



08



EVALUATION OF IDB GROUP'S WORK THROUGH FINANCIAL INTERMEDIARIES

OVE SURVEY OF IDBG STAFF

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Washington, D.C. 20577
www.iadb.org/evaluation

Conducted activities

- 37 investment officers interviewed
- Selection Criterion: Most experienced (# of approved operations)

Department	Cut-off (Approved Operations)	Interviewees
IIC	> 5 operations	10
SCF - FMK	> 5 operations	11*
IFD - CMF	> 1 operation	8
OMJ	> 1 operation	5
MIF	> 1 operation	4
Total		38

- Covered operations: 65%
- Covered approvals: \$11.24 billion (66% of the 2005 -2014 period)
- Dates: Sep. 2nd – Sep. 16th, 2015
- Format: 50 min interviews with 10 standardized questions + follow-ups (~5 min per question)

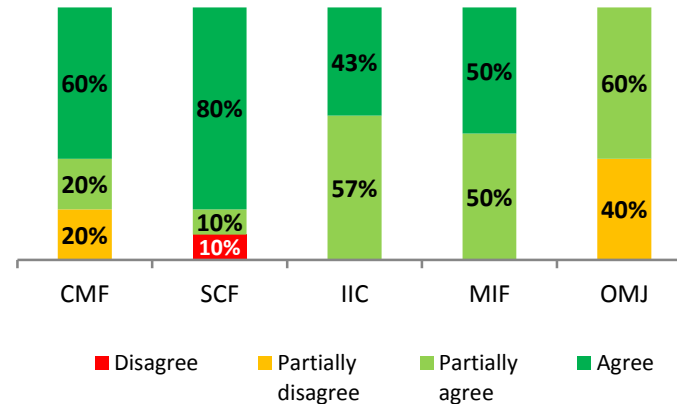
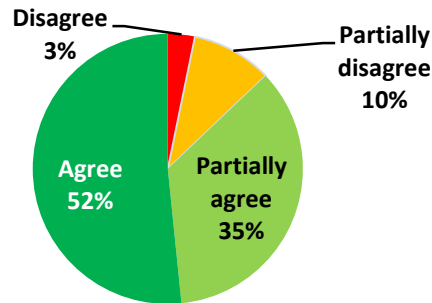
* 1 SCF officer was on leave during the interviews period

Objectives

- Understand from the perspective of Investment officers:
 - 1. What are FI Operations' development objectives and IDBG's strategy to achieve those objectives**
 - 2. How IDBG's policies, procedures and incentives affect the achievement of development goals**
 - 3. To what extent financial instruments and technical assistance are effective to incentivize FIs to attain development goals**
- Obtain qualitative information to guide the evaluation
- Increase the participation of management in the evaluation process by encouraging IOs to express their opinions and propose recommendations

1. Operations' objectives

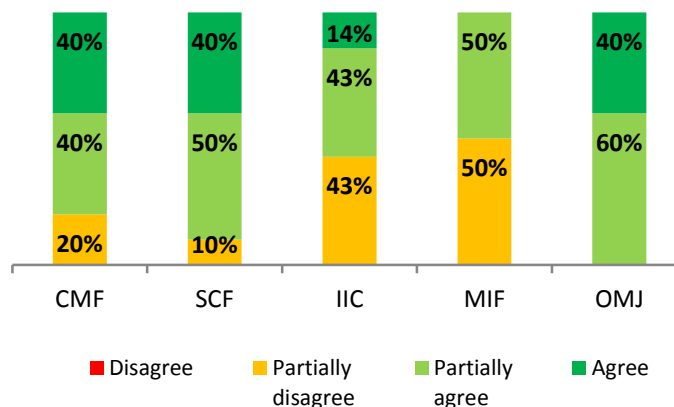
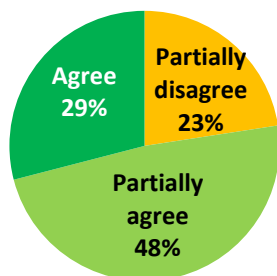
Do you consider IDBG's FI operations' **development objectives are clearly defined?**



- Most IOs perceive high-level objectives are clear (e.g. increase SME productivity), but specific objectives and logic frameworks are set at operation level
"for each operation you have to prepare the development argument from scratch"
- Many IOs interpret objectives as expected outcomes for financial beneficiaries (e.g., serve the BOP, reach women and house owners, etc.). Market-wide objectives were also mentioned (e.g., increase competition, advance FIs' development)

