Office of Evaluation and Oversight

Approach Paper

Evaluation of Guarantee Instruments at the IDB Group

IDB | IDB Invest

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ACRONYMS AND ABBREVIATIONS

ESG	Environmental, Social and Corporate Governance
FIs	Financial Intermediaries
GFC	Global Financial Crisis
IDB	Inter-American Development Bank
IIC	Inter-American Investment Corporation (currently IDB Invest)
MDBs	Multilateral Development Banks
NSG	Non-Sovereign Guaranteed
OVE	Office of Evaluation and Oversight
PCG	Partial Credit Guarantee
PRG	Partial Risk Guarantee
SG	Sovereign Guaranteed
SMEs	Small and Medium Enterprises
TFFP	Trade Finance Facilitation Program
TOC	Theory of Change

I. INTRODUCTION

1.1 **This approach paper defines the objectives, scope, and methodology for the Office of Evaluation and Oversight's (OVE) evaluation of guarantee instruments at the Inter-American Development Bank Group (IDB Group).**[1] The evaluation is included in OVE's 2020-2021 work program (document RE-543-2) to address the interest of the IDB and IDB Invest Executive Boards in exploring whether guarantees could play a more prominent role in supporting IDB Group clients and to draw lessons derived from the IDB Group's experience with guarantees. This first OVE evaluation of the guarantee instrument will be delivered at a time when the IDB Group and its borrowers are looking for innovative ways to mobilize additional financing to confront the consequences of the COVID-19 pandemic, to meet the Sustainable Development Goals, and to comply with the Paris Agreement. In fact, in 2020 the number of approved guarantees has been the highest in the history of the IDB Group.

1.2 **The objective of the evaluation is to assess what role IDB Group[2] guarantees have played in supporting its clients and to explore whether guarantees could play a more prominent role going forward and to draw lessons and recommendations**. The evaluation will examine separately the guarantees issued by IDB and by IDB Invest (and its predecessor organizations). It will focus on the long-term guarantees issued between 2005 and 2020.

1.3 **The remainder of this Approach Paper is organized as follows.** Section II provides context on the legal and financial aspects of guarantees, and Section III briefly describes IDB Group's experience with them. Section IV describes the scope and methods for this evaluation, and Section V presents the evaluation team and timeline. Annex I contains an evaluation matrix, and Annexes II and III list the sovereign guaranteed (SG) and non-sovereign guaranteed (NSG) guarantees respectively.

II. CONTEXT

2.1 **This is OVE's first evaluation of the guarantee instrument, but previous OVE work covered certain aspects of the use of this instrument.** For example, OVE's evaluation of IDB Group's work through Financial Intermediaries (FIs) (document RE-486-2) recommended developing a strategic approach that considers under what conditions alternative instruments (such as equity, guarantees, or technical cooperation) are appropriate for supporting FIs. OVE's recent study of SG lending instruments (document RE-549) discussed the use of guarantees only briefly because of the small number of SG guarantees and also because this evaluation was already scheduled. During the discussion of that report, Directors pointed to the need to identify the reasons for the limited use of guarantees.

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1 As part of this evaluation OVE produced a background paper describing the main features of the TFFP guarantees of IDB.

2 While IDB and IDB Invest are separate legal entities and issue guarantees in their own right, for simplicity, this approach paper will refer to IDB Group when a point it raises applies to both institutions.

2.2 **Issuing guarantees has been part of the IDB's and the Inter-American Investment Corporation's (IIC) explicit mandates since their establishments** (IDB, 1959; IIC, 1986) However, it took the IDB until 1995 to approve its first guarantee policy (document GN-1858-2). This was around the same time as other Multilateral Development Banks (MDBs) introduced new or updated guarantee policies, e.g. in 1994 the World Bank (IBRD and IDA), 1988 the International Finance Corporation, 2000 the African Development Bank (Humphrey and Prizzon, 2014). Meanwhile, IIC (and later IDB Invest) had worked with Guarantees under its Operational Policy originally approved in 2007 (document CII/GP-15-8) and updated several times in the following years (last update in 2017, document CII/GP-15-18).

Box 2.1. Definition of a guarantee

A guarantee is a legal promise made by a third party (guarantor) to cover a borrower's debt or other type of liability in case of the borrower's default. Guarantees can be used to guarantee a variety of transactions, e.g. bonds, loans or payments to concessionaires and can cover interest, principal, and other payments (see also Annex II and III for examples).

