

Approach Paper

# Evaluation of IDB Invest

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## ABBREVIATIONS

ASR	Annual supervision report
AUG	Office of the Auditor General
DELTA	Development Effectiveness Learning, Tracking, and Assessment Tool
DRA	Development-related assets
IDB	Inter-American Development Bank
IIC	Inter-American Investment Corporation
NSG	Non-sovereign guaranteed
OMJ	Opportunities for the Majority Initiative
OVE	Office of Evaluation and Oversight
PRI	Private Sector Department
SCF	Structured and Corporate Financing Department
SG	Sovereign-guaranteed
SLA	Service level agreement
SMEs	Small and medium-sized enterprises
TFFP	Trade Finance Facilitation Program
XSR	Expanded supervision report

## I. INTRODUCTION

- 1.1 This approach paper defines the objectives, scope, and methodology for the evaluation of IDB Invest by the Office of Evaluation and Oversight (OVE).
- 1.2 At the 2015 annual meeting in Busan, the Boards of Governors of the Inter-American Development Bank (IDB) and the Inter-American Investment Corporation (IIC) decided to consolidate the IDB Group's private sector operations into the IIC (document [CII/AG-2/15](#)). This decision was accompanied by a US\$2.03 billion capital increase for the IIC over a 10-year period (2016-2025). This process of consolidation and capitalization, known as the private sector merge-out, took effect on 1 January 2016. In 2017, OVE completed a midterm review of implementation of the private sector merge-out (document [CII/RE-27-5](#)) to identify emerging lessons that might be helpful in completing the merge-out. In November 2017, the IIC was rebranded as IDB Invest.
- 1.3 At the request of the Boards of Executive Directors of the IDB and IDB Invest, this evaluation was included in OVE's 2021-2022 work program (document [CII/RE-64-1](#)). The Busan Resolution set forth a "Renewed Vision" for promoting development through the private sector. This Renewed Vision provides a long-term framework (2016-2025) for IDB Invest and focuses on strengthening development effectiveness, development impact, and additionality of operations, as well as maximizing the efficient use of resources and synergies between the IDB Group's public and private sector activities. The merge-out was selected as the way to implement this Renewed Vision. The challenges posed by the COVID-19 health crisis, as well as current discussions on the need to pursue a new business model for the institution and its financial and operational implications, make this an ideal moment to take stock of lessons learned and provide input for future discussions at the corporate level.
- 1.4 Against this backdrop, this evaluation seeks to report independently to the Boards of Executive Directors of the IDB and IDB Invest on the effectiveness of the implementation to date of the Renewed Vision that gave rise to the creation of IDB Invest. This evaluation will also use the findings of OVE's 2017 midterm review of implementation of the merge-out to further analyze areas that had not yet matured at that time (e.g., finance, operations management, development effectiveness, etc.). The evaluation will cover the period from January 2016 (when the merge-out took effect) to December 2021.

## II. GENERAL CONTEXT

- 2.1 Promoting economic development through the private sector in the region has been an important part of the IDB Group's support since its inception. In its early years, the Bank made direct non-sovereign guaranteed (NSG) loans to private enterprises and State-owned entities. These loans, however, were discontinued due to unsatisfactory results (document [AB-2908](#)). Direct support to the private sector was resumed in 1989 when the IIC began operations. The Multilateral Investment Fund (now IDB Lab) was established in 1993, and in 1994 the Bank was authorized to provide direct loans to private sector clients through the Private Sector Department (PRI). As a result of an expansion of its mandate, PRI was replaced by the Structured and Corporate Financing Department (SCF) in 2007. In the same year, the IDB Board of Executive Directors created the Opportunities for the Majority

Initiative (OMJ) to finance private sector enterprises that served low-income populations (base of the pyramid).

- 2.2 The IDB Group's organizational structure, based on various windows to support the private sector, had significant limitations. In 2012, OVE conducted a review of the IDB Group's work with the private sector in the context of the Mid-term Evaluation of IDB-9 Commitments (document [RE-425](#)). A major challenge identified by OVE was a lack of coordination between windows and a loss of opportunities as a result. These windows, moreover, were not taking advantage of potential synergies with the IDB's public sector work. OVE noted that the IDB Group's structure and incentives were inefficient and ineffective in fostering coordination and synergies.<sup>1</sup> In addition, the windows had overlapping mandates, particularly regarding financial markets and small and medium-sized enterprises (SMEs), and their work had areas of duplication. Organizational fragmentation, as reflected in different governance structures, financial balance sheets, operational models, and overlapping mandates, was the result of mandates assigned over time to the IDB Group without proper attention to efficiency, synergies, and capital requirements.<sup>2</sup>
- 2.3 In March 2013, the IDB and IIC Boards of Governors tasked Management with developing a renewed vision for IDB Group activities with the private sector that focused on strengthening effectiveness, development impact, and additionality. The Governors' resolution (document [CII/AG-2/13](#)) also called for considering operational changes and structural alternatives to implement the Renewed Vision and thereby maximize the efficient use of resources and synergies between public and private sector activities. In September 2013, Management recommended the merge-out option, which entailed operationally consolidating the IDB Group's private sector activities into the IIC and transferring some of the required capital from the IDB to the IIC. At a special meeting held in October 2013, most of the Governors supported this option as the way to implement the Renewed Vision (document [CII/CA-143](#)). Formal approval was granted in March 2015 at the annual meetings of the Boards of Governors in Busan (document [CII/AG-2/15](#)).
- 2.4 Consolidation of the IDB Group's private sector activities into the IIC gave rise to a renewed institution. While consolidation did not require amending the agreements establishing the IDB or the IIC, the IIC Board of Governors interpreted the institution's charter as allowing the IIC to carry out the full range of activities that until then had been performed by the IDB Group's private sector windows, so as to reduce duplication of efforts (documents [CII/AG-2/15](#) and [CII/RE-27-5](#)). In accordance with the Busan Resolution and the Agreement Establishing the Inter-American Investment Corporation, the IIC was to be guided by the principles set forth in the Renewed Vision. The dual mandate for the new IIC called for actively selecting projects based on their potential to generate measurable development impacts alongside a financial return that would ensure the new institution's financial sustainability (document [CII/CA-165](#)). The operational and administrative duties and the nonfinancial resources (personnel) associated with the IDB's NSG

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<sup>1</sup> OVE recommended that two structural options be considered for promoting greater coordination: (i) fully integrating private sector activities into the IDB (later also called "merge-in") or (ii) merging private sector activities into one entity ("merge-out") while simultaneously ensuring coordination by assigning power, resources, and a full mandate to a manager or country representative or to someone holding an equivalent position.

<sup>2</sup> Delivering the Renewed Vision: Organizational and Capitalization Proposal for the IDB Group Private Sector Merge-out (document [CII/CA-165](#)).

operations were transferred to the IIC on 1 January 2016. Since then, all new operations, as well as the IDB's existing NSG operations as of early 2016, have been managed by the IIC in accordance with its policies and procedures.

