



IDB INVEST
Disclosure Statement

Operating Principles for
Impact Management

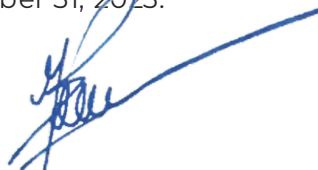
April, 2024

Disclosure Statement
Operating Principles for Impact Management

IDB Invest
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IDB Invest (formally called the “Inter-American Investment Corporation”) is a founding signatory to the Operating Principles for Impact Management (the Impact Principles). The Impact Principles provide a reference point against which the impact management systems of funds and institutions may be assessed. They draw on emerging best practices from a range of asset managers, asset owners, asset allocators, and development finance institutions.

This Disclosure Statement affirms that IDB Invest’s core/client businesses are managed in alignment with the Impact Principles. The core/client business includes (a) impact management systems; (b) policies and practices; (c) financing; (d) guarantees; and (e) third-party mobilization funds. Total assets under management in alignment with the Impact Principles is US\$ 21.0 billion¹ as of December 31, 2023.^{4 5}



James P. Scriven
IDB Invest General Manager
April 30th, 2024

¹ IDB Group’s private sector development-related investments for the year ended December 31, 2023, include the following amounts:

- IDB Invest’s development-related portfolio²: \$8.8 billion.
- IDB’s private sector development-related portfolio²: \$4.3 billion.
- IDB Group’s private sector donor fund’s portfolio²: \$0.8 billion.
- IDB Invest’s managed participation arrangements³: \$5.2 billion.
- Total undisbursed commitments for IDB Invest and IDB private sector: \$1.9 billion.

² Includes development-related loans, guarantees, debt securities, and equity investments at cost. Guarantees provided by the IDBG managed donor funds may cover IDBG’s own account exposure.

³ Includes A loans, B loans and B bonds.

⁴ Excluding liquidity management.

⁵ The sole purpose of this Disclosure Statement is to fulfill IDB Invest’s obligations pursuant to Principle 9. This document shall not constitute and should not be construed as an offer, solicitation or invitation to buