

Approach Paper

Stocktaking of Private Finance Mobilization at the IDB Group

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ACRONYMS AND ABBREVIATIONS

CAGR	Compound Annual Growth Rate
CRF	Corporate Results Framework
DFI	Development Finance Institution
G-20	Group of Twenty
IDBG	InterAmerican Development Group
LAC	Latin America and the Caribbean
MDBs	Multilateral Development Banks
NSG	Non-Sovereign Guarantee
ODA	Official Development Assistance
ORP	Office of Outreach and Partnerships
OVE	Office of Evaluation and Oversight
PFM	Private Finance Mobilization
PPPs	Public Private Partnerships
SDGs	Sustainable Development Goals
SG	Sovereign Guarantee

I. INTRODUCTION

- 1.1 **This approach paper defines the objective, scope, and methodology for the Office of Evaluation and Oversight's (OVE) stocktaking of Private Finance Mobilization¹ (PFM) at the Inter-American Development Bank Group (IDBG or the Group).** This work is included in OVE's 2022-2023 Work Program (document [RE-574-1](#)) to address the interest of the IDB and IDB Invest Executive Boards in exploring the Group's experience of mobilizing private finance. This stocktaking will be delivered at a time when the IDBG and its shareholders are looking for innovative ways to mobilize additional financing to support Latin America and the Caribbean (LAC) and meet the Sustainable Development Goals (SDGs). Furthermore, this exercise takes place in a context where the IDBG is developing its new institutional strategy, and IDB Invest is preparing a capitalization proposal, both to be delivered to Governors in the 2024 Annual Meeting.
- 1.2 **This stocktaking will focus on IDBG's experience using PFM as an approach to crowd in private resources to projects that the Group finances.** PFM consists in bringing in private financing to specific investment operations that the IDBG finances. OVE will describe the present state of PFM, taking into consideration the evolution of internal Group strategies and commitments with the broader Multilateral Development Bank (MDB) community. Similarly, OVE will analyze the organizations' evolution in the implementation of PFM. This entails reviewing PFM planning processes, instruments offer, client and co-investor selection, operational arrangements, as well as monitoring and evaluation mechanisms. The aim is to identify trends, progress in implementation, as well as current opportunities, challenges, complementarity with other mobilization approaches, and trade-offs.
- 1.3 **This Approach Paper includes five sections covering context, objectives, approach, and team.** This document is organized as follows: Section II presents the broader context of the stocktaking exercise, showing how the IDBG has embarked (along with other MDBs) in the effort to tap private sector finance for development projects. Section III presents the objective and scope of the exercise. Section IV presents the proposed approach, an analytical framework, and the guiding questions posed for this stocktaking. Section V introduces the team and proposed timeline.

II. CONTEXT

A. IDBG PFM context

- 2.1 **This stocktaking takes place in a context where the MDB community has been reflecting on additional ways to attract resources for development projects at a time when public sector financing is insufficient to cover the needs.** As more LAC countries continued to progress and be classified as middle-income nations, raising donor funding has become more challenging. In addition, in the period between the 2008 global financial crisis and the COVID-19 pandemic, the region faced several economic crises that left governments with scarcer fiscal

¹ Private finance mobilization refers to that undertaken by a legal entity that is: a) carrying out or established for business purposes, and b) financially and managerially autonomous from national or local government. (MDB Harmonized definition of PFM).

resources to cover development gaps.² In parallel, the MDB community has recognized the need to optimize MDB capital use since relying only on profits, additional capital contributions, and grant resources from the donor community or public sector entities is insufficient to fund growing development needs.³ As a result, interest in PFM has emerged as a key approach to support development finance. Before this approach, MDBs (especially their public sector arms) mostly focused their efforts on attracting and leveraging grant resources from the donor community or financing from other public sector entities.

- 2.2 **From the mid-2010s, MDBs stressed the importance of more collaborative work with the private sector to expand the availability of resources to achieve development goals, including the PFM approach.** In 2015 the initiative “From Billions to Trillions: Transforming Development Finance”⁴ led by the MDBs (including the IDB) sparked a conversation on the fundamental role of increasing the amount of resources to be channeled for development purposes. In this Initiative, it was highlighted the role of creating stronger liaisons with the private sector in helping MDBs address the investment gap in key sectors. In this context, PFM was one of the approaches considered to partner with the private sector. To sharpen their PFM strategies, in 2017, the G-20 and the MDBs published the document “Principles of MDBs’ strategy for crowding-in private sector finance for growth and sustainable development.” This publication offered five principles,⁵ complementing the MDBs’ standards of delivery with an enhanced focus on crowding-in private finance.

Box 2.1. Complementary approaches to PFM

While PFM consists in bringing private sources of financing into specific investment operations that MDBs finance, this is only one approach to crowd in private sector investments. Other approaches include market creation and investment facilitation. Market creation activities provide critical public investments needed for a market to flourish (for example, investments such as transmission lines needed for private energy generation; secondary road networks that feed traffic for toll roads; irrigation or flood management infrastructure needed for agriculture production, etc.). Investment facilitation activities include support to policy reforms in specific sectors (for example, by upgrading investment regulations, rationalizing administrative procedures, reforming financial markets, etc.). This type of work is expected to help countries set up governance structures that remove roadblocks and attract domestic and international capital flows (this is aligned with principle ii of the “Principles of MDBs’ strategy for crowding-in private sector finance for growth and sustainable development”). In this sense, PFM can be seen as an approach to bring-in additional private sources of funding for development projects and become a complement to other efforts like investment facilitation, market creation, among others.