- 2.5 The consolidation of activities was to be accompanied by significant financial resources for the IIC over a 10-year period (2016-2025). The Governors approved a US\$2.03 billion capital increase for the IIC in 2015, consisting of US\$1.305 billion in new capital from shareholder countries in 2016-2022 and US\$725 million in transfers from the IDB to the IIC in 2018-2025. This capitalization arrangement was supported by an agreement authorizing the IIC to record its operations in the IDB's balance sheet ("cross-booking") for a seven-year period (2016-2022). As part of the merge-out process, the Governors set a number of conditions, including requiring that the overall volume of sovereign-guaranteed (SG) and NSG operations be maintained in accordance with the Ninth Capital Increase throughout the 2016-2025 period; that the IDB's "AAA" credit rating be protected; that parameters be established for the end of cross-booking (document [CII/AG-2/14](#)); and that the IIC maintain a minimum "AA" credit rating (document [CII/AG-2/15](#)).<sup>3</sup> The capitalization proposal included a number of assumptions and projections related to the IIC's operational and financial performance—e.g., in terms of volume of approvals, resource mobilization, revenue generation, and administrative expenditures.
- 2.6 The Renewed Vision lays out a long-term strategic framework for IDB Invest (2016-2025). It focuses on strengthening effectiveness, development impact, and additionality and on maximizing the efficient use of resources and synergies between the IDB Group's public and private sector activities. It also identifies IDB Invest's dual mandate of maximizing development impact within a framework of long-term financial sustainability.<sup>4</sup> The Renewed Vision is based on three strategic pillars (strategic selectivity, systemic approach, and development effectiveness) and identifies priority business areas and crosscutting topics,<sup>5</sup> as well as impact channels for enhancing the IDB Group's development impact and strengthening its financial footing.<sup>6</sup> Other core features of the Renewed Vision relate to strengthening a client-focused private sector culture, pursuing public-private coordination, and creating a more strategically targeted entity with an emphasis on accountability.

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<sup>3</sup> The transfers from the IDB to the IIC are subject to the Governors' annual approval and are contingent upon, *inter alia*, the IDB's compliance with its capital adequacy policies, maintenance of SG financing levels consistent with the Ninth Capital Increase, formation of the Bank's capital buffers, and compliance with other applicable IDB financial policies.

<sup>4</sup> The dual mandate for the new IIC actively called for actively selecting projects based on their potential to generate measurable development impacts alongside a financial return that will ensure the new institution's financial sustainability (document [CII/CA-165](#)).

<sup>5</sup> The five priority business areas are access to financing, infrastructure, innovation, basic goods and services, and green growth. The three crosscutting topics are environmental sustainability, gender and diversity, and the enabling environment. Within the framework of the Busan Resolution, the Governors also requested that a strategy be developed to strengthen the commitment to Group C and D countries in order to identify mechanisms and assistance to facilitate these countries' capacity to use IIC resources and achieve a 40% target for financing operations. In accordance with the Busan Resolution, this should ensure, at the end of the capitalization, an increase in total financing for the Caribbean countries and other countries that have benefited to a lesser degree from NSG operations.

<sup>6</sup> Five impact channels were identified: (i) stable and predictable lending; (ii) mobilization of third-party resources; (iii) more effective use of knowledge products, services, and activities; (iv) capital generation through retained earnings; and (v) generating and maintaining operational synergies.

- 2.7 The merge-out process has introduced significant organizational, personnel, and operational changes. In 2017, OVE completed a midterm review of implementation of the private sector merge-out (document [CII/RE-27-5](#)). This review focused on actions undertaken between March 2015 (when the Governors authorized the merge-out) and June 2017, with the aim of identifying emerging lessons that could be helpful in completing the merge-out. The main achievements identified by OVE included completion of a difficult transition process, the work carried out to build a foundation of human resources, and development of an approach to begin strengthening development effectiveness and additionality. The main challenges included the need for greater strategic selectivity, stronger mechanisms for public-private coordination (including continuing to strengthen the country representatives' role), and enhanced planning and financial monitoring instruments. Based on its findings, OVE made four recommendations that were approved by the IDB and IDB Invest Boards of Executive Directors.
- 2.8 IDB Invest has pursued multiple strategic lines to implement the objectives of the Renewed Vision and fulfill its institutional mandate. These strategic lines have been outlined in two **business plans**<sup>7</sup> (Box 2.1) for the first two planning cycles (in the 10-year horizon set forth in the Renewed Vision)—*fostering growth through consolidation 2017-2019* (document [CII/GA-77-2](#)) and *growth for sustainable impact 2020-2022* (document [CII/GA-80-2](#))—as well as in key initiatives, such as the one to enhance flexibility and innovation in outputs, as well as the **roadmaps or action plans** approved by the Board of Executive Directors in various sectors or areas of institutional interest: micro, small, and medium-sized enterprises (document [CII/GN-364-1](#)), financial intermediaries (document [CII/GN-369-1](#)), field presence (document [CII/GA-76-2](#)), approach to increase operations in small and island countries (document [CII/GN-354](#)), venture capital investments (document [CII/GN-368-1](#)), climate change (document [GN-2848-4](#)), and poverty and vulnerability (document [CII-GN/442-2](#)). Moreover, some key IIC initiatives were at early stages of development or implementation at the time of OVE's review in 2017, including the field presence plan to bring IIC staff closer to clients in the region, completion of selectivity tools, strengthening of the portfolio approach, simplification of operational processes and procedures, and development of a comprehensive framework for long-term financial planning.

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<sup>7</sup> In accordance with the Busan Resolution (document [CII/AG-2/15](#)), the IIC Board of Executive Directors will direct Management in developing multiyear business plans that reflect the priorities of the Renewed Vision and take into account the logic under which a regional development bank operates. The two business plans approved to date by the Board of Executive Directors have been structured around the main challenge identified by IDB Invest for the planning cycle, and they include the guiding policies and key initiatives for fulfillment of objectives, a work plan, financial planning considerations, the administrative and capital budget, the financing plan, and key capital adequacy indicators.

### Box 2.1. IDB Invest Business Plan and COVID-19 response

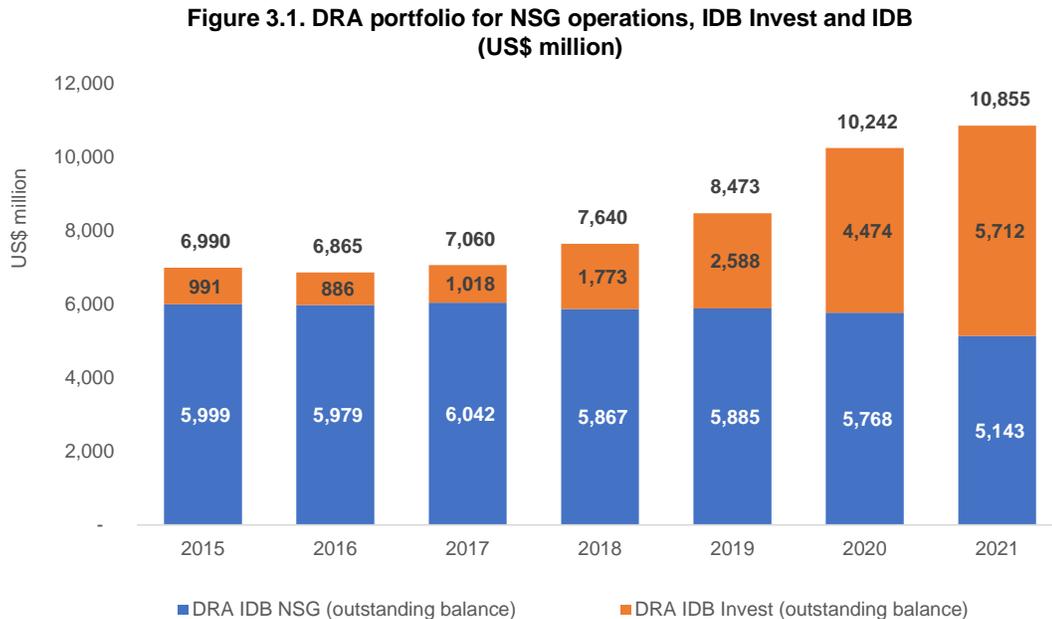
IDB Invest's first **Business Plan (2017-2019)** (document [CII/GA-77-2](#)) identified "consolidation for growth" as the challenge and was structured around three guiding policies: (i) design and effective deployment of an impact model capable of guiding selectivity at origination and enabling the efficient tracking of results at various project stages, as well as an ex post evaluation framework to generate lessons for future projects; (ii) creation of a culture that is flexible, efficient, and creative and is therefore better prepared to promote innovation through its work in the region; and (iii) design and deployment of a capital management framework to ensure the rational, efficient use of resources with a view to the mandate of long-term financial sustainability.