A simplistic example to illustrate the functioning of a guarantee for a bank loan would be as follows: Client X (the debtor) seeks to borrow a given amount of money from a private Lender Y (the lender, in this example a bank), and agrees to repay the loan over a certain period of time, with interest. The IDB (guarantor) contractually commits that in the event that Client X does not repay the loan on time and in full, it will fulfill its obligations under the terms of the original loan contract such that lender Y is made whole. The guarantee agreement or a separate contract would specify the terms and conditions under which the guarantor (the IDB) would recoup from Client X the money it paid out (Humphrey and Prizzon, 2014).

2.3 **Guarantees improve the creditworthiness of an investment vehicle because of the promise from the guarantor (the IDB Group in this case) to pay in the event of default by the guaranteed debtor.** The use of guarantees enables borrowers to access sources of capital that would have otherwise not been available or access the capital at more favorable terms, e.g. lower interest rate, longer tenor. A guarantee can back different debt instruments such as loans or capital markets securities. Unlike an insurance, a guarantee involves three parties (guarantor, debtor and lender) instead of two (insurer and insured) and it is often tailored to a specific transaction instead of having a standardized coverage (Humphrey and Prizzon, 2014); in practice, credit insurance for medium / long term loans may be tailored to yield similar benefits.

2.4 **SG guarantees provided by the IDB and NSG guarantees provided by IDB Invest differ in some ways.** NSG clients (debtors) are typically private clients or in some cases public entities that do not benefit from a full sovereign guarantee, while SG clients are always public entities with a full sovereign guarantee. SG guarantees require a sovereign counter-guarantee, which becomes relevant if the guarantee is being called. In this case, the sovereign would have to reimburse the IDB for any payments made under the guarantee, converting the guarantee into a SG loan (document GN-2729-2). NSG guarantees on the other hand do not always require a private counter-guarantee, other forms of collateral agreements can suffice to ensure IDB Invest will be repaid if the guarantee is called.

2.5 **The IDB Group offers different types of guarantees.** IDB offers partial credit guarantees (PCGs) and partial risk guarantees (PRGs).[3] PRGs cover obligations only if they are called due to a specific event (e.g. risks related to currency convertibility and transferability, breach of contract or expropriation) and they are traditionally associated with PPPs in infrastructure (IDB, 2013). PCGs, on the other hand, can be called regardless of the underlying event that gave cause to the default and may be called once credit obligations (e.g. interest and principal) have stopped being paid (Pereira dos Santos and Kearney, 2018). Upon the occurrence of a trigger event, as defined in the respective guarantee agreement, IDB would be required to pay the claim in favor of the beneficiary. Even though the guarantees can cover up to 100% of the entire transaction, often they cover less and are therefore called "partial" guarantees (see Humphrey and Prizzon, 2014). IDB Invest also provides PCGs up to 100%[4] in addition to corporate guarantees and Stand-by Letters of Credit of first demand guarantees for financial, credit and performance risk.

2.6 **Guarantees may be helpful to mobilize private resources to contribute to confronting the COVID-19 pandemic, to delivering on the 2030 Agenda and to complying with the Paris Agreement.** Current levels of Official Development Assistance alone will not suffice to raise the estimated US$4 trillion needed annually to achieve the Sustainable Development Goals (UNCTAD, 2014). The "From billions to trillions" initiative of the IDB, the World Bank and other MDBs aims to mobilize private finance for these goals (ADB et al., 2015). Guarantees have already been playing an important role in mobilizing resources from the private sector for development finance in the past,[5] yet their use would have to expand significantly to achieve the aforementioned goals.

2.7 **The IDB Group has certain comparative advantages in providing guarantees**. First, the IDB Group has a strong credit rating that is leveraged through the guarantees to afford its clients lower cost, longer tenor, or more financing than they would receive without a guarantee. Second, the involvement of the IDB Group in a project through a guarantee may provide other investors with more comfort to provide funding, as they may see the IDB Group's technical expertise, monitoring capacity and better knowledge of the country-sector as an incentive to invest (Chelsky et al., 2013; Ratha, 2001; Gurría et al., 2001).Third, and perhaps the most important factor, is its close and long-lasting relationship with Latin American governments, which gives the IDB Group a deep understanding of political, policy and institutional risks (Hainz and Kleimeier, 2012). The guarantee therefore serves as a signal to private financiers of the IDB Group's assessment of the borrower's ability and willingness to service its debt. Also, in the case of project financing, as occurs in other types of IDB Group participation, the guarantee signals to the lenders the IDB Group's positive views of the borrower's institutional capacity and its commitment to the project (Morris and Shin, 2006; Basílio, 2014).

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[3] IDB's SG guarantees are provided through a flexible guarantee instrument that can be setup as a PRG or PCG.

[4] When IDB Invest provides full coverage it is called a total credit guarantee.

[5] The Organisation for Economic Co-operation and Development (2017) found that 44% of the US$81.1 billion mobilized from the private sector in 2012-2015 by official development finance interventions involved the use of guarantees.