Source: OVE.

² IDBG, “Private Resource and Resources Mobilization (document [GN-3066-2](#)),” Working Group 3, 2022.

³ For example, in 2017, the governments of the Group of Twenty (G-20) through a joint statement with the MDBs reaffirmed their commitment to optimize their capital and seek innovative ways to untap additional development resources (G20, “Principles of MDB’s strategy for crowding-in private sector finance for growth and sustainable development,” 2017).

⁴ This document was prepared for the Third International Conference on Financing for Development, where the Addis Ababa Agenda was adopted.

⁵ The principles included in this document are: i) recognizing the primacy of country ownership, ii) creating an investment-friendly environment, iii) expanding and standardizing credit enhancement, iv) prioritizing commercial financing, v) blending concessional resources and private capital, vi) reviewing incentives for crowding-in private sector resources.

- 2.3 **The IDBG, since 2015 incorporated PFM more prominently in its strategic documents in the form of targets and action lines.** In 2015, The Renewed Vision for Private Sector Operations (document [CII/CA-165](#))—which consolidated IDBG’s private sector operations in IDB Invest—, set ambitious mobilization goals of US\$65.2 billion⁶ over a period of 10 years. In early 2019, the IDBG issued the Second Update to the Institutional Strategy (document [GN-2933-5](#)), where mobilization is mentioned as one of the three areas of operational emphasis for the institution. In the IDBG’s Corporate Results Framework 2020-2023, the targets set for the Group were US\$ 9 billion for direct mobilization⁷ (of which US\$ 6 billion corresponded to PFM). It also included a US\$16.5 billion target for indirect mobilization. Similarly, in the context of the IDBG response efforts to the COVID-19 pandemic, the Executive Directors and IDBG Management acknowledged that the financing gap to achieve the SDGs would widen in LAC given the emergency health situation (before the pandemic, the financing gap was estimated at US\$579 billion annually).⁸ As a result, in late 2020, the IDBG published its Mobilization Roadmap 2020-2023 (document [GN-2988-1](#)) to provide concrete actions to galvanize mobilization efforts.
- 2.4 **The IDBG operationalized a definition of PFM based on MDBs harmonized standards,⁹ allowing the tracking of operations with a PFM component and the participation in joint reporting.** The IDBG’s Corporate Results Framework (CRF) 2020-2023 (document [GN-2727-12](#)) operationalized an internal IDBG definition of mobilization to be applied to Non-Sovereign Guaranteed (NSG) and Sovereign Guaranteed (SG) operations. Although this definition is compatible with the MDBs harmonized standards (Box 2.2), it has certain differences. The main one is that the IDBG definition also considers co-financings from public sector entities. However, given IDBG’s commitment to joint PFM reporting, IDBG datasets allow disaggregating PFM.

⁶ This amount included concessional and non-concessional mobilization.

⁷ The CRF includes both PFM and mobilization of public sector finance.

⁸ IDBG, “IDBG’s Mobilization Roadmap 2020-2023,” 2020.

⁹ MDBs, “MDB Methodology for Private Investment Mobilization” Reference Guide, 2017.

Box 2.2. Definition of Mobilization according to the Corporate Result Framework 2020-2023 and Definition of Private Finance by MDBs Reference Guide

The IDBG's CRF distinguishes two mobilization types applicable to both IDB and IDB Invest. Yet, both mobilization types have different applications when it comes to the public or the private arm of the Group:

- **Direct mobilization (or direct third-party financing)** is the sum of public and private third-party financing committed to an IDBG operation due to the active and direct involvement of the IDBG in securing the financing commitment^a. It includes third-party resources under IDBG's managed accounts. Sponsor or counterpart financing is not included.
- **Indirect mobilization (or third-party financing)** refers to indirect^b or parallel financing from public and private entities provided in connection with a specific activity for which the IDBG is providing financing, where there is no validated or auditable evidence of active and direct involvement of the IDBG in securing the financing.

In the case of IDB Invest, direct mobilization (third-party financing) is synonymous with core mobilization as defined for the purposes of IDB Invest corporate reporting. Similarly, indirect mobilization (third-party financing) is synonymous with non-core mobilization.

The **MDBs Reference Guide** defines private mobilization^c as the investment made by a private entity which is defined as a legal entity that is: (i) Carrying out or established for business purposes and (ii) financially and managerially autonomous from national or local government. This definition is divided into direct and indirect mobilization.

The differences between the IDBG CRF reporting and the MDB harmonized reporting results from:

- For direct mobilization (or direct third-party financing), MDB reporting excludes public sector resources, which are included in the CRF.
- For indirect mobilization (or indirect third-party financing), MDB reporting includes the sponsor financing and excludes public sector resources.

Source: OVE based on Corporate Results Framework Annex A, 2020-2023 and MDBs, "Harmonized Definition of Private Finance Mobilization," 2018.