2. IDBG Strategy

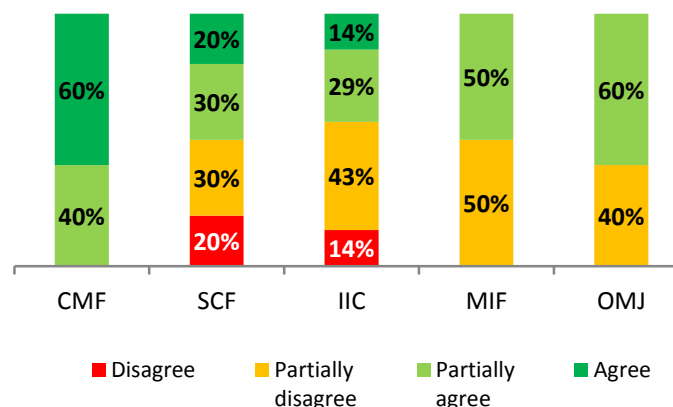
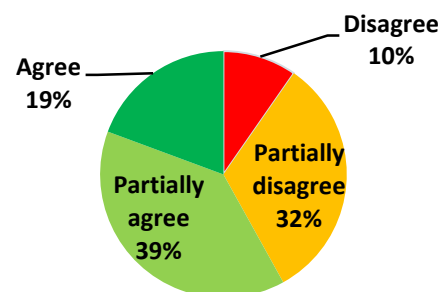
Do you consider IDBG has a **clear strategy that guides** your FI operations to achieve those goals ?



- Most IOs perceive there is a strategy, however they consider it could be more detailed:
 - ❖ **OMJ** has a clear mandate of **serving the BOP** (base of the pyramid)
 - ❖ **SCF** mostly uses vision targets and **Beyond Banking**
 - ❖ **IIC** and **CMF** officers mentioned there is **no explicit guidance**, they have relative independence to structure operations and define objectives case by case
- Some IOs perceive strategies are developed over time:
 - “SCF developed an ad-hoc strategy that passed from growth-focused lending with relaxed use of proceeds to a more defined agenda (Beyond Banking) and being more selective”*

3. FI Selection

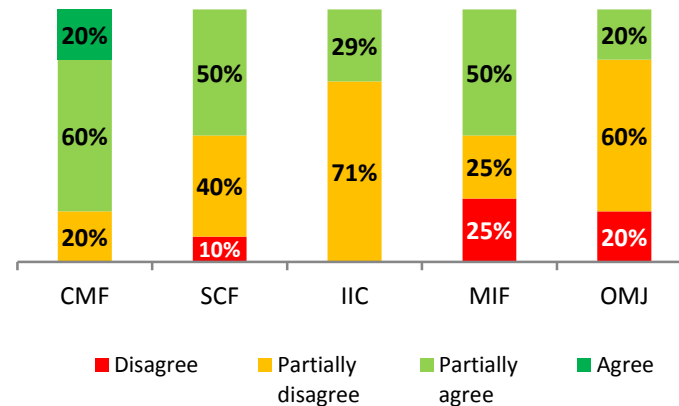
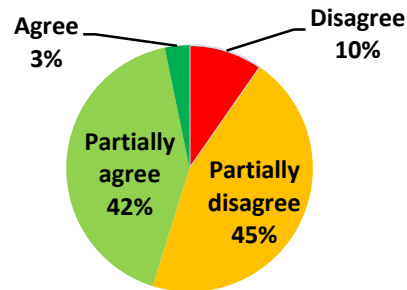
Do you consider the maximization of development objectives is the **main factor to select FIs?**



- Private sector windows select FIs considering a combination of: (1) *credit worthiness*, (2) *strategic match between FIs' and IDBG priorities*, and (3) *interest in working with IDBG*:
 - IIC emphasizes a portfolio view** (large FIs are selected to achieve volume and profitability allowing margin of action to serve smaller FIs)
 - SCF emphasizes strategic match** (i.e., interest of the FI in developing IDBG sectors)
 - OMJ** prefers to work with **bigger FIs** that are willing to innovate to reach the BOP
 - MIF** focuses on **smaller FIs** (NBFIs) to achieve demonstration effects
- CMF has a defined scope**: public banks. Selection and operation amounts depend on country priorities
- Many IOs use a **combination of approaching to FIs and receiving projects** as they come. They tend to work their pipelines individually, and gradually develop specialization in products and regions
- When prospecting FIs, most private sector windows work with CFOs. Some IOs indicated that when they work with **product managers**, they have more opportunities to **influence the FIs' agenda**