The next **Business Plan (2020-2022)** (document [CII/GA-80-2](#)) was originally designed around the challenge of "growth for sustainable impact" with four guiding policies: (i) building a growth platform to help IDB Invest optimize the use of capital over the next three years; (ii) pursuing smart growth, which includes various considerations linking growth to financial sustainability and impact; (iii) targeting intellectual capital to achieve an impact beyond a financial contribution; and (iv) IDB Invest as part of IDB Group 2.0.

- 2.9 To address the region's challenges, which were exacerbated by the fallout of the economic and health crisis caused by the COVID-19 pandemic, IDB Invest revised and adapted its immediate priorities. The 2020-2022 Business Plan was revised in April 2020 to incorporate an operational strategy in response to the crisis caused by the COVID-19 pandemic (document [CII/GN-419](#)). A top priority of the crisis response was to increase resources for the region by significantly expanding the 2020 program of operations (from US\$4.5 billion, as initially provided in the business plan, to as much as US\$7 billion). The crisis response also included implementation of temporary flexibility measures to strengthen IDB Invest's capacity to deliver a nimble, effective response, such as delegating power from the Board of Executive Directors to Management for approval of transactions under a crisis management facility (US\$500 million), increasing exposure limits on Trade Finance Facilitation Program (TFFP) operations, raising debt and capital ceilings under the risk appetite policy, and modifying procedures for operations for between US\$50 million and US\$100 million.
- 2.10 In view of the region's circumstances and challenges in recent years, important discussions are being held at the IDB Group level. At the 2021 annual meeting in Barranquilla, the IDB and IDB Invest Boards of Governors tasked their respective Managements with conducting a thorough analysis of significant issues impacting economic and social conditions in the region's countries, their development challenges, and the strengths and comparative advantages of IDB and IDB Invest. At their latest annual meeting in March 2022, the Governors reviewed this analysis and requested that further steps be taken to pursue institutional measures and reforms. As it pertains specifically to IDB Invest, this includes submitting a proposal with a new vision and business model, along with financial, operational, and institutional implications.

### III. OVERVIEW OF IDB INVEST'S OPERATIONS PORTFOLIO

3.1 The portfolio of development-related assets (DRAs) managed by IDB Invest has grown since the merge-out process took effect.<sup>8</sup> The DRA portfolio managed by IDB Invest (taking outstanding balances into account) stood at US\$10.855 billion as of year-end 2021, a significant increase compared to the IDB Group's combined NSG portfolio at year-end 2015 (US\$6.99 billion), prior to the merge-out (Figure 3.1).



Source: OVE, based on data reported by IDB Invest in its quarterly reports and systems.

Note: Since 2020, in accordance with the current expected credit losses (CECL) methodology, IDB Invest has reported committed balances as part of the DRA portfolio. As of December 2021, these balances totaled US\$2.517 billion, 80% of which was booked at IDB Invest.

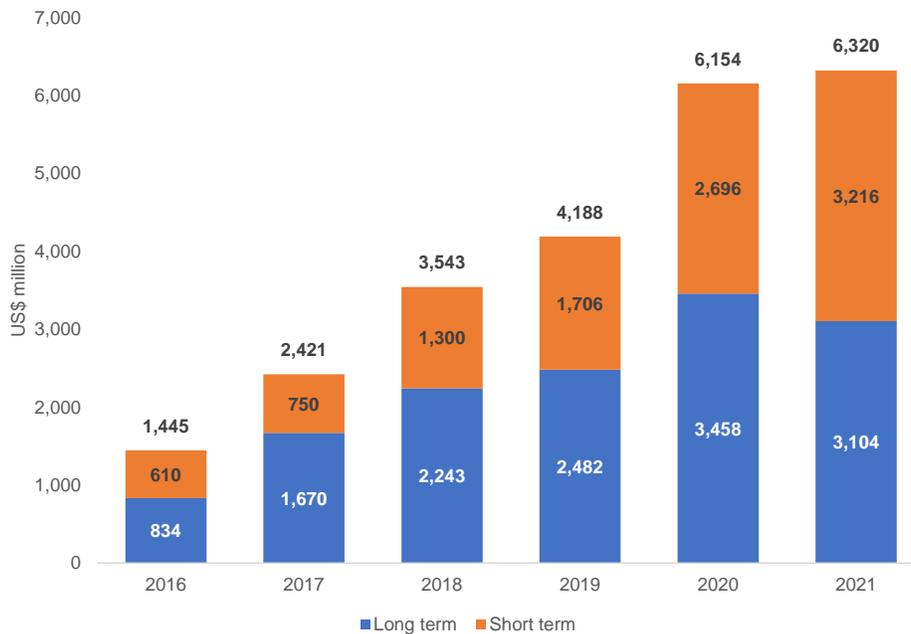
3.2 Portfolio growth has been driven by an increase in approvals and commitments, mainly since 2020 as part of the operational strategy in response to the crisis caused by the COVID-19 pandemic. From January 2016 to December 2021, IDB Invest approved a total of US\$27.204 billion in financing operations.<sup>9</sup> Annual approvals in this period averaged US\$4.534 billion, which exceeds the combined approvals under the former private sector windows (IIC, SCF, and OMJ) prior to the merge-out (US\$2.728 billion on average in 2012-2015). Commitments, meanwhile, totaled US\$24.07 billion in the same period (Figure 3.2). Short-term financing (TFFP and value chains) accounted for 43% of the total amount committed in 2016-2021; this type of financing increased significantly in recent years, especially since 2020 in response to the COVID-19 pandemic. Long-term financing accounted for

<sup>8</sup> IDB Invest's DRA portfolio includes loans, equity investments, debt instruments, and guarantees to promote economic development of the regional member countries of IDB Invest through the establishment, growth, and modernization of private enterprises.

<sup>9</sup> Since 2018, IDB Invest has approved 363 advisory service contracts for a total of US\$28.5 million, according to data provided by IDB Invest.

57% of committed amounts (US\$13.791 billion), and this category of financing also increased, particularly in 2020.<sup>10</sup>

**Figure 3.2. Commitments between January 2016 and December 2021 (US\$ million)**

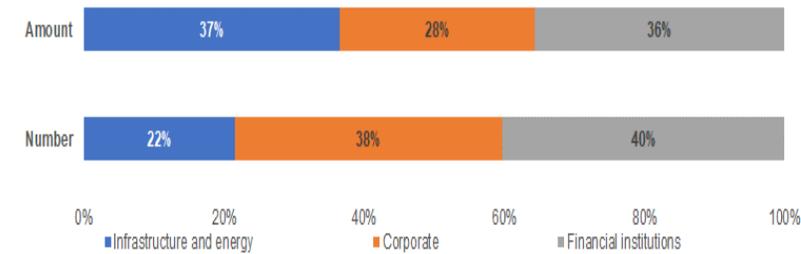


Source: OVE, based on data from IDB Invest.

3.3 The committed amounts (excluding short-term financing) have mostly targeted operations for infrastructure and financial institutions in Group A and B countries. While committed operations were concentrated primarily in the business segments of financial institutions (40%) and corporates (38%) between January 2016 and December 2021, (Figure 3.3), infrastructure and energy accounted for 37% of all committed amounts due to the larger average project size in this segment, followed by financial institutions at 36%. Meanwhile, a majority of committed long-term operations (51%) and committed amounts (61%) were in Group A and B countries (Figure 3.4). Five countries (Mexico, Chile, Brazil, Colombia, and Ecuador) accounted for a combined 47% of the number of committed operations and 58% of committed amounts between January 2016 and December 2021.