Notes: ^a Evidence of active and direct involvement may include, among others, mandate letters, fees linked to financial commitment (for IDB Invest), agreements, consultations meetings, letters (for IDB and IDB Lab) or any other validated or auditable evidence of an IDBG member's active and direct role leading to commitment of other financiers.

^b Indirect mobilization refers to whenever there is no evidence of a direct contractual obligation of the IDB to secure private financing, in a manner consistent with the MDB Reference Guide to Private Investment Mobilization and the IDB Guidelines to Register and Report Co-Financing.

^c The term used in the MDB's Reference Guide for Private Finance Mobilization, is co-financing which is used also used as mobilization.

B. PFM analysis

2.5 **There are different aggregation levels on which PFM can be analyzed and structured: operation, portfolio, and platform level.** The most typical way to analyze PFM is at the operation level. This entails bringing in additional private financiers to a particular investment transaction (i.e., deal-by-deal basis through a syndication, an A/B loan, or a similar instrument). However, PFM can also be analyzed and structured at a portfolio level. This involves processes in which an MDB first originates a group of operations, funds them with its own resources, and later sells a pool of assets to other financiers. This approach is convenient for institutional investors (e.g., pension funds) that don't have the capacity or appetite to invest in single assets. Portfolio-level PFM can also occur when an MDB is trying to do a balance sheet or capital optimization exercise. A third form is mobilizing at a platform level. In these cases, MDBs set up ad-hoc structures with pre-defined investment guidelines, parameters, and operational mechanisms so that potential co-investors can co-finance transactions with lower transaction costs than appraising individual projects.

- 2.6 **PFM can be analyzed from the perspective of international or domestic co-investors, with the latter group being a recent target of PFM efforts.** Initially, MDBs' PFM efforts were catered to international investors (e.g., international banks) to bring in external resources to operations in countries where domestic financiers were not able to provide funding in sufficient or adequate terms. In this sense, MDBs tried to address market failures that prevented international financiers from investing in borrowing countries (e.g., information asymmetries, weak regulatory frameworks, etc.). However, more recently, as borrowing countries have developed their own capital markets and more local financing is available, MDBs are also exploring PFM approaches to crowd-in local investors (both institutional investors and commercial banks) into development projects.
- 2.7 **Also, the SG and NSG business models have implications in terms of how PFM has been analyzed and used.** The typical SG lending model at MDBs has a pricing that is not risk-adjusted. That is, MDB's low cost of funding is channeled to borrowing countries at rates that many of them would not be able to obtain by their own means. Given that most private investors charge risk-adjusted rates, that has posed a challenge to MDBs on how to originate PFM structures for SG operations. As a result, PFM has not been an approach typically used by SG windows. On the other hand, given that NSG operations are priced considering prevalent market conditions and the risk profile of the borrower, PFM has been a natural component of NSG operations. Thus, MDBs are more experienced and have used PFM more intensively in NSG operations, and PFM has been a concept more associated with NSG windows.
- 2.8 **From a client perspective, PFM structures can provide comfort to markets because an MDB participation can improve the risk/return profile of a project and mitigate information asymmetries.** 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 enough information about them or because these countries lack a track record of activities in private financial markets. In these circumstances, PFM can reduce risks for the investor or mitigate information asymmetries. Additionally, PFM structures can provide comfort to markets where the participation of an MDB will help reduce the risk profile of a specific project or investment. For example, MDBs usually carry out thorough due diligence, strong environmental and social (E&S) standards, and advisory services that aim to de-risk projects.
- 2.9 **This is OVE's first systematic review of IDBG's PFM efforts, but previous and current OVE work has assessed aspects of mobilization.** OVE will take advantage of those findings for this stocktaking exercise. For example, OVE's 2022 evaluation of IDB Invest (document [CII/RE-83-2](#)) highlighted an increasing volume of PFM activities within IDB Invest, the private arm of the Group. Also, it recognized that IDB Invest increased the share of direct (core) PFM, where it had a more active role in leading the financing of transactions. However, these efforts remained below the ambitious levels expected in the Renewed Vision (document [CII/CA-165](#)).¹⁰ Earlier in 2022, OVE produced the Group's first evaluation of Guarantee Instruments (document [RE-559-1](#)). Among other findings, the evaluation identified the need to create capacities, internal incentives,

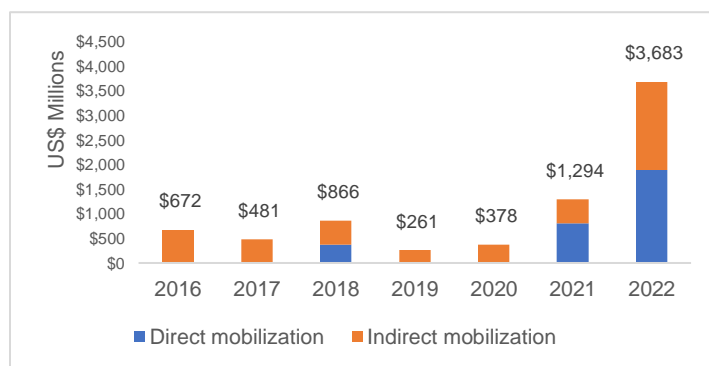
¹⁰ The Renewed Vision established the operational framework of the IDB Invest operation for the years 2016 to 2025 to achieve higher economic growth through the private sector. The mobilization goals included reimbursable and non-reimbursable resources.

and systematic information on IDBG’s mobilization efforts. In 2021, the IDB Lab evaluation (document [MIF/RE-6](#)) came to a similar conclusion, stating that mobilization resources had increased, but the lack of data availability precluded the possibility of an assessment. Finally, in its evaluation of Public-Private Partnerships (PPPs) in Infrastructure of 2017 (document [RE-504-4](#)), OVE concluded that local capital markets were key for mobilizing private capital resources to support infrastructure investment. Further ongoing OVE evaluations, such as the one on climate change, are expected to also address resource mobilization topics.

