023**

Dear Ms. Leclerc and Ms. Steensen,

On behalf of IDB Invest's Management, we would like to thank the Multilateral Organization Performance Assessment Network (MOPAN) for conducting a diagnostic assessment of IDB Invest (the "Assessment"). We appreciate the time and effort that the assessment team dedicated to this exercise and the enriching discussions with our staff during the process. We would like to highlight that teams in all operational and corporate areas of IDB Invest dedicated time and attention to this assessment, to confirm MOPAN's findings, clarify some aspects, strengthen the conclusions, and validate the feasibility of the recommendations.

The assessment did not involve the full application of MOPAN's Assessment Framework for Private Sector Operations and was instead focused on three KPIs related to the incorporation of cross-cutting priorities, the strategic alignment with country and institutional priorities, and the focus on results, together with an assessment of IDB Invest's COVID response. Management is encouraged by MOPAN's satisfactory findings in all the dimensions of analysis. The results validate the work done by IDB Invest since its inception in 2016, to become the premier multilateral development bank working with the private sector in Latin America and the Caribbean.

The attached annex outlines ongoing efforts within IDB Invest to improve on each of the KPIs identified by MOPAN, which are consistent with our own analysis of area for continuous improvement. In that sense, the Assessment proves useful in helping implement future courses of action for IDB Invest.

IDB Invest looks forward to continuing the constructive collaboration and partnership with the Canadian Government, MOPAN and its members.

Sincerely,



Gabriel Todt de Azevedo  
Chief Strategy Officer a.i.



## Annex

### **IDB Invest's Management Response to MOPAN's Assessment to the areas of improvement identified in the MOPAN Assessment Report**

In this Annex, IDB Invest's Management responds to three KPIs highlighted for future improvement in the MOPAN Assessment Report which include (1) KP2: Cross-Cutting Issues (Gender Equality & Environment); (2) KPI 5: Strategic Priorities (Country Strategies and Selectivity), and KPI 7: Transparent Focus on Results.

#### **KPI 2: Cross-cutting Issues (Gender & Equality and Environment)**

1. We are very pleased with the Assessment's conclusion that IDB Invest has a satisfactory performance in its ability to incorporate cross-cutting themes at the strategic and operational levels, as well as in our knowledge and diagnostic tools. This conclusion is consistent with the recent upgrade of IDB Invest's Sustainability ESG Risk score from 12 (low risk) to 8.2 (negligible risk), the highest rating category, on par with fellow Multilateral Organizations such as IFC (9.1), EBRD (9.0), IBRD (8.0), ADB (7.6) and IDB (6.2), and the EIB (5.9).
2. We support the recommendations about focus on the projects that significantly contribute to gender and/or diversity whether through development outcome or additionality, and capacity to report them. As part of IDB Invest ongoing recapitalization proposal and planning, we envision the design and implementation of a formal gender mainstreaming process, which will address these recommendations.
3. The gender mainstreaming process that will be put in place, will enable IDB Invest to a) conduct a GDI screening process to identify gaps or inclusion opportunities related to gender equality and/or diversity on all new commitments; b) categorize these in tiers - clearly identifying those that somehow contribute to G&D (breadth) all the way to those that contribute significantly to gender and diversity.
4. We also agree with the recommendation on data. IDB Invest will continue its efforts to address this limitation and strengthen our clients' capabilities to collect and manage GDI relevant and reliable data. As part of IDB Invest ongoing recapitalization proposal and planning, we envision establishing a concrete target for GDI disaggregated data.
5. We are pleased that the Assessment acknowledges the progress made regarding climate finance, supporting mitigation and adaptation activities. It is important to highlight that IDB Invest includes in its climate finance accounting all types of financing (short and long term), making the measurement different from other DFI's. As a result, as recognized by the Assessment, the volume of climate finance during COVID-19 was affected by factors such as the relatively high share of short-term finance resulting from IDB Invest's counter-cyclical response to the COVID-19 crisis, and the pandemic related slowdown in infrastructure, which traditionally accounted for an important share of IDB Invest's climate finance. This short-term effect has been reduced in 2022, where IDB Invest reached 29% of its total finance dedicated for climate projects. Finally, the number of projects including a climate investment has been consistently increasing, reaching an all-time high of 61% of projects with climate components in 2022, surpassing the target of 40% of the total number of projects.



## KPI 5: Strategic Priorities (Country Strategies and Selectivity)

6. As pointed out in the Assessment, since the Merge Out the IDB Group has put in place processes of complementarity and collaboration in the production of the strategies at country and sector level, including the diagnostic tools and knowledge products that emanate from those processes. While IDB Invest has an active participation in the preparation and review of the Country Strategies, Management agrees that there is scope to strengthen IDB Invest's role in the stakeholder engagement, public dialogue, and country/sector level diagnostic preparatory work for the Country Strategies.
7. Management agrees on the importance of strengthening IDB Invest's participation in the preparation and implementation of the Country Strategies. In line with MOPAN's recommendation, Management will explore, together with the IDB, the advisability of revising the guidelines for preparing Country Strategies, within the framework of the new Institutional Strategy process, to incorporate lessons learned since 2015 and strengthen the role of the private sector in their formulation. Management also agrees that there is room for greater involvement of IDB Invest in the country dialogue process, for example, through greater participation of IDB Invest staff in the country sector dialogue exercises with government, academia, civil society, and other stakeholders.
8. Regarding the strategic selectivity tool, this is an innovative effort by IDB Invest, a pioneer in this area among MDBs, to harmonize the various documents and generate incentives for selecting operations to meet corporate targets. Having gained lessons from the initial implementation of the tool, Management agrees that it is desirable to reformulate it, adopting a more holistic approach that integrates impact, business, and risk considerations. This will ensure that consideration is given to priority gaps, impact opportunities aligned with the institutional strategy, upstream work potential, comparative advantages, and demand.

## KPI 7: Transparent Focus on Results

9. Management thanks MOPAN for the recognition of the quality and comprehensiveness of IDB Invest's Impact Management Framework, its progress monitoring through the Corporate Results Framework and annual Development Effectiveness Overview, its close collaboration with the Office of Evaluation, and the ability to incorporate lessons learned into new operations.
10. Management agrees that there is scope for further integrating ex-ante, supervision, and ex-post assessment of development impact. Management is currently working on the revision of the ex-ante and supervision assessments. Management also maintains a continuous technical dialogue with the Office of Evaluation and Oversight (OVE) and will work with OVE to identify areas of improvements and to jointly review the XSR methodology, as needed. Regarding the recommendation to include client feedback in the corporate scorecard, Management is open to testing this possibility and eventually implementing it once certain of quality and reliability of the information provided.
11. Management agrees that there is scope for further improvement and strengthening of the Results-Based Management System. In the context of the new IDB Group Institutional Strategy and IDB Invest's New Vision and Business Model, Management will work with the Board of Executive Directors to determine the most effective documents for publishing results with the goal of continuing to strengthen its results-based culture.