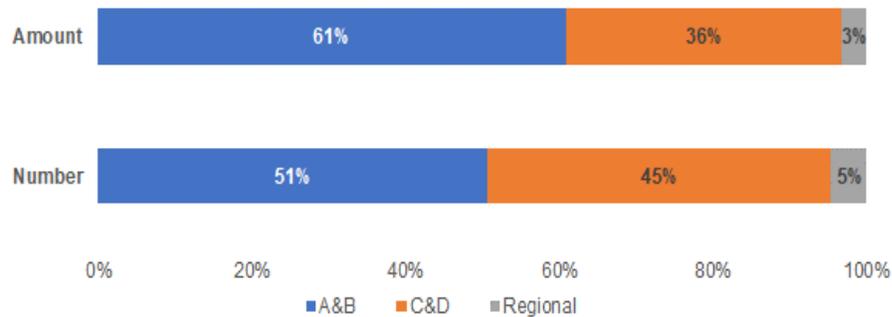
<sup>10</sup> As a result of the merge-out, IDB Invest also began to manage a portfolio of 506 active operations in early 2016 that had been approved before the merge-out by the “old” IIC and the IDB’s private sector windows (SCF and OMJ).

**Figure 3.3. Distribution of long-term commitments by business segment  
January 2016–December 2021**



Source: OVE, based on data from IDB Invest.

**Figure 3.4. Distribution of long-term commitments by country group  
January 2016–December 2021**



Source: OVE, based on data from IDB Invest.

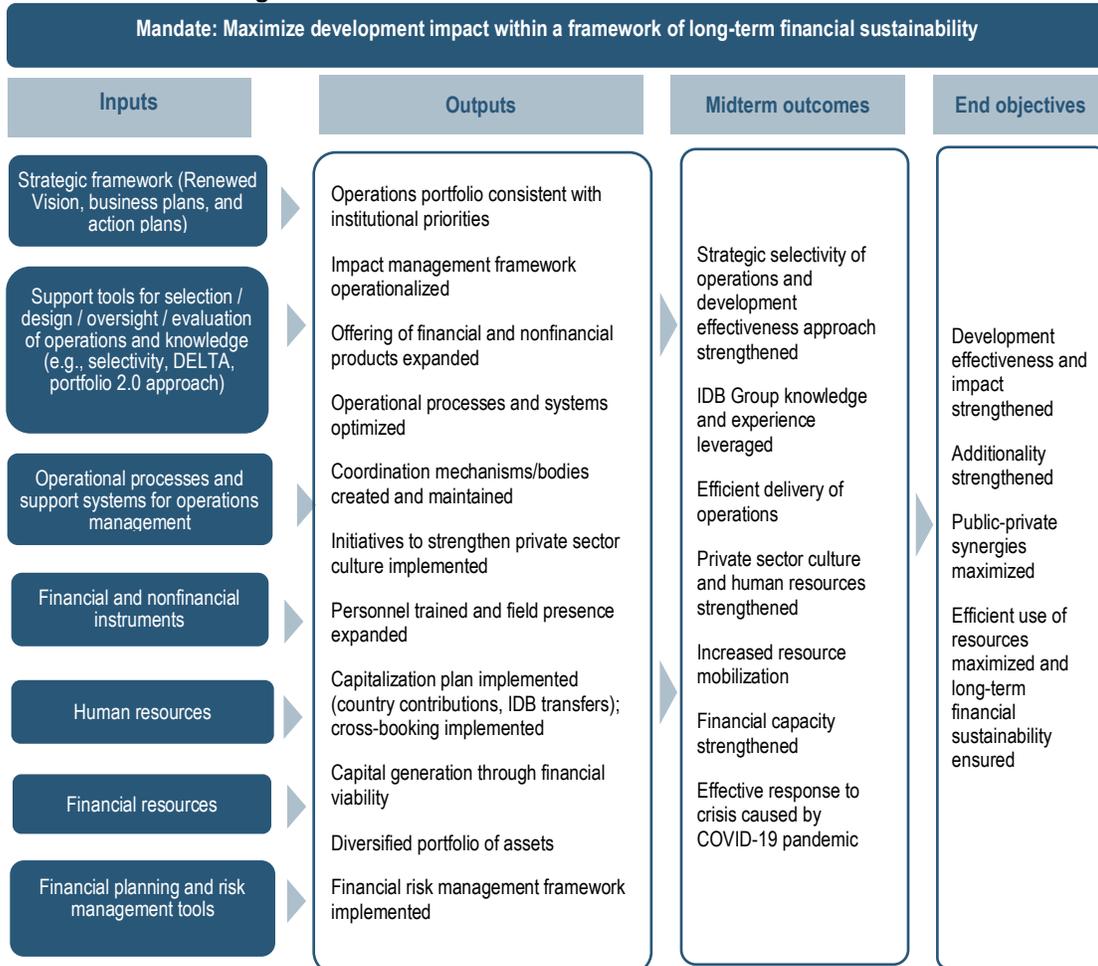
#### IV. EVALUATION REFERENCE FRAMEWORK

- 4.1 The evaluation will be guided by a reference framework linking the objectives of the Renewed Vision supporting the creation of IDB Invest to the main activities and initiatives undertaken thus far to help achieve these objectives (Figure 4.1). As reference material for the analysis, OVE will refer in its analysis to the IDB Invest mandate of maximizing development impact within a framework of long-term financial sustainability, as set forth in the Renewed Vision and described in various IDB Invest documents. OVE will also refer to the evaluation framework from its 2017 midterm review of implementation of the private sector merge-out, particularly as it pertains to general objectives. The Renewed Vision establishes the long-term reference framework for IDB Invest and identifies the following general or end objectives supporting the creation of IDB Invest: (i) strengthening development effectiveness and impact; (ii) strengthening additionality; (iii) maximizing synergies between the public and private sectors; (iv) maximizing the efficient use of resources and ensuring long-term financial sustainability.<sup>11</sup> Since the merge-out process took effect, activities and initiatives have been undertaken in various areas at the institutional level in pursuit of these objectives, including plans, tools, and processes. While those identified in OVE’s 2017 evaluation framework were taken

<sup>11</sup> These general or end objectives are the same ones that were identified in OVE’s 2017 midterm review of the merge-out, although the objective of strengthening effectiveness and additionality has been disaggregated due to conceptual discrepancies and the special emphasis given to additionality at the institutional level since the merge-out.

into account for the midterm outcomes, they have been adjusted to reflect new institutional priorities consistent with IDB Invest’s business plans in recent years.<sup>12</sup>

**Figure 4.1. IDB Invest evaluation reference framework**



Source: OVE, based on documentation of the merge-out process and IDB Invest business plans.

## V. EVALUATION OBJECTIVES, SCOPE, AND QUESTIONS

### A. Evaluation objectives and scope

5.1 This evaluation seeks to report independently to the Boards of Executive Directors of the IDB and IDB Invest on the effectiveness of implementation to date of the Renewed Vision, aimed at promoting development through the private sector, which gave rise to the creation of IDB Invest. Along these lines, OVE will assess the extent to which the objectives supporting the creation of IDB Invest are being fulfilled thus far and whether its current organizational structure, processes, and way of functioning enable it to fulfill its mandate. Since the Renewed Vision for 2016-2025 is still being implemented, this midterm evaluation will also focus on

<sup>12</sup> Examples include differentiation of considerations related to strategic selectivity and efficient delivery of operations, as well as inclusion of an outcome related to resource mobilization, which was identified in the Renewed Vision and has taken on increased importance since then.

identifying lessons learned to provide input for future discussions in the institution. This will be a formative assessment.