2.8 **Guarantees can be designed to target specific risks and help mitigate market failures such as asymmetric information between lenders and borrowers.** Asymmetric information may create different risk perceptions and assessments that may hinder the development of financial markets and prevent borrowers from tapping certain markets. MDBs can help address these market failures by reducing the extent of asymmetric information as well as by mitigating political, regulatory and performance risks (Pereira dos Santos and Kearney, 2018). In addition to offering coverage over non-payment, MDBs are well positioned to guarantee against risks that commercial insurers are not able or willing to cover (e.g. expropriation or currency devaluation).[6]

2.9 **A key advantage of IDB Group guarantees *vis-à-vis* direct IDB Group loans is their potential to promote the development of financial markets by crowding-in finance.** Many international investors and banks are not willing to invest in certain emerging markets or developing countries (or in a specific sector in those countries) because they do not have information about them or because these countries lack a track-record of activities in private financial markets. Investors may be willing to invest in these countries (or sectors) if an IDB Group guarantee were to cover all or part of the risks involved. In these circumstances, the guarantee would serve to reduce risks for the investor, to mitigate information asymmetries, and would provide comfort to markets that the IDB Group is involved in monitoring performance. The borrower would consequently receive funding that otherwise would not have been available or that would have been available at less favorable terms.

2.10 **IDB Group guarantees could help introduce a borrower to new financial markets.** It would help the borrower learn about these markets and develop the expertise to tap them. Perhaps more important, it would allow the borrower to be known and to establish relationships with financial markets, to build a track record and to gain the trust of financers. Over time, this could induce a virtuous cycle reducing the need for multilateral interventions (Humphrey and Prizzon, 2014; CSIS, 2019). Eventually, lenders might be more inclined to provide funding to the IDB Group client with less need for credit enhancement due to the positive experience.

2.11 **The features of guarantees presented above built the basis for a theory of change (TOC) for guarantees (shown in Figure 2.1) that will be used as a framework to guide the evaluation questions (see section IV B).** Whether or not a guarantee is issued largely depends on a set of demand-side and supply-side factors, shown in the yellow boxes in the TOC. A guarantee will be requested by an IDB Group client when these factors are aligned and if the guarantee would allow for easier terms, e.g. less expensive and/or more resources, or a less onerous mobilization process. Guarantees may reduce informational asymmetries, help the borrower build a track record in the markets, or reduce the risk of a specific instrument to attract investors that would not have otherwise been willing or allowed to invest. The IDB Group then provides a guarantee (**input**) covering some or all the risks. Through this risk reduction the borrower will be able to obtain additional and/or cheaper financing (**output**), even after taking into account the IDB Group guarantee fees. An additional incentive or