C. Evolution of PFM efforts at the IDBG

2.10 **The IDB has reported US\$7.6 billion¹¹ of PFM volumes from 2016 to 2022, out of which 40% is direct PFM conducted exclusively through guarantees.** As shown in Figure 2.1, the IDB mobilized US\$3.1 billion of direct PFM and US\$4.6 billion of indirect PFM. Direct PFM at the IDB has been exclusively accomplished through five guarantees issued during the period. Additionally, the IDB mobilized US\$4.6 billion of indirect PFM through 40 investment loans, mostly in the financial markets sector (IFD/CMF), accounting for 77% of the volume. Complementing PFM efforts, during the same period, the IDB brought in US \$6.6 billion¹² of additional public-sector resources or ODA. These resources have been executed through over 1,100 operations, including a mix of technical cooperation and loans.

Figure 2.11. Direct and Indirect PFM Volumes at the IDB¹³



Source: OVE, based on IDB SPD Private Co-financing Database.

2.11 **IDB Invest PFM total volumes totaled US\$21 billion over the 2016-2022 period mostly through B-loans and co-finance.** Two instruments, B-loans and co-finance gathered 75% of IDB Invest PFM volumes during the period. As shown in Figure 2.2, IDB Invest direct PFM has increased from US\$703 million in 2016 to US\$2.9 billion in 2022, growing at compound annual growth rate (CAGR) of 27%. IDB Invest indirect PFM grew from US\$253 million in 2016 to US\$1.1 billion in 2022. Although indirect PFM has increased in absolute terms, its share in the total fell from 72% in 2018 to 28% by 2022. This responds to IDB Invest efforts to focus

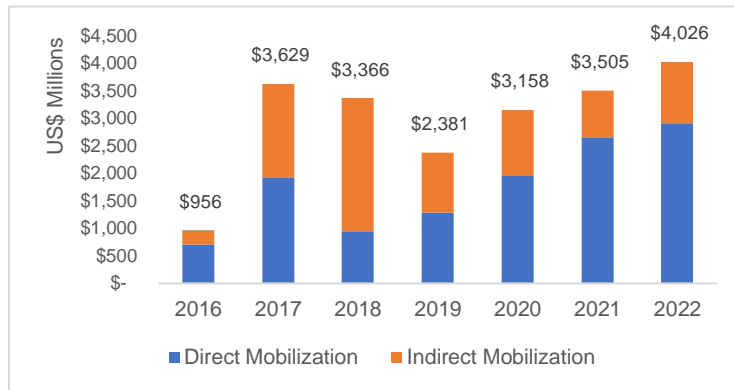
¹¹ According to the data from IDB’s Office of Strategic Planning and Development Effectiveness.

¹² As reported by the Office of Outreach and Partnership (ORP). This figure is the current approved amount and includes funds managed by the IDB and funds brought-in by the IDB, also called co-financing.

¹³ In 2022, the increase in total mobilized volumes was led by three operations: i) two policy-based guarantees accounting for US\$ 1.8bn of direct PFM and, ii) an investment loan of US\$ 1.7bn indirect PFM.

on direct PFM since it offers greater additionality. IDB Invest has also mobilized financing coming from public entities, although to a lesser extent than private resources. Between 2016 and 2022, IDB Invest brought in US\$7.8bn from public entities.

Figure 2.2. Direct and Indirect PFM at IDB Invest



Source: OVE, based on IDB Invest Resource Mobilization Database.

2.12 **The different results between the IDB and IDB Invest respond to the evolution that PFM has had for each window.** For the IDB, the main PFM tools have been guarantees and resources channeled through national development banks¹⁴. In the case of guarantees, they are the single instrument used to conduct direct PFM in SG operations. However, its use has been rare, as reflected in OVE’s Evaluation of Guarantees (document [RE-559-1](#)).¹⁵ Similarly, the funding complemented by national development banks has been the exclusive source of indirect PFM in SG operations. On the other hand, IDB Invest has had a more diversified toolkit of PFM instruments: A/B loans, B-bonds, co-financing arrangements, parallel loans, unfunded credit protection, and partial credit guarantees. To manage PFM, IDB Invest has developed a specialized PFM unit (INO/RMB) within the Investment Operations Department (INO). This divergence of instrument depth between the two windows of the IDBG may reflect the historic status of PFM, where it has been predominantly used for NSG operations. They also reflect the different nature of their business models, as explained in the section above. These issues will be analyzed in more detail during the stocktaking.

III. STOCKTAKING OBJECTIVE AND SCOPE

A. Objective and Scope

3.1 **The objective of the stocktaking is to present IDBG’s experience and evolution using PFM as an approach to crowd-in resources to development projects.** OVE will describe the present state of PFM taking into consideration the evolution of internal group strategies and Group external commitments.