4. Approval process

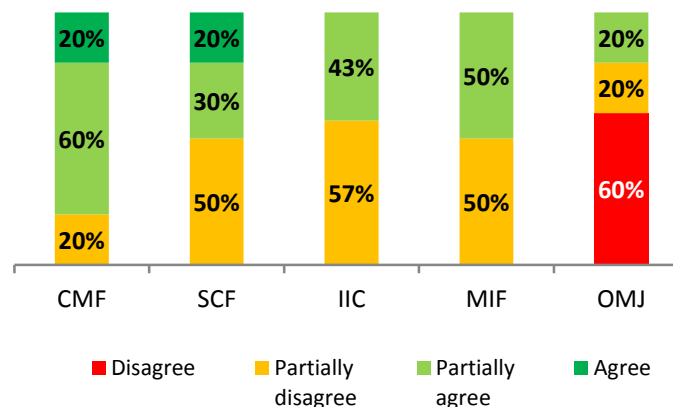
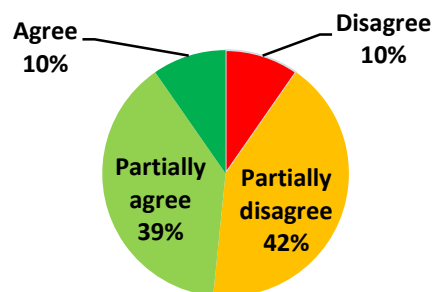
Do you consider **the process of eligibility and approval of operations** contributes to the achievement of development goals?



- **Many IOs value IDBG's culture of consensus** in the structuring of operations as long as it contributes to improve development objectives. They value SPD/ESG teams in operation design, but information requirements can become excessive (in terms of what FIs can provide)
- Other IOs perceive FI operations' approval procedures **don't have the flexibility and efficiency** required by private sector
Example: approval procedures are not adapted by operation size and borrower type
- Some IOs perceive **the Board considers that large financial groups don't require IDBG funding** and that they produce low development outcomes. As a result, IOs perceive there is a negative bias towards operations with these groups

5. Operation closing

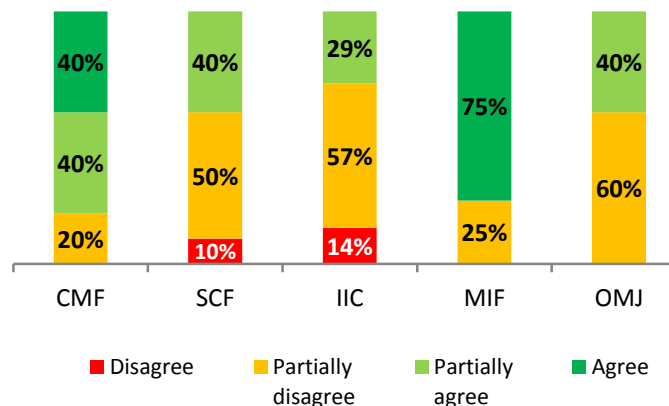
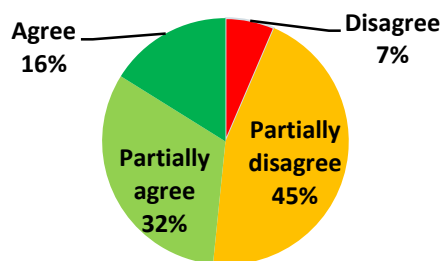
Do you consider **the closing and contracting process** adds value to the **achievement of development goals**?