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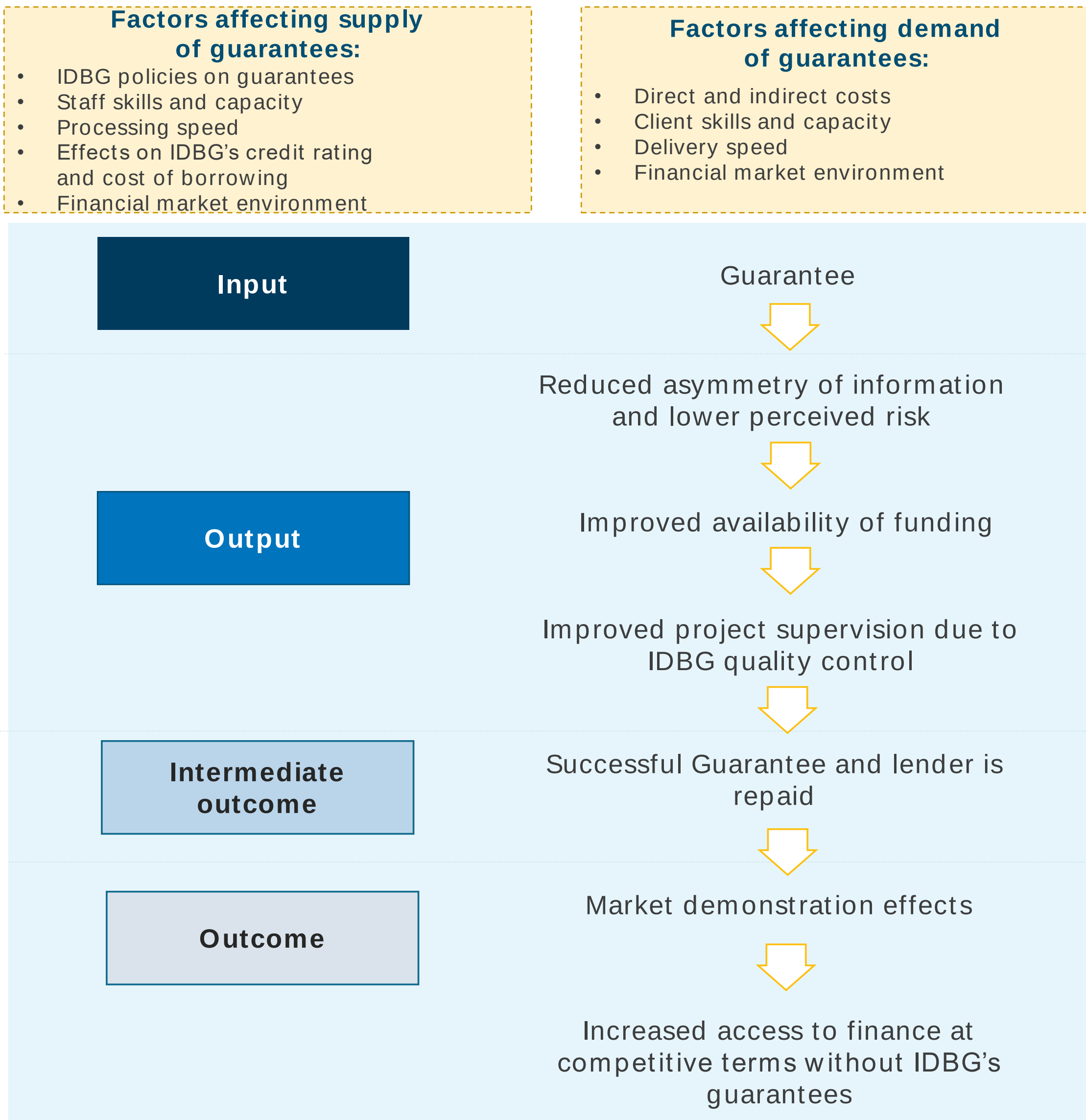
6 In 2004 the Board approved new guidelines that allowed the IDB to issue SG guarantees to public sector entities in local currency (document CF-121).

reassurance for lenders to engage in the transaction is that the IDB Group will provide continued quality control of the project and ensure high levels of Environmental, Social and Corporate Governance (ESG)-standards. A successful **intermediate outcome** would be that the guarantee expires without being called (i.e., the borrower fulfills its obligations in full and the IDB Group is not required to make any payments). In the long-term, possibly after several such operations, some clients may build a track record and may be able to tap capital markets without multilateral credit enhancement (**outcome**) thanks to a market demonstration effect.

Figure 2.1. Theory of change for the use of guarantees



Source: OVE.

III. Guarantees at the IDB Group

3.1 **Even though guarantees have been contemplated as an instrument in the establishment documents for both IDB and IIC, their use has been modest.**

Between 1997 and December 2020, the IDB Group has extended guarantees covering about US$4.7 billion. During the evaluation period, i.e., since 2005, the IDB Group approved 70 long-term guarantees, covering about US$3.8 billion. This includes 65 NSG guarantee operations covering US$2.6 billion and five SG guarantees covering roughly US$1.2 billion. The average size of a NSG guarantee during the evaluation period has been US$40.3 million, far below the average SG guarantee transaction volume of US$240 million. The total volume of guarantees represented less than 5% of the more than US$100 billion in IDB Group lending during the evaluation period.[7] This section presents the evolution and main aspects of the IDB Group guarantees (listed in Annexes II and III).

3.2 **The IDB Group has approved non-sovereign guarantees in 14 countries, while SG guarantees have been approved in five countries.** The IDB Group has approved an average of around four NSG guarantees per year, with an average annual guaranteed value of US$159.6 million. The number of guarantees and the amounts on the NSG side (including OMJ, SCF, IIC and IDB Invest) varied substantially throughout the years. For instance, in 2007, 6 operations guaranteed over US$900 million,[8] dropping to around US$54.6 million and four operations in the two following years during the global financial crisis (Figure 3.1). Similarly, the average size of guarantees also varied from US$151 million in 2007 to US$4.9 million in 2020 (see Figure 3.2). The average size of SG guarantees has been US$240 million, with over 65% of the volume being approved in 2018 (see Annex II for details).

3.3 **The pricing policies and capital requirements for guarantees are similar to those for loans** As is the case with loans, IDB Invest uses market-based pricing for its guarantees, whereas the IDB uses for guarantees the Ordinary Capital lending spread, which is set annually. The pricing of IDB Group operations is based on the principle of net income neutrality with loans, meaning that operations (loans or guarantees) that require the same amount of capital should generate an equivalent level of income. (Humphrey and Prizzon, 2014; Pereira dos Santos and Kearney, 2018). Thus, the pricing is guided by IDBG’s capital rules that generally require IDB and IDB Invest to allocate the same amount of capital to a guarantee as it would for an equivalent loan.[9] The rationale for this rule is that if a guarantee is called it would put the same amount of IDB Group capital at risk as the disbursement of an equivalent loan.[10]

3.4 **Guarantees at the IDB have the same impact on the country lending envelope as a loan.** Loans and guarantees are counted against the annual country approval amount (country envelope) on a 1 to 1 basis, i.e., using a guarantee or a loan for the same amount has the same impact on the country

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7 To OVE´s knowledge, IDB Lab has not issued any guarantees up to this date.

8 The three largest guarantee operations were approved in 2007: two for US$200 million and one for US$400 million. A fourth operation for US$100 million was approved that year.

9 In some cases, the capital requirement for guarantees can be lower, for example 20% for trade related guarantees.

10 The evaluation will explore the extent to which other MDBs have similar pricing rules and how they are implemented.

lending envelope. Thus, from the borrowers' perspective, guarantees do not afford IDB funding to "go further" except for their ability to crowd-in private financing.[11]

3.5 **IDB Group guarantees might create transaction costs for the borrower relative to obtaining a guarantee from a private financial institution.** For example, IDB Group guarantees may include rules regarding macroeconomic policy conditions, safeguards, procurement, financial management, project appraisal, and development effectiveness that go beyond what private financial institutions would require, resulting in additional costs (see also documents GN-2729-4, CII/GP-15-8 and Humphrey and Prizzon, 2014). For SG guarantee the transactional costs are potentially even higher as they require a counter guarantee[12] by the government which in itself is another transaction that sometimes requires ratification by congress and could increase the transaction costs.

3.6 **NSG guarantees have been mostly used by clients close to investment grade.** As shown in Figure 3.3, clients in countries such as Mexico, Brazil, Colombia, or Paraguay have used guarantees eight or more times, while in sixteen other countries clients have used guarantees only once or never. This experience suggests that the instrument is most attractive to borrowers close to the cusp of investment grade, likely because the IDB Group guarantee helps to uplift the transaction to an investment grade rating (see Humphrey and Prizzon 2014, and World Bank 2014). Reaching investment grade typically attracts more investors because many investors are only allowed to invest in investment grade assets (see for example World Bank 2014). The increased supply of financing can lead to significant cost reductions for the client. On the other hand, for many borrowers with credit ratings far below or above investment grade the potential improvement in the financial terms of a guaranteed transaction may be lower than the cost of the IDB Group guarantee (Humphrey and Prizzon, 2014). The evaluation will further explore possible reasons for the geographical concentration.

3.7 **NSG Guarantees have been used predominantly in three sectors – energy, transport, and financial (see Figure 3.4).** These three sectors alone account for 88% of the approval volume of NSG guarantees. Guarantees for energy and transport projects mainly comprise project finance deals, whereas guarantees for financial sector operations are aimed at providing liquidity to financial institutions, mortgage warehousing, and securitization structures. In terms of number of operations, the picture is slightly different: 39 financial sector guarantees represent almost half of all guarantees and only a third of the approval volume (US$1,148.2 million), followed by 15 energy sector guarantees (US$969 million), six transport sector guarantees and five housing and urban development guarantees. The six operations in the transport sector account for roughly a third of the guarantee volume (US$975 million), while the five urban development and housing make up only US$41 million.[13]

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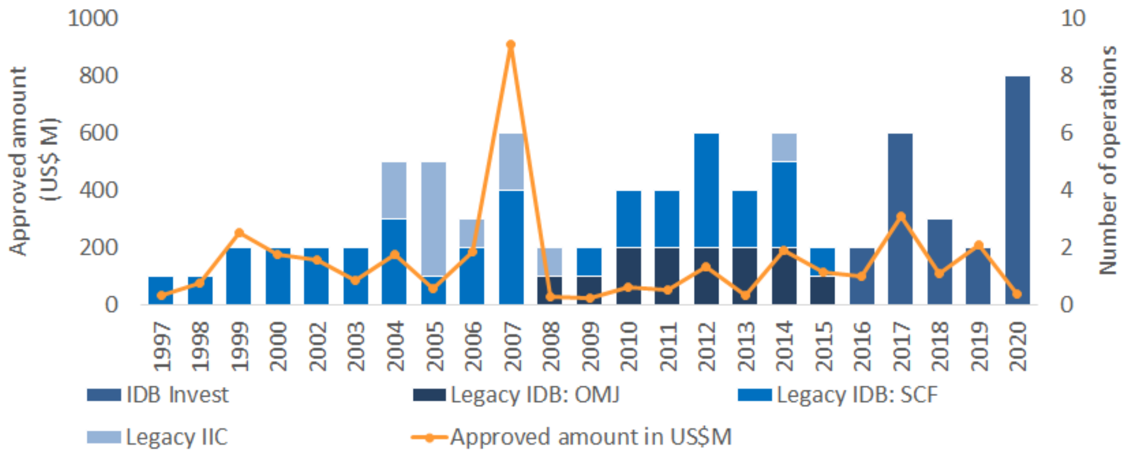
11 The evaluation will explore how MDBs count guarantees in their country allocations and in their calculations of country exposures.