- 5.2 The evaluation will cover the period from January 2016 (when the merge-out took effect) to December 2021. The evaluation will use as a reference the findings in OVE's 2017 midterm review of implementation of the merge-out (document [CII/RE-27-3](#)) to further analyze financial and operational areas that had not yet matured at that time, such as the strategic selectivity and financial planning frameworks, the portfolio approach, processes to support operations management, and public-private coordination mechanisms.<sup>13</sup> Considerations related to human resources—a major focus of OVE's 2017 midterm review amid the institution's transition at that time—will be given limited attention in this evaluation.<sup>14</sup>
- 5.3 The evaluation will also aim to leverage potential synergies with other evaluations that will begin in 2022-2023 and are included in OVE's work plan. These evaluations will cover aspects of IDB Invest's work such as evaluations of IDB Group support for private sector resource mobilization, the development effectiveness framework, and the IDB Group's response to the COVID-19 crisis. OVE will also coordinate with the Office of the Auditor General and will use as reference material recent and ongoing advisory services and audits related to IDB Invest's work, including those related to internal controls for cross-booking of operations, management of service level agreements between the IDB and IDB Invest, and IDB Invest's new financial risk management framework.
- 5.4 A distinctive feature of this evaluation will be the opportunity to analyze a greater number of operations approved by IDB Invest since the merge-out, with the aim of systematically analyzing aspects related to design, implementation, and results of operations. However, given the amount of time that has elapsed since the merge-out and the operations' timeframes, it should be noted that many operations are at an early stage of implementation, which may hinder a full analysis of results and effectiveness. Of all operations approved (excluding the TFFP) from January 2016 to December 2021 (471 operations), 66% (261) have reached the oversight stage and 21% (83) have reached early operational maturity as of 2021.<sup>15</sup> Using information on projects at the oversight stage, OVE will assess the degree to which these projects are achieving their objectives.

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<sup>13</sup> This evaluation will also use as reference material the findings of other recent OVE evaluations that have covered specific areas or topics related to IDB Invest's work, such as Evaluation of IDB Group's Work Through Financial Intermediaries (document [CII/RE-18](#)), Evaluation of Direct Support to SMEs by the IIC (document [CII/RE-23-3](#)), Comparative Study of Equity Investing in Development Finance Institutions (document [RE-20-2](#)), Evaluation of Public-Private Partnerships in Infrastructure (document [CII/RE-24-3](#)), A Review of IDB Group's Non-Sovereign Guaranteed Problem Projects (document [CII/RE-32-3](#)), Environmental and Social Safeguards Evaluation (document [CII/RE-36-1](#)), and Evaluation of Guarantee Instruments at the IDB Group (document [CII/RE-70-1](#)).

<sup>14</sup> While this evaluation will analyze overall trends and progress in IDB Invest staffing since the merge-out, it will not look at areas such as procurement processes and the current performance, incentives, and compensation framework because these matters require a type of analysis that is not compatible with the scope and timeframe of this evaluation. Other related areas are at an early stage of development. For instance, IDB Invest recently launched a major initiative on organizational culture, aimed at creating a roadmap to narrow the gap between the current culture and the desired one. This initiative will be developed, and its implementation will be under way, by the end of 2022.

<sup>15</sup> In terms of the annual validation of extended supervision reports (XSRs), through 2021 OVE had validated a total of 14 XSRs associated with operations approved by IDB Invest since the merge-out.

## B. Evaluation questions

- 5.5 The (general and specific) evaluation questions take into consideration the reference framework developed by OVE for this evaluation (Figure 4.1).
- 5.6 The **general question** that the evaluation aims to answer is the following: To what extent is IDB Invest on its way to achieving the end objectives supporting its creation (strengthening development effectiveness and impact, strengthening additionality, maximizing public-private synergies, maximizing the efficient use of resources, and ensuring long-term financial sustainability)?
- 5.7 The evaluation will aim to answer the following **specific questions**, based on key midterm outcomes and using an outlook oriented to long-term objectives:<sup>16</sup>
- a. To what extent has IDB Invest strengthened its approach for strategic selectivity<sup>17</sup> and development effectiveness?**
- i) To what extent does IDB Invest's current strategic framework (Renewed Vision, business plans, action plans) provide useful guidance in terms of institutional priorities and for project selection?
  - ii) How consistent has IDB Invest's operations portfolio been with its institutional priorities?
  - iii) To what extent have tools for strategic selectivity been implemented and proven useful in guiding project origination?
  - iv) How much progress has IDB made in developing a broader offering of financial and nonfinancial instruments?
  - v) To what extent have IDB Invest operations provided financing under terms and conditions not available through commercial sources (at reasonable costs and conditions) in view of the operations' specific characteristics (e.g., larger amounts or longer tenors, innovative financing structures, or assistance in mobilizing financial resources)?
  - vi) To what extent have IDB Invest operations sought to contribute to better project results through nonfinancial support that would not have been offered or required by commercial sources (e.g., by mitigating nonfinancial risks, helping clients achieve higher standards, or promoting knowledge, innovation, and capacity-building)?

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<sup>16</sup> Two midterm outcomes will not be included in the scope of this evaluation. As noted above, while this evaluation will analyze overall trends and progress in IDB Invest staffing since the merge-out, it will not look at matters related to human resource management and private sector culture because they require a type of analysis that is not compatible with the scope and timeframe of this evaluation. Nor will the midterm outcome related to the efficiency of the COVID-19 response be included in the scope of the evaluation, as it is too early to judge its effectiveness, but this may be analyzed in future evaluations. Nonetheless, the crisis will be a central consideration for this evaluation. The scope of future evaluations will be expanded as it pertains to resource mobilization.

<sup>17</sup> Strategic selectivity, one of the foundational pillars of the Renewed Vision, entails selecting projects with the greatest impact potential while focusing on areas that support institutional priorities. As noted above, IDB Invest's dual mandate of maximizing development impact within a framework of long-term financial sustainability also calls for actively selecting projects based on their potential to generate measurable development impacts alongside a financial return that will ensure the institution's financial sustainability. Along these lines, IDB Invest has implemented a portfolio approach aimed at striking a balance between impact and financial sustainability.

- vii) To what extent has IDB Invest's development effectiveness framework been implemented and become an effective tool for project design and results monitoring?
  - viii) To what extent have operations approved by IDB Invest achieved, or to what extent are such operations on their way to achieving, their development objectives?
  - ix) To what extent are lessons from IDB Invest operations helping to guide the way IDB Invest manages its operations?
- b. To what extent is IDB Invest helping to strengthen public-private collaboration within the IDB Group?**
- i) How effective have the mechanisms to foster public-private coordination been at the strategic level, in operations, and in knowledge generation?
  - ii) What factors facilitate or limit effective public-private coordination at the IDB Group level?
- c. To what extent has IDB Invest strengthened the efficient use of resources?**
- i) How much progress has IDB Invest made in optimizing operational processes and enhancing its systems to support the efficient delivery of operations?
  - ii) How has IDB Invest staffing changed to help fulfill its mandate and duties? What are the main challenges?
- d. To what extent has IDB Invest expanded its capacity to mobilize resources?**
- i) How has the volume of mobilized resources changed?
  - ii) What factors facilitate or limit IDB Invest's capacity to mobilize resources?
- e. To what extent has IDB Invest strengthened its financial capacity with the aim of ensuring its long-term sustainability?**
- i) How have IDB Invest's capitalization process (new capital contributions, transfers from the IDB) and cross-booking arrangement progressed? What have been the main challenges?
  - ii) To what extent has the growth of IDB Invest's operations portfolio been framed within the Governors' mandate to ensure long-term financial sustainability?
  - iii) What actions has IDB Invest taken to proactively identify and mitigate potential financial and nonfinancial risks associated with a growing portfolio?
  - iv) How has IDB Invest performed financially since its inception, and what are the determining factors for its long-term financial viability?