- IOs have **mixed opinions**. Some considered that this **process is mostly indifferent** to the achievement of development goals. Others stressed the **importance of contracts to track** development objectives
- Some IOs pointed that out-of-market conditions prevents closing of operations. For example:
 - **Contracts are prepared in English and US law**, increasing signing costs for smaller FIs

6. Financial Instruments

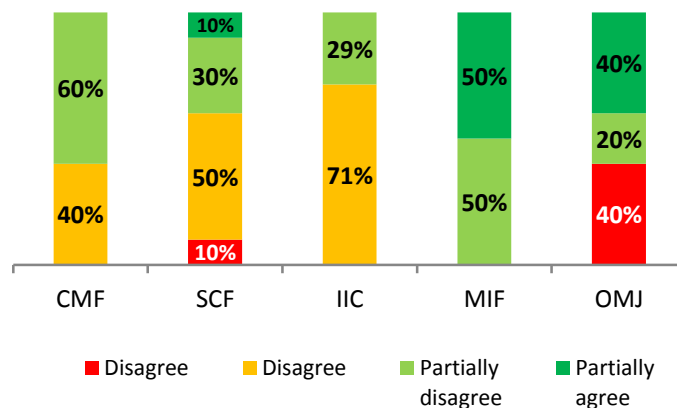
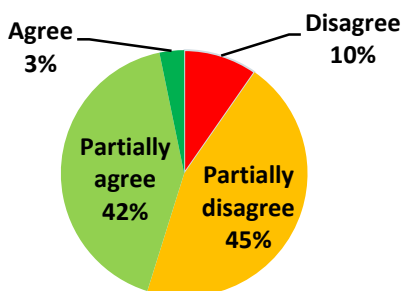
Do you consider IDBG's **financial instruments** are sufficient to **incentivize FIs** to advance development objectives?



- Most IOs consider they have somewhat adequate instruments to work effectively with FIs:
 - **SCF is trying to advance value-added instruments** (e.g., green-lending, WEB) and create incentives to work with IDB (e.g., Beyond Banking awards)
 - **MIF considers they have flexibility** and adequate balance between equity (common and preferred) and loans (junior + senior)
 - **CMF considers loans are functional**
- IOs point out the following challenges to current instruments:
 - Some IIC IOs mentioned the need for incentives and more added-value products (e.g., green lines)
 - All windows mentioned the **need for local currency** products (except for the cases where the IDB made an emission in local markets)
 - Some IOs mentioned guarantees and risk sharing facilities could be used more frequently
- IDB private sector windows (SCF and OMJ) pointed to the **lack of equity**

7. Technical Assistance

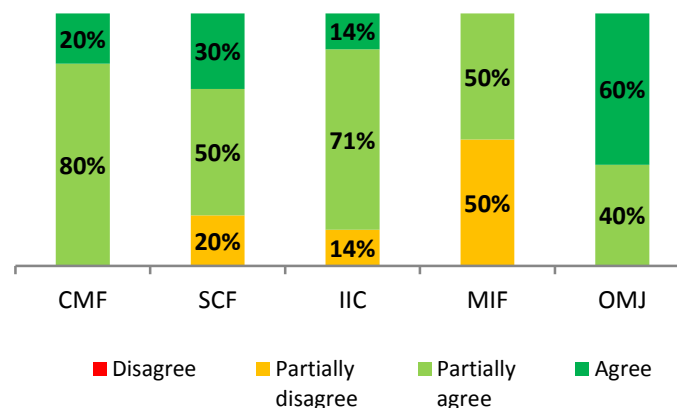
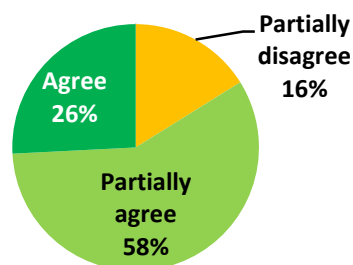
- Do you consider IDBG uses **technical assistance** strategically to support FIs in **removing development constraints**?



- IOs perceive **is increasingly difficult to obtain TA for private sector operations** (they compete for funds with public sector projects)
 - SCF and IIC IOs mentioned more frequently the unavailability of TAs
- Some the uses of the TA mentioned by IOs:
 - Develop **capacities within FIs** (e.g., assessing risk) and **attracting demand** (e.g., informing about products)
 - Generate capabilities to comply with IDBG's best practice requirements (e.g., ESG standards)
- Many IOs consider TA can be used to help FIs implement good practices. Some of the topics mentioned were: ESG standards, corp. governance, financial education, AML, risk management