12 In the event the Bank needs to make a payment for a government under the guarantee, the amount paid by the IDB is converted into a loan that has to be repaid to the IDB by the respective government.

13 A 2016 OVE evaluation of IDB Group's work through financial intermediaries found that guarantees represented 2% or less of the portfolio for SME lending, green lending and liquidity support, but that they were a larger share of the housing portfolio, about 11%.

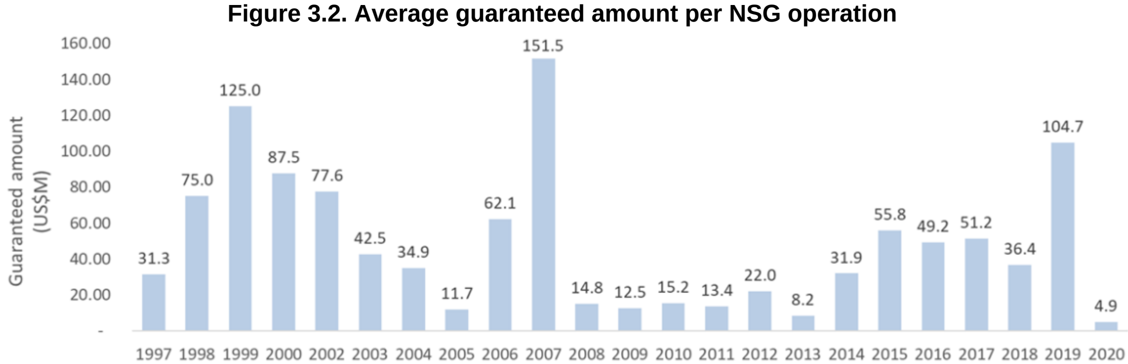
3.8 **In addition to the long-term guarantees that are the focus of this evaluation, the IDB Invest also offers short-term guarantees under the Trade Finance Facilitation Program (TFFP).** The TFFP was launched in 2005 and it provides loans and guarantees to local banks to finance portfolios of eligible trade transactions. TFFP guarantees aim at providing short-term trade finance, therefore have different goals than the SG and NSG that are the main focus on this evaluation. Also, TFFP guarantees have a different structure than other SG and NSG guarantees: they are much smaller (about US$2.5 million on average); they are very short-term (less than 365 days); they consist of high frequency standardized transactions that have streamlined administrative requirement and are generally processed in only a few days (OVE, 2016).[14] This evaluation will review the salient features of the TFFP program to assess whether lessons can be drawn for longer term guarantees, but it will not evaluate individual TFFP guarantees.

Figure 3.1. NSG guarantees - annual approval amounts of guarantees (left axis) and number of operations (right axis)



Source: OVE based on IDB data warehouse.

Figure 3.2. Average guaranteed amount per NSG operation



Source: OVE based on IDB data warehouse.

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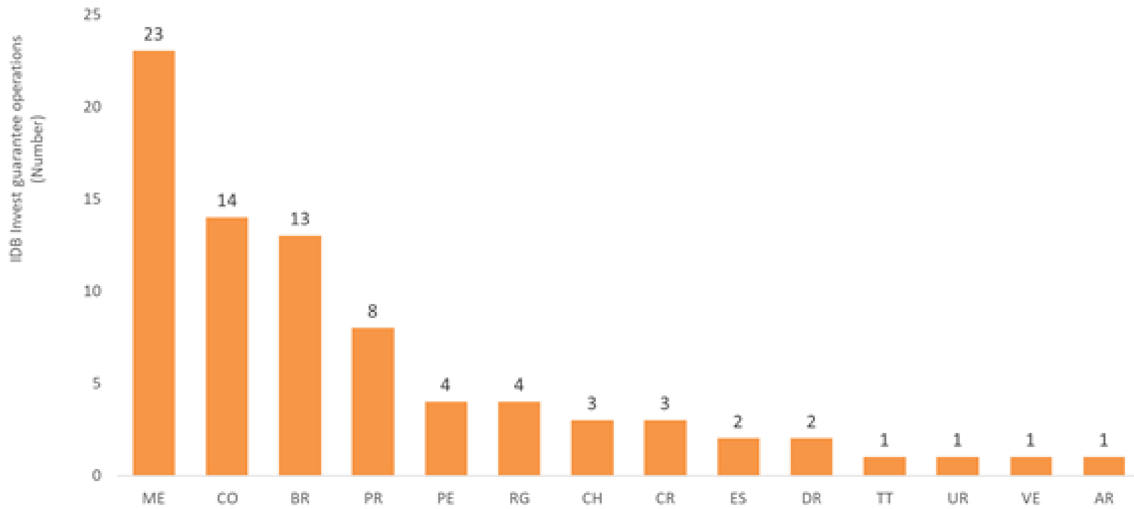
14 Notwithstanding these major differences, this evaluation will review the IDB Group experience with the TFFP guarantees to identify lessons that may be helpful to understand and perhaps improve the SG and NSG guarantees. This review will be based on the relevant findings of OVE, 2016, as well as a background note to be prepared for this evaluation.