## VI. EVALUATION METHODOLOGY

- 6.1 OVE will use a combination of complementary methods to answer the evaluation questions. These methods will include a review of strategic and corporate documents, financial and portfolio analyses, interviews and surveys, and documentary analyses of operations. No missions to review operations in the field are expected to be carried out due to COVID-19 travel restrictions. The main methods to be used are described in greater detail below, and the evaluation matrix is provided in Annex I.
- 6.2 **Analysis of IDB Invest documents.** OVE will collect and analyze strategic and corporate documents related to the creation of IDB Invest that identify the institution's main objectives and long-term priorities, as well as its business plans, action plans, and policies that have guided IDB Invest's activities in recent years. OVE will also analyze documents related to initiatives, tools, and approaches developed in recent years by IDB Invest in various areas (e.g., finance, operations management, development effectiveness). As noted above, OVE will also refer to OVE's findings in its 2017 midterm review of implementation of the merge-out, as well as other evaluations in recent years on specific areas or topics related to IDB Invest's work.
- 6.3 **Analysis of the operations portfolio.** OVE will collect and combine general information on the portfolio of operations managed by IDB Invest since its inception, with the aim of analyzing overall trends in the operations portfolio (e.g., approvals, commitments, disbursements, resource mobilization) and general characteristics of financed operations (e.g., sectors, countries, financing instruments, DELTA scores) and clients.
- 6.4 **Documentary analysis of operations approved by IDB Invest.** OVE will conduct a documentary analysis of a random sample of operations (excluding TFFP operations)<sup>18</sup> approved by IDB Invest between January 2016 and December 2021 with the aim of exploring aspects related to operation design and implementation, including selection and alignment to institutional priorities, financial and nonfinancial additionality, evidence of public-private coordination, and operation results.<sup>19</sup> The documentary analysis will use standardized questions to ensure consistency in evaluations across operations, and it will be complemented by interviews with IDB Invest staff members and clients involved in operations that reached financial completion by year-end 2021.
- 6.5 The analysis will include a review of documentation and information generated in the course of operation origination, approval, oversight, and evaluation, including

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<sup>18</sup> With regard to the TFFP, in 2016 OVE completed an Evaluation of IDB Group's Work through Financial Intermediaries (document [RE-486-2](#)), which included a background report on the TFFP and identified findings and recommendations for the program. Along these lines, OVE will assess the extent to which IDB Invest has responded to the main challenges identified in the aforementioned evaluation.

<sup>19</sup> An analysis will be conducted of a randomly selected sample stratified by business segment and country group that will be statistically representative with a confidence interval of 85% and a sampling error of 5%. The representative sample will include roughly one third of the 471 operations (excluding the TFFP) approved by IDB Invest between January 2016 and December 2021. In addition, an oversampling of operations that have achieved early operational maturity as of June 2021 will be carried out, with the aim of encompassing roughly one half of such operations. This date was selected to take into consideration projects that, months after reaching early operational maturity, eventually yield results.

loan and financing proposals, loan contracts, DELTA scores, annual supervision reports, XSRs, and OVE validations of XSRs.

- 6.6 **Financial sustainability analysis.** OVE will analyze progress on core components of IDB Invest’s capitalization arrangement (capital contributions from shareholder countries and annual transfers from the IDB). OVE will also collect and analyze information on credit quality of the IDB Invest portfolio as well as financial performance, including an analysis of the cost-and-revenue structure to explore the determining factors of the institution’s long-term financial viability. OVE will also use the cross-booking arrangement to analyze the portfolio included in the IDB balance sheets.
- 6.7 **Analysis of IDB Invest’s institutional arrangements, processes, and resources.** To understand the extent to which IDB Invest’s internal capacity helps to fulfill its mandate, OVE will analyze the main institutional arrangements introduced since the merge-out, including those aimed at developing public-private coordination and collaboration. OVE will also examine the main processes introduced by IDB Invest to support the efficient delivery of operations, including timeframes for processing transactions, and metrics introduced in recent years to measure costs at the operational level. Moreover, OVE will analyze IDB Invest’s budgeting and staffing, and how its staffing has changed, in terms of performance.
- 6.8 **Interviews and surveys.** The analyses of documents, processes, data, and operations will be complemented by surveys and interviews (both structured and semistructured) to obtain the viewpoints of relevant actors in terms of operations management, as well as IDB Invest’s overall role and manner of functioning. These actors include: (i) IDB Invest personnel; (ii) IDB and IDB Lab personnel; (iii) IDB Group managers and country representatives; (iv) IDB Group Executive Directors; (v) IDB Invest clients; and (iv) staff members of other multilateral development banks.

## VII. EVALUATION TEAM AND WORK TIMETABLE

- 7.1 **Evaluation team.** The evaluation team consists of José Ignacio Sémbler (Project Team Leader), Regina Legarreta, Ernesto Cuestas, Roni Szwedzki, Sumiko Andrade, Damian Galinsky, Fernando Barbosa, Diego del Pilar, Laura Miranda, José Claudio Pires, Stefania De Santis, and Julie King. The team will also be supported by specialized external consultants on an as-needed basis. The work will be carried out under the supervision of Ivory Yong-Prötzel, OVE Director.
- 7.2 **Timetable.** The draft report is scheduled to be ready for review by IDB Invest Management in October 2022 and for distribution to the Board of Executive Directors in November 2022. See Table 7.1 below for the projected timetable.

**Table 7.1. Projected timetable**

Activity	Date
Approach paper	August 2022
Draft for review by IDB Invest Management	October 2022
Submittal to SEC for distribution to Board of Executive Directors	November 2022

### ANNEX I. EVALUATION MATRIX

Evaluation questions	Criteria	Sources	Methods	Potential limitations
<b>DEVELOPMENT EFFECTIVENESS AND IMPACT: To what extent has IDB Invest strengthened the strategic selectivity of its operations and its approach to development effectiveness?</b>				
i. To what extent does IDB Invest's current strategic framework (Renewed Vision, business plans, action plans) provide useful guidance in terms of institutional priorities and for project selection?	<p>The components of IDB Invest's strategic framework (Renewed Vision, business plans, action plans) are internally consistent.</p> <p>The strategic framework clearly identifies institutional priorities.</p> <p>Institutional priorities are useful in guiding project selection.</p>	<p>Corporate documents related to IDB Invest's strategic framework (Renewed Vision, business plans, action plans)</p> <p>Interviews with IDB Invest personnel</p>	<p>Review of corporate documents</p> <p>Qualitative analysis of interviews</p>	
ii. How consistent has IDB Invest's operations portfolio been with its institutional priorities?	<p>The operations portfolio approved by IDB Invest is consistent with institutional priorities (of IDB Invest and the IDB Group)</p>	<p>Corporate documents related to IDB Invest's strategic framework (Renewed Vision, business plans, action plans)</p> <p>Corporate documents related to IDB Invest's operational response to the crisis caused by the COVID-19 pandemic</p> <p>Data on the operations portfolio, including monitoring of corporate targets</p> <p>Operation approval documents</p> <p>DELTA</p> <p>Portfolio 2.0 approach</p> <p>Interviews with IDB Invest personnel</p>	<p>Review of corporate documents</p> <p>Analysis of operations portfolio data</p> <p>Analysis of documentary review of operations</p> <p>Analysis of DELTA scores</p>	Insufficient information in operation documents
iii. To what extent have tools for strategic selectivity been implemented and proven useful in guiding project origination?	<p>The extent to which selectivity tools have been implemented</p> <p>The selectivity tools are useful in guiding project origination.</p>	<p>Strategic selectivity tools</p> <p>Portfolio 2.0 approach</p> <p>Project approval documents</p> <p>Operations portfolio data</p>	<p>Review of corporate documents</p> <p>Analysis of operations portfolio data</p>	Insufficient information in operation documents