¹⁴ The IDBG’s CRF Annex A (in line with the MDB’s Methodology for Private Investment Mobilization for on-lending operations) states that IDB’s mobilization efforts can be performed by National Development Banks.

¹⁵ The evaluation mentions that there are structural impediments to a rapid increase in the use of guarantees, among others: the capital rules and pricing policies for SG and NSG guarantees are like those for the respective loans, and that borrowers to prefer loans over guarantees since the latter have higher transaction costs.

Similarly, OVE will analyze the organization's evolution to implement PFM, including planning processes, instruments, client and co-investor selection, operational arrangements, as well as monitoring and evaluation mechanisms. The aim is to identify PFM trends, progress in implementation, as well as current challenges, and trade-offs.

- 3.2 **The focus of the stocktaking will be IDBG's PFM efforts, taking into consideration the institutional context in which this topic has evolved.** OVE will use the definition of PFM included in the CRF, which is aligned with the MDB's harmonized definition, to quantify and contextualize PFM efforts at the IDBG. According to the CRF, private financing refers to that undertaken by a legal entity that is: a) carrying out or established for business purposes and b) financially and managerially autonomous from national or local government.¹⁶ The stocktaking will review the three different levels of PFM within the IDBG, meaning at the operational, portfolio, and platform level. The stocktaking will examine approaches to crowd in both international and domestic investors. Also, OVE will take into consideration the business characteristics of the IDB, for instance, the fact that its PFM portfolio is smaller than IDB Invest.
- 3.3 **The IDB Group has attracted and managed resources from the public sector and donors, which OVE will analyze to identify complementarities with PFM.** In addition to PFM, the IDBG brings in resources from other public sector financiers (e.g., co-financings from other MDBs) and manages private and public non-reimbursable funds. OVE will analyze these public resource mobilization efforts to identify complementarities with PFM efforts. For example, OVE's evaluation of IDB Invest (document [CII/RE83-2](#)) found that the Blended Finance (or concessional finance) business at IDB Invest was largely funded by mobilized donor resources, allowing the organization to provide concessional financing that crowded in private investors to specific operations.
- 3.4 **The stocktaking will cover IDB and IDB Invest PFM efforts over the 2016-2022 period.** OVE will focus on the 2016-2022 period for three reasons. First, 2016 is the first year the IDB started compiling systematized data on PFM efforts using the MDB harmonized definition. Second, in the case of IDB Invest, 2016 corresponds to the first-year post-merge-out¹⁷ and coincides with a time when the institution invested in generating more robust mobilization data. Third, 2016 is the first year after the Addis Ababa Action Agenda was agreed to which the IDBG subscribed and sparked the conversation of increasing PFM efforts to achieve the SDGs.
- 3.5 **To the extent that public information is available, the stocktaking will benefit from a benchmark analysis with other Development Finance Institutions (DFIs) and MDBs.** Considering the international context where other MDBs are looking for innovative ways to mobilize private sector financing and optimize capital beyond the traditional sources of funding (own account, donors, and official assistance), the stocktaking will benefit from a benchmarking exercise to compare IDBG's efforts to those of other MDBs. This effort of looking at other institutions' experience will also include other DFIs (e.g., bilateral development agencies).

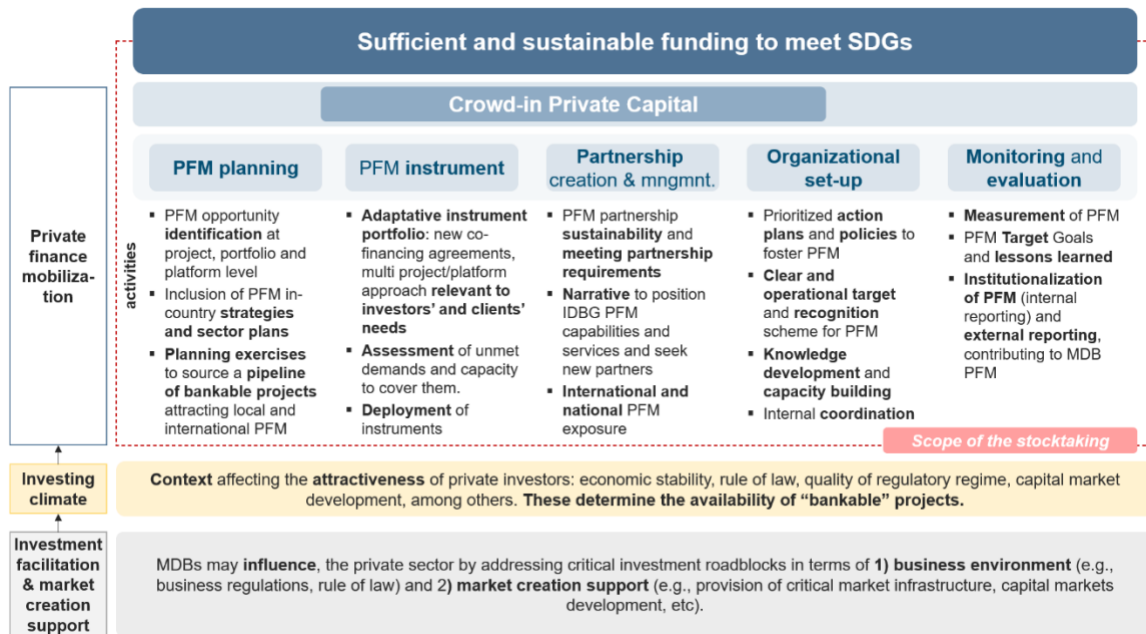
¹⁶ Annex A of IDBG's CRF 2020-2023.