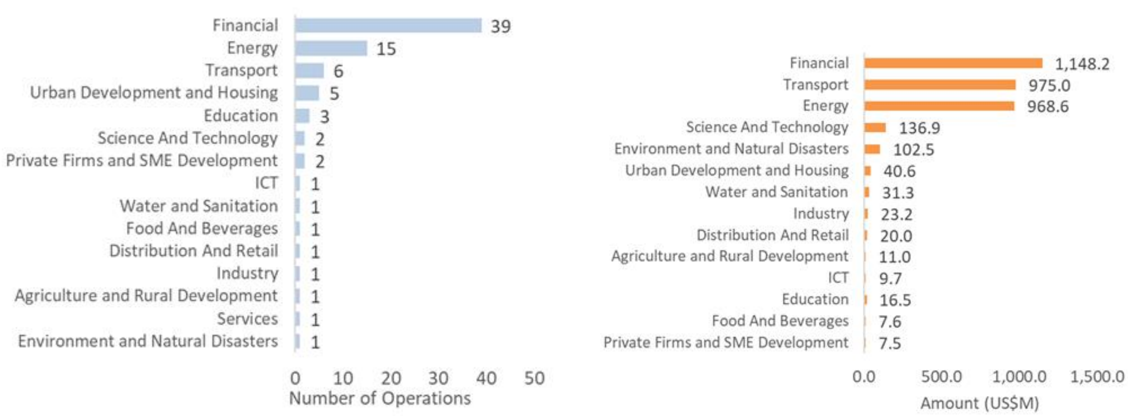
Figure 3.3. Number of NSG guarantee operations by country (1997-2020)



Source: OVE based on IDB data warehouse.
Note: ME=Mexico, CO=Colombia, BR=Brazil, PR=Paraguay, PE=Peru, RG=Regional, CH=Chile, CR=Costa Rica, ES=El Salvador, DR=Dominican Republic, TT= Trinidad and Tobago, UR=Uruguay, VE=Venezuela, and AR=Argentina.

Figure 3.4. Sector distribution of NSG guarantees (1997-2020)

A. Number of operations **B. Approved amount in US$ million**



Source: OVE based on IDB data warehouse.

IV. EVALUATION OBJECTIVE, SCOPE, QUESTIONS, AND METHODS

A. Objective and scope

4.1 **The objective of the evaluation is to explore what role guarantees have played in supporting IDB Group clients and to draw lessons and recommendations on whether and how guarantees could play a more prominent role.** The evaluation will examine how guarantees have performed in terms of reducing the cost of borrowing for IDB Group clients and the impact the guarantees had on the time that it took to raise funds. It will also investigate demand and supply factors that are affecting the use of guarantees. The evaluation will not assess the outcomes of the programs and projects that were financed using guarantees because the objective is to illuminate the instrument, its processes and underlying structure rather than the result at the project level. The evaluation will also compare the IDB Group's approaches to guarantees to that of other MDBs, bilateral agencies, and private financial institutions.

4.2 **The evaluation will cover long-term NSG and SG guarantees issued between 2005 and 2020.** The year 2005 was chosen as the cutoff starting date for three reasons. First, it was one year after new SG guidelines for guarantees (document CF-121) were approved by the Board. In addition, in 2005 the TFFP was created, which could make a comparison between long-term guarantees and TFFP easier.[15] Second, it might provide the opportunity to learn from the experience during the Global Financial Crisis (GFC) which might provide valuable lessons for the current economic downturn. Lastly the financial conditions that emerged following the GFC prevailed for most of the past decade and therefore focusing on more recent guarantees is likely to produce more relevant findings than focusing on all guarantees issued since the approval of the first IDB Group guarantee policy in 1995.