Evaluation questions	Criteria	Sources	Methods	Potential limitations
		Interviews with IDB Invest personnel	Analysis of documentary review of operations Qualitative analysis of interviews	
iv. How much progress has IDB made in developing a broader offering of financial and nonfinancial instruments?	IDB Invest has financial instruments that address its clients' needs. IDB Invest has nonfinancial instruments that address its clients' needs.	IDB Invest portfolio data by type of financial instrument Data on IDB Invest's nonfinancial instruments Corporate documents related to IDB Invest's financial and nonfinancial instruments Institutional arrangements for management of technical advisory services Semistructured interviews with IDB Invest personnel Survey of IDB Invest personnel Semistructured interviews with clients	Analysis of IDB Invest operations portfolio Review of corporate documents related to financial and nonfinancial instruments Analysis of institutional arrangements Qualitative analysis of interviews Analysis of surveys	Insufficient information in operation documents Limited availability of information on technical advisory services Difficulty reaching clients for phone or online interviews Low rate of survey response
v. To what extent have IDB Invest operations provided financing under terms and conditions not available through commercial sources (at reasonable costs and conditions) in view of the operations' specific characteristics (e.g., larger amounts or longer tenors, innovative financing structures, or assistance in mobilizing financial resources)?	IDB Invest operations incorporate elements of financial additionality, understood as: <ul style="list-style-type: none"> <li>• Operations with financing conditions (amount, tenors, grace period, price, currency) not available through commercial sources at reasonable costs and conditions</li> <li>• Operations with innovative financing structures/instruments not available through commercial sources at reasonable costs and conditions</li> <li>• Operations in which IDB Invest participates through equity investing</li> <li>• Operations that mobilize third-party resources</li> </ul>	Documents on approval and financial completion of operations DELTA Annual supervision reports (ASRs) Expanded supervision reports (XSRs) and OVE validations of XSRs Semistructured interviews with IDB Invest personnel Semistructured interviews with clients	Analysis of documentary review of operations Qualitative analysis of interviews Analysis of DELTA scores	Insufficient information in operation documents Inability to conduct field visits Difficulty reaching clients for phone or online interviews

Evaluation questions	Criteria	Sources	Methods	Potential limitations
vi. To what extent have IDB Invest operations sought to contribute to better project results through nonfinancial support that would not have been offered or required by commercial sources (e.g., by mitigating nonfinancial risks, pursuing regulatory or institutional changes, helping clients achieve higher standards, or promoting knowledge, innovation, and capacity-building)?	<p>IDB Invest operations incorporate elements of nonfinancial additionality, understood as:</p> <ul style="list-style-type: none"> <li>• Operations that incorporate risk mitigation actions</li> <li>• Operations in which IDB Invest's participation can be a catalyst for regulatory or policy changes (e.g., the first project to test a new policy or regulatory regime)</li> <li>• Operations that incorporate actions to promote higher standards at the project or client level</li> <li>• Operations that incorporate actions to promote knowledge, innovation, and capacity-building</li> </ul>	<p>Documents on approval and financial completion of operations</p> <p>DELTA</p> <p>ASRs</p> <p>XSRs and OVE validations of XSRs</p> <p>Semistructured interviews with IDB Invest personnel</p> <p>Semistructured interviews with clients</p>	<p>Analysis of documentary review of operations</p> <p>Qualitative analysis of interviews</p> <p>Analysis of DELTA scores</p>	<p>Insufficient information in operation documents</p> <p>Limited information on implementation of nonfinancial support activities</p> <p>Inability to conduct field visits</p> <p>Difficulty reaching clients for phone or online interviews</p>
vii. To what extent has IDB Invest's development effectiveness framework been implemented and become an effective tool for project design and results monitoring?	<p>The extent to which development effectiveness tools have been implemented</p> <p>The development effectiveness framework's tools support the design of quality projects.</p> <p>The development effectiveness framework's tools support effective monitoring of operation results.</p>	<p>Documents on approval and completion of operations</p> <p>ASRs</p> <p>XSRs and OVE validations of XSRs</p> <p>DELTA</p> <p>Development Effectiveness Overview and other corporate documents on the impact management framework</p> <p>Semistructured interviews with IDB Invest personnel</p>	<p>Analysis of documentary review of operations</p> <p>Analysis of DELTA scores</p> <p>Analysis of ASRs, XSRs, and OVE validations of XSRs</p> <p>Review of corporate documents related to the impact management framework</p> <p>Qualitative analysis of interviews</p>	<p>Insufficient information in operation documents</p> <p>Limited information on implementation and results of operations</p>
viii. To what extent have operations approved by IDB Invest achieved, or to what extent are such operations on their way to achieving, their	<p>Operations that have reached operational maturity have achieved their development objectives.</p> <p>Operations under supervision are on their way to achieving their development objectives.</p>	<p>Documents on approval and completion of operations</p> <p>ASRs</p> <p>XSRs and OVE validations of XSRs</p>	<p>Analysis of documentary review of operations</p> <p>Analysis of portfolio data</p>	<p>Insufficient information in operation documents</p> <p>Inability to conduct field visits</p>

Evaluation questions	Criteria	Sources	Methods	Potential limitations
development objectives?		Portfolio data related to monitoring of operations Portfolio 2.0 approach Semistructured interviews with IDB Invest personnel Semistructured interviews with clients	Qualitative analysis of interviews	Limited information on implementation and results of operations Projects with deficiencies in results matrix design
ix. To what extent are lessons from IDB Invest operations helping to guide the way IDB Invest manages its operations?	Lessons from operations are systematically identified, accessible, and used to guide operation management.	XSRs and OVE validations of XSRs Development Effectiveness Analytics and other key tools for operational lessons (e.g., Mountain of Knowledge) Corporate documents related to knowledge management Semistructured interviews with IDB Invest personnel	Qualitative analysis of interviews Review of corporate documents Analysis of institutional arrangements and systems	Insufficient information in operation documents Limited availability of information on lessons learned Information on lessons learned in unstructured formats
<b>COORDINATION: To what extent is IDB Invest helping to strengthen public-private collaboration within the IDB Group?</b>				
i. How effective have the mechanisms to foster public-private coordination been at the strategic level, in operations, and in knowledge generation?	The extent to which OVE recommendations related to coordination (midterm review of the merge-out) have been implemented and are resulting in more effective coordination Institutional mechanisms and arrangements at the strategic level are effective in promoting coordination (e.g., country representatives, SG-NSG coordinators, country strategies). The extent to which operations approved by IDB Invest show evidence of coordination with IDB and IDB Lab Institutional mechanisms and arrangements are effective in promoting coordination for knowledge generation. Implementation of service-level agreements (SLAs) has been effective in	OVE's country program evaluations Institutional arrangements and mechanisms for coordination, including new roles and responsibilities Documents on approval and financial completion of operations XSRs and OVE validations of XSRs Semistructured interviews with IDB Invest personnel Semistructured interviews with IDB personnel Semistructured interviews with IDB Lab personnel	Analysis of country program evaluation findings related to coordination Analysis of institutional arrangements and mechanisms for coordination Analysis of documentary review of operations Qualitative analysis of interviews Analysis of surveys	Insufficient information in operation documents Low rate of survey response Insufficient information