8. ESG Standards

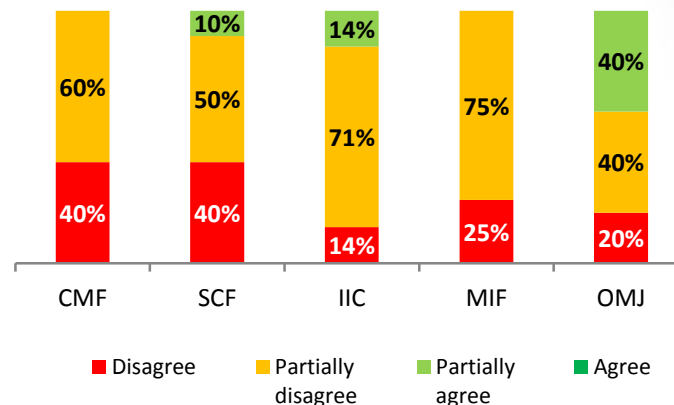
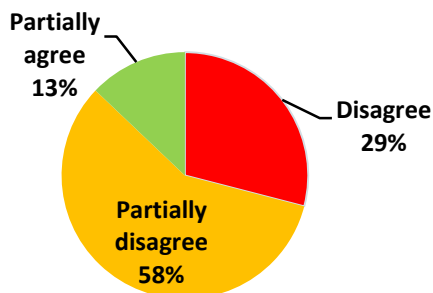
- Do you consider IDBG's ESG requirements are effective?



- Most NSG IOs consider ESG requirements to be **effective and reasonable**
 - OMJ, SCF and IIC consider larger FIs already have ESG management systems in place. The challenge is for smaller banks and NBFIs
 - Many IOs mentioned FIs and the public are more conscious about the topic
- Many IOs consider **IDBG should invest in training FIs to comply with ESG standards**
 - IIC's training (sustainability week) is very helpful to understand the importance of ESG risk management, but additional support to implement ESG standards is scant but needed
- Some IOs mentioned challenges when structuring products. Particularly on how to **adapt ESG requirements** to the capacities of FIs (especially the smallest)

9. IOs' Incentives

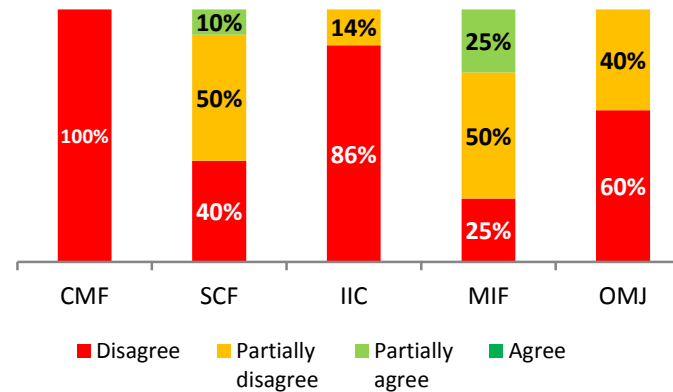
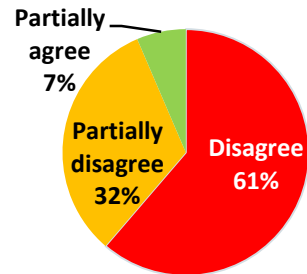
- Do you consider that **attaining development goals** is the **main factor to decide incentives** and career development?



- Large majority of IOs mentioned they are evaluated mainly on **approvals and disbursements**
- Some IOs also mentioned that other variables have been considered:
 - SCF and IIC** mentioned that **specialization and doing innovative operations** is also highly valued, and that working with **C/D countries** and with **smaller FIs** is also considered in the evaluation
 - Some IOs mentioned that MIF also includes **knowledge products** in the evaluation
 - Some IOs asserted that the DEM/DIAS score is included in their evaluations
- IOs consider that evaluating them based on the achievement of development outcomes have the following challenges:
 - IOs are evaluated on a yearly basis whereas results are achieved in longer timeframes
 - Not all development outcomes can be tracked and not all of them depend on IDB

10. Coordination

- Do you consider current coordination mechanisms between IDBG windows are effective to achieve development objectives?



- Most IOs consider that **coordination is limited**. When it exists is based on personal relations (formal coordination mechanisms are limited)
- Some IOs consider there is **coordination between division managers**, and that being in a **COF allows additional coordination** opportunities
- Some IOs indicated that in some cases there is **competition and overlap between pipelines**. They consider collaboration needs to be incentivized
- Recently, more coordination has been built between private sector windows
Ex.: SCF is starting to work joint projects with MIF (TAs) and OMJ (fund mobilization)