B. Evaluation questions

4.3 **This section presents the main evaluation questions.** The evaluation matrix in Annex I spells out how these will be addressed. The evaluation questions seek to assess the validity of the theory of change presented in section II, looking at the outputs and outcomes, as well as factor affecting demand and supply of guarantees. The performance of the individual projects will not be assessed.

1. Input level

- Why have NSG guarantees been used much more often than SG guarantees?

Demand factors

- In what context and financial market environments have guarantees been used?
- What are advantages and disadvantages of guarantees relative to IDB Group lending from the client's perspective?
- What level of technical and institutional capacity is necessary for clients to use a guarantee effectively?
- How do clients perceive the IDB Group's guarantees relative to other credit enhancement providers?

Supply Factors

- How do processing times of guarantees compare to those of loans at the IDB Group?
- Does the IDB Group have the skills and institutional capacity necessary to process guarantees in an efficient manner?
- Are there design or regulatory constraints for the IDB Group to the use of guarantees?

15 As explained above, the experience with guarantees under the TFFP facility will be used as a comparator to explore whether there are lessons that could be relevant for the long-term guarantees.

  - What are the key considerations for the IDB Group regarding credit rating and cost of borrowing when issuing a guarantee?
  - What are the key considerations for the IDB Group regarding risk and liquidity management when issuing a guarantee?
  - Could a much larger volume of guarantees affect the IDB Group's credit ratings and borrowing costs? Would a larger volume of guarantees require changes in liquidity and risk management?
- What are the advantages and disadvantages of guarantees relative to IDB Group lending from the IDB Group's perspective?
- What has been the experience of other MDBs with guarantees?

2. Output level

- How have guarantees affected the clients' cost of borrowing?
- Have IDB guarantees effectively and significantly mobilized capital?
- How do guarantees affect the financial oversight of project and programs?

3. Outcome level

- How has the access to financial markets improved for IDB Group clients in the period just after the guarantee operation?

C. Methods

4.4 **The evaluation will use a combination of methods including data analysis; review of documents from IDB Group, other MDBs, and financial and academic institutions, and preparation of case study notes.** The mix of methods will allow OVE to triangulate findings in an efficient manner.

i. **Data analysis:** Analysis of aggregate portfolio data will be used to identify general trends of the instrument use. The evaluation will try to ascertain the extent of financial benefits to the clients from the use of IDB Group guarantees. The team will also analyze data on processing times for guarantees in comparison to other instruments, and pricing.

ii. **Document Review:** A key part of the evaluation will be to analyze the project documents of all guarantee operations to identify patterns in the use of guarantees. In addition, documents about guarantee instruments from other MDBs, and private institutions will be used to benchmark IDB Group's guarantees.

iii. **Literature review:** A review of academic literature, evaluations, and reports by think tanks will be used as a basis to assess limitations of the use of guarantees. Literature reviews might also be used to assess selected questions, for example on the effect of credit ratings on borrowing costs or on mobilization rates.

iv. **Case study notes:** The evaluation team will prepare brief background notes based on case studies. One note will review the experience with TFFP guarantees to determine how the experience can be compared to long-term guarantees and potentially distill lessons that could be applied to SG and NSG guarantees. Another note will review the experience of countries that have received IDB Group guarantees, both heavy users and those that have had only limited experience with this instrument.

v. **Interviews:** The evaluation team will conduct semi-structured interviews among IDB Group clients, both users and non-users of guarantees, to understand the determinants of the demand for this instrument. The team will also interview relevant IDB Group staff, including project managers of guarantee operations, IDB Group managers in Finance, Legal, Resource Mobilization and Risk management. In addition, the team will interview informed officials in other MDBs, in investment and commercial banks, specialized credit enhancement product providers, select institutional investors, financial market players and in rating agencies. Semi-structured interviews offer the opportunity for the interviewer to explore themes or responses further while keeping the structure of the interviews comparable.

V. OVE TEAM AND TIMELINE

5.1 **Evaluation team:** The evaluation team includes Jose Claudio Pires (team leader), Gunnar Gotz, Diego Del Pilar, Stefania De Santis, Ruben Lamdany, Nadia Ramírez and Kai Preugschat. The work will be carried out under the supervision of the OVE Director, Ivory Yong-Prötzel.

5.2 OVE will conduct its evaluation activities between late 2020 and mid-2021. It plans to deliver the evaluation report to the Board of Executive Directors in October 2021.

Table 5.1. Indicative timeline of activities

Activity	Date
Evaluation activities	December 2020 – May 2021
Draft for external review	July 2021
Delivery to the Board of Executive Directors	October 2021

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