¹⁷ At the 2015 Annual Meeting in Busan, the Boards of Governors of the IDB and the Inter-American Investment Corporation (IIC) decided to consolidate the IDBG's private sector operations into the IIC. This process of consolidation and capitalization is known as the private sector merge-out, which took effect in January 2016.

IV. APPROACH AND METHODOLOGY

4.1 **OVE constructed an analytical framework describing PFM’s context and rationale to guide this stocktaking.** PFM refers to the efforts conducted by an MDB to crowd in additional private finance to projects or initiatives that it finances. These efforts have specific activities which entail PFM planning, instrument selection, partnership creation and management, creating an organizational set-up, as well as monitoring and evaluation.¹⁸ The accomplishment of these activities is expected to lead to additional mobilized resources, which will complement MDB’s own account funds and allow it to achieve the objective of having sufficient and sustainable funding for development projects. Also, this analytical framework recognizes that the MDBs PFM activity happens in a particular investment climate—characterized by the coexistence of diverse markets with different investment conditions—, which should be considered when designing PFM strategies and specific interventions. Lastly, MDBs may influence this investment climate by providing support to market creation and investment facilitation. These approaches are enablers to PFM by fostering the favorable development of private sector markets. For example, to conduct PFM, is necessary a sound investment climate, which can be influenced by previous MDB work.

Figure 4.1. Analytical Framework



Source: OVE, 2023 based on IDBG, “IDBG’s Mobilization Roadmap 2020-2023,” 2020; IDBG, “Update to the Institutional Strategy”, 2019; IDB Invest, “Renewed Vision,” 2015; IEG “World Bank Group Approaches to Mobilize Private Capital for Development”, 2020.

¹⁸ OVE used as a reference those activities listed in the Mobilization Roadmap: (1) programming and project origination, (2) engaging partners and providing partnership services, (3) innovative instruments, (4) creating internal incentives, (5) tracking results and mobilization.

A. Guiding questions

4.2 **The stocktaking will review the PFM approaches and instruments of the IDBG to crowd-in additional resources to development projects.** To do so, OVE will explore questions regarding PFM planning, PFM instruments and approaches, partnerships creation and management, the design of internal incentives and the operational set-up, as well as the feedback mechanism of monitoring and evaluation. Given that drawing lessons of experience is an objective of the stocktaking exercise, OVE will conduct a benchmarking review on how the IDBG experience compares to that of other MDBs.

1. Strategic level questions:

- i) How has the IDBG defined and operationalized its commitments to conduct PFM?
- ii) What have been the development objectives as well as business objectives of PFM across the organization?
- iii) What other approaches does IDBG has to crowd-in private sector investments?
- iv) What have been the contextual and external demand factors affecting the fulfilment of IDBG PFM targets?
- v) How do other efforts to bring in public co-financing resources (e.g., donors, other MDBs) complement PFM efforts?

2. Operational level questions:

PFM planning and programming:

- i) How are PFM opportunities identified at the IDBG at the operation, portfolio, and platform levels? How it compares to other MDBs?
- ii) How have PFM opportunities been discussed in programming documents (e.g., IDBG country strategies or business plans in the case of IDB Invest)?

PFM instruments:

- i) What are IDBG's PFM instruments and how do they compare to other MDBs?
- ii) What have been IDBG's PFM portfolio trends by instruments?
- iii) What actions has the IDBG done to fulfill client and co-investor needs in terms of instrument portfolio?
- iv) How does the IDBG interact with other DFIs and MDBs to complement PFM instruments?

Partnership creation and management:

- i) Who are IDBG's PFM clients and co-investors?
- ii) What PFM volumes is the IDBG mobilizing by investors type, including domestic investors?
- iii) What are the investors' requirements to participate in IDBG originated projects (e.g., bankable projects)?
- iv) What is IDBG client perspective on PFM?

- v) How does the IDBG interact with other DFIs and MDBs to complement PFM instruments?

Internal incentives and operational set-up:

- i) What are IDBG policies and operational set-up for PFM?
- ii) What are the targets and incentives to foster PFM at the IDBG?
- iii) What are the collaboration actions and levers between IDB and IDB Invest to foster PFM?

Monitoring and Evaluation:

- i) What are the monitoring and evaluation systems of PFM at IDBG?
- ii) How have M&E systems evolved over time?
- iii) What are the existing learning mechanisms internally at the IDBG and externally for MDB's experience?

B. Methods

4.3 **The stocktaking will use a combination of data collection and analysis methods to deliver its findings.** The data will include portfolio information, IDBG strategy and operational documents, and other publicly available documents related to PFM from other MDBs, DFIs or academia. OVE will also conduct interviews and surveys to the stakeholders involved in the PFM process (staff, clients, co-investors) as well as other MDBs and industry experts. The mix of sources will allow OVE to triangulate findings in an efficient manner.