Evaluation questions	Criteria	Sources	Methods	Potential limitations
	<p>promoting coordination at the corporate level of IDB Group.</p>	<p>Surveys of IDB Invest personnel Surveys of IDB and IDB Lab personnel SLAs</p>		
<p>ii. What factors facilitate or limit effective public-private coordination at the IDB Group level?</p>	<p>Institutional mechanisms and arrangements at the strategic level are effective in promoting coordination (e.g., country representatives, SG-NSG coordinators, country strategies, institutional arrangements). The extent to which operations approved by IDB Invest show evidence of coordination with IDB and IDB Lab Institutional mechanisms and arrangements are effective in promoting coordination for knowledge generation. Implementation of SLAs has been effective in promoting coordination at the corporate level of the IDB Group.</p>	<p>OVE's country program evaluations Institutional arrangements and mechanisms for coordination Documents on approval and financial completion of operations XSRs and OVE validations of XSRs Semistructured interviews with IDB Invest personnel Semistructured interviews with IDB personnel Semistructured interviews with IDB Lab personnel Surveys of IDB Invest personnel Surveys of IDB and IDB Lab personnel SLAs</p>	<p>Analysis of country program evaluation findings related to coordination Analysis of institutional arrangements and mechanisms for coordination Analysis of documentary review of operations Qualitative analysis of interviews Analysis of surveys</p>	<p>Insufficient information in operation documents Low rate of survey response Insufficient information</p>
<p><b>EFFICIENT USE OF RESOURCES: To what extent has IDB Invest strengthened the efficient use of resources?</b></p>				
<p>i. How much progress has IDB Invest made in optimizing operational processes and enhancing its systems to support the efficient delivery of operations?</p>	<p>Redesign of operational processes and procedures for operation management has helped to reduce timeframes and costs related to operation delivery. Enhancements to support systems are effective in supporting operation delivery.</p>	<p>Processes and procedures for operation management Initiatives for operational excellence implemented Support systems for operation management. Data on timeframes related to operation management</p>	<p>Analysis of institutional arrangements and procedures Analysis of timeframes related to operation management and progress</p>	<p>Limited availability of data on timeframes and costs for the evaluation period Difficulty reaching clients for phone or online interviews</p>

Evaluation questions	Criteria	Sources	Methods	Potential limitations
		<p>Data on costs related to operation management</p> <p>Semistructured interviews with IDB Invest personnel</p>	<p>Analysis of costs related to operation management and progress</p> <p>Qualitative analysis of interviews</p>	
<p>ii. How has IDB Invest staffing changed to help fulfill its mandate and duties? What are the main challenges?</p>	<p>IDB Invest staffing is in line with the merge-out and helps it to fulfill its mandate and duties.</p> <p>The field presence plan is being implemented as planned.</p>	<p>Data on staffing (including composition)</p> <p>Field presence plan</p> <p>Semistructured interviews with IDB Invest personnel</p>	<p>Analysis of data on staffing (including composition) and how it has changed</p> <p>Qualitative analysis of interviews</p> <p>Review of corporate documents related to implementation of the field presence plan</p>	<p>Limited availability of data</p>
<p><b>MOBILIZATION OF RESOURCES: To what extent has IDB Invest expanded its capacity to mobilize resources?</b></p>				
<p>i. How has the volume of mobilized resources changed?</p>	<p>The extent to which corporate targets related to resource mobilization have been met</p>	<p>Data on resource mobilization (e.g., type of mobilization, instruments, business segments, countries)</p> <p>Corporate documents related to resource mobilization, including objectives and targets</p>	<p>Analysis of data on mobilization</p> <p>Analysis of corporate documents</p>	<p>Limited availability of data</p>
<p>ii. What factors facilitate or limit IDB Invest's capacity to mobilize resources?</p>	<p>IDB Invest has institutional arrangements that facilitate resource mobilization.</p> <p>IDB Invest has instruments and mechanisms that facilitate resource mobilization.</p>	<p>Corporate documents related to resource mobilization</p> <p>Semistructured interviews with IDB Invest personnel</p> <p>Semistructured interviews with personnel of other multilateral development banks (International Finance Corporation, European Bank</p>	<p>Analysis of corporate documents</p> <p>Qualitative analysis of interviews</p> <p>Analysis of institutional arrangements and instruments for resource mobilization</p>	<p>Limited availability of data</p> <p>Difficulty reaching clients for phone or online interviews</p>

Evaluation questions	Criteria	Sources	Methods	Potential limitations
		for Reconstruction and Development) Semistructured interviews with clients Institutional arrangements for resource mobilization		
<b>FINANCIAL SUSTAINABILITY: To what extent has IDB Invest strengthened its financial capacity with the aim of ensuring its long-term sustainability?</b>				
i. How have IDB Invest's capitalization process (new capital contributions, transfers from the IDB) and cross-booking arrangement progressed? What have been the main challenges?	Capital contributions from member countries have progressed in accordance with the merge-out timetable. Capital transfers from the IDB to IDB Invest have progressed in accordance with the merge-out timetable. Institutional arrangements and regulations for cross-booking of operations have been effective.	Data on capital contributions from member countries Data on capital transfers from the IDB Data on IDB Invest's capital adequacy Arrangements and regulations for the cross-booking process IDB Invest's economic capital model Risk-adjusted return on capital (RAROC) instrument Office of the Auditor General (AUG) reports on internal controls for cross-booking of operations	Financial sustainability analysis <ul style="list-style-type: none"> <li>• Progress in the capitalization process (capital contributions from member countries and capital transfers from the IDB)</li> <li>• Analysis of IDB Invest's capital adequacy</li> <li>• Analysis of implementation of the RAROC instrument</li> </ul> Analysis of findings on regulations and arrangements for cross-booking of operations	Limited availability of data for OVE's analyses
ii. To what extent has the growth of IDB Invest's operations portfolio been framed within the Governors' mandate to	IDB Invest's portfolio is diversified. IDB Invest's portfolio has met mandated credit rating requirements.	Data on IDB Invest's operations portfolio Data on composition of IDB Invest's portfolio (e.g., tenor, clients, segments, countries)	Analysis of data on IDB Invest's operations portfolio and how it has changed	Limited availability of data, or data in unstructured formats, for OVE's analyses

Evaluation questions	Criteria	Sources	Methods	Potential limitations
ensure long-term financial sustainability?		Data on IDB Invest's credit ratings Data on nonperforming loans Data on portfolio's ratings on the risk scale (normal, watch list, radar, impaired) Quarterly progress reports SLAs	Financial sustainability analysis <ul style="list-style-type: none"> <li>• Analysis of composition and diversification of IDB Invest's portfolio</li> <li>• Analysis of credit performance of IDB Invest's portfolio</li> </ul>	
iii. What actions has IDB Invest taken to proactively identify and mitigate financial and nonfinancial risks associated with a growing portfolio?	IDB Invest has mechanisms to identify and mitigate financial risks. IDB Invest has mechanisms to identify and mitigate nonfinancial risks.	Data on IDB Invest's operations portfolio Processes and tools for financial planning and management AUG report on the new financial risk management framework Other mechanisms and arrangements for identifying and mitigating risks	Analysis of institutional arrangements and mechanisms for identifying and mitigating risks Review of corporate documents	Limited availability of data, or data in unstructured formats, for OVE's analyses
iv. How has IDB Invest performed financially since its inception, and what are the determining factors for its long-term financial viability?	The extent to which IDB Invest's financial viability has been in line with merge-out projections IDB Invest's financial viability has been a significant factor enabling it to accumulate capital to continue growing and leverage resources through debt.	Data on IDB Invest revenues by main line of business Data on IDB Invest costs (administrative expenditure, operational efficiency, and other costs) by main line of business	Analysis of IDB Invest revenues and their main determining factors Analysis of IDB Invest costs and their main determining factors	Limited availability of data, or data in unstructured formats, for OVE's analyses

## Office of Evaluation and Oversight - OVE

Established in 1999 as an independent evaluation office, OVE evaluates the performance and development effectiveness of the activities of the Inter-American Development Bank Group (IDB Group). These evaluations seek to strengthen the IDB Group through learning, accountability and transparency.

OVE evaluations are disclosed to the public in accordance with IDB Group policies to share lessons learned with the region and the development community at large.

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