- i. Data analysis: OVE will take as reference PFM data from the CRF (including its disaggregation in direct and indirect PFM), which is aligned with the MDB's harmonized definition. OVE will conduct an analysis of aggregate portfolio data of PFM instruments of IDB and IDB Invest that will be used to identify instrument utilization trends, PFM volumes, as well as the evolution of each instrument by categories like sector or country. The IDBG database differentiates PFM from public sector co-financings.
- ii. Content review (analysis): OVE will analyze the information derived from documental sources such as IDBG board reports, strategy documents, and operations' documents related to PFM activities with the aim of identifying the evolution of IDBG efforts and their progress. For example, the Working Group 3: Private Sector and Resource Mobilization (documents [GN-3066-2](#) and [CII/GN-467-2](#), the Second Update to the Institutional Strategy (document [GN-2933-5](#)), the IDBG's Mobilization Roadmap 2020-2023 (documents [GN-2988-1](#) and [CII/GN-411-1](#)) will be analyzed. The stocktaking will also examine IDB Invest documents such as the Renewed Vision (document [CII/CA-165](#)), as well as the Business Plan 2020-2022 (document [CII/GA-80-2](#)) and its corresponding annual updates. OVE will also analyze the content of semi-structured interviews among IDBG staff (both IDB and IDB Invest) including origination and supervision teams, as well as support departments and divisions related to PFM efforts (e.g., Finance, Legal). It is expected that this exercise will help to better understand the resource PFM capabilities within the organization. Additionally, semi-structured interviews will be conducted with IDBG clients and PFM partners (e.g., co-investors) to understand their

needs. In the case of IDB Invest, interviews with clients will be included, and in the case of the IDB, interviews with Government counterparties.

- iii. Instrument analysis: With the purpose of generating knowledge OVE will include an analysis of the main PFM instruments, how they have been used, and the evolution of MDBs agreed PFM ratios¹⁹. Also, where available, OVE will provide case profiles to illustrate lessons learned from the different efforts (this will include IDBG experiences and other MDBs or similar institutions if available).
- iv. Benchmark study: Staff (senior and operational) from other MDBs²⁰ will be interviewed to understand the PFM approaches implemented at IDBG peers. Semi-structured interviews will offer the opportunity for the interviewer to explore themes or responses further while keeping the structure of the interviews comparable. Also, OVE will conduct a desk review of strategy documents and publicly available information on PFM products and projects of other MDBs.

V. OVE TEAM AND TIMELINE

- 5.1 **Stocktaking team.** The team includes Ernesto Cuestas (team leader), Sumiko Andrade (research fellow), Laura Miranda (research fellow), and Julie King (evaluation assistant). Gabriela Pérez Yarahuán will provide methodological guidance. The team will include José Carbajo and Hans-Peter Lankes as external experts. The work will be carried out under the supervision of Ana Maria Linares, cluster leader, and the direction of Ivory Yong-Prötzel.
- 5.2 **OVE will conduct its stocktaking during 2023.** It plans to deliver the report to the Board of Executive Directors in the last quarter of 2023.

¹⁹ Ratios included in the MDBs, “*Harmonized Definition of Private Finance Mobilization*”, 2018.

²⁰ MDBs such as The World Bank Group (World Bank, IFC, MIGA), the European Investment Bank, the EBRD, Asian Development Bank, African Development Bank, CAF, and CABI (not exhaustive).

ANNEX I. STOCKTAKING ANALYSIS MATRIX

Question	Sources	Methods
1. STRATEGIC LEVEL QUESTIONS		
i. How has the IDBG defined and operationalized its commitments to conduct PFM?	IDB Invest operations manual and IDB internal policies and strategies. Interviews with senior management and staff.	Document content analysis and interviews to identify and describe actions taken to operationalize PFM targets.
ii. What have been development objectives as well as business objectives of PFM across the organization?	IDB and IDB Invest strategy documents. Interviews with senior management and staff.	Document content analysis and interviews to identify and describe current PFM development objectives as well as business objectives and their changes over time.
iii. What other approaches does IDBG has to crowd-in private sector investments ?	IDB and IDB Invest strategy documents comparing IDBG tools to crowd-in the private sector. Interviews with senior management and staff.	Document content analysis and interviews to identify and describe IDBG's approaches and tools.
iv. What have been the contextual and external demand factors affecting the fulfilment of IDBG PFM targets?	Interviews with a) senior management and staff, and b) investors and clients.	Content analysis of interviews to identify internal and external enablers and roadblocks affecting the fulfilment of IDBG PFM targets.
v. How do other efforts to bring in public co-financing resources (e.g., donors, other MDBs) complement PFM efforts?	Interviews with IDBG senior and operational staff.	Content analysis of interviews to a) describe the operational set-up that has fostered synergies within IDBG's public and private windows; and b) identify cases where pooling of public resources has supported or complemented PFM efforts.
2. OPERATIONAL LEVEL QUESTIONS		
PFM planning and programming		
i. How are PFM opportunities at IDBG identified at the operation, portfolio, and platform levels? How it compares to other MDBs?	Interviews with senior management and staff of the IDBG and other MDBs. Interviews with investors and clients. Annual reports of other MDBs and other publicly available reports and interviews with other MDBs.	Document review and content analysis of interviews to identify how PFM opportunities within IDBG are defined, at what level and how they relate to country contexts and strategies.
ii. How have PFM opportunities been incorporated in programming documents (e.g., IDBG country strategies or business plans in the case of IBD Invest)	IDB Invest operations manual and IDB internal policies and strategies (including country strategies). Interviews with senior management and staff.	Content analysis of documents and interviews to describe if and how PFM opportunities are systematically captured into the IDBG planning processes.

Question	Sources	Methods
PFM instruments		
iii. What are IDBG's PFM instruments and how do they compare to other MDBs?	Management Databases. Annual reports of other MDBs and other publicly available reports. Interviews with senior staff from IDBG and other MDBs.	Content review of documents, reports, and interviews to identify and compare PFM products and type of operations of IDBG and other MDBs. Statistical analysis of PFM trends by partners type, location and product used.
iv. What have been IDBG's PFM portfolio trends by instruments?	Management Databases. Interviews with investors and other PFM partners (including clients and governments).	Statistical analysis of PFM trends by partners type, location and product used. Content analysis of trends from interviews to explain IDBG's portfolio trends.
v. What actions has the IDBG done to fulfill client and co-investor needs in terms of instrument portfolio?	Interviews with investors and other PFM partners (including clients and governments).	Content analysis of interviews to categorize requirements and needs from investors and how IDBG has responded to these.
vi. How does the IDBG interact with other DFIs and MDBs to complement PFM instruments?	Interviews with IDBG and other MDBs senior and operational staff.	Content analysis of interviews to identify and describe cases where IDBG pooling of public resources has supported/complemented PFM efforts.
Partnership creation and management		
vii. Who are IDBG's PFM clients and co-investors?	Management Databases.	Statistical analysis of data on PFM instruments.
viii. What PFM volumes is the IDBG mobilizing by investors type, including domestic investors?	Management Databases.	Statistical analysis of data on PFM instruments by investor type.
ix. What are the investors' requirements to participate in IDBG originated projects (e.g., bankable projects)?	Interviews with investors and other PFM partners (including clients and governments). Product documents.	Content analysis of interviews to identify, categorize and explain factors that investors and partners of IDBG consider relevant to participate PFM projects.
x. What is IDBG client perspective on PFM?	Interviews with IDBG clients. Product documents.	Content analysis of interviews to identify, categorize and explain factors that IDBG clients consider relevant to participate PFM projects.
xi. How does the IDBG interact with other DFIs and MDBs to complement PFM instruments?	Interviews with IDBG senior and operational staff.	Content analysis of interviews to identify and describe cases where IDBG pooling of public resources has supported/complemented PFM efforts.

Question	Sources	Methods
Internal Incentives and operational set-up		
xii. What are IDBG policies and operational set-up for PFM?	Strategic and operational documents. Interviews with IDBG senior and operational staff.	Document review of strategy documents, operational and governance manuals to identify and describe IDBG policies and operational set up for PFM. Content analysis of interviews to ascertain and qualify the environment and setup to foster PFM activities.
xiii. What are the targets and incentives to foster PFM at the IDBG?	Interviews with IDBG senior and operational staff.	Content analysis of interviews to describe and qualify targets and incentives to foster PFM.
xiv. What are the collaboration actions and levers between IDB and IDB Invest to foster PFM?	Strategic and operational documents. Interviews with IDBG senior and operational staff.	Review of strategic and operational documents to identify and describe coordination and learning mechanisms between IDB and IDB Invest to foster PFM. Content analysis of interviews to ascertain if formal mechanisms are used, or the existence of other types of collaboration actions and levers between IDB and IDB Invest to foster PFM.
Monitoring and Evaluation		
xv. What are the monitoring and evaluation systems of PFM at IDBG?	Strategic and operational documents. Mobilization and management databases. Interviews with IDBG senior and operational staff.	Review of strategic and operational documents to describe current monitoring and evaluation systems or practices for PFM. Content review of documents and reports from PFM operations to verify and qualify PFM monitoring and evaluation systems. Content analysis of interviews to assess PFM monitoring and evaluation practices and needs.
xvi. How have M&E systems evolved over time?	Strategic and operational documents. Mobilization and management databases. Interviews with IDBG senior and operational staff.	Review of strategic and operational documents to ascertain the changes of M&E systems over time. Review of operations with a component of PFM to corroborate and qualify the changes of M&E systems over time. Content analysis of interviews to explain the changes in M&E systems over time.

Question	Sources	Methods
<p>xvii. What are the existing learning mechanisms internally at the IDBG and externally for MDB's experience?</p>	<p>Strategic and operational documents. Mobilization and management databases. Interviews with IDBG senior and operational staff.</p>	<p>Review of strategic and operational documents to establish the existence and characteristics of learning mechanisms. Content analysis interviews to assess the adequacy and use of existing learning mechanisms.</p>

Note: For all the stocktaking questions OVE acknowledges the following potential limitations: (1) the information needed from strategic, managerial, and operational documents as well from databases may not be available, and (2) the information obtained from interviews is inconsistent or insufficient. OVE will identify these cases in the final report and how these gaps were addressed if possible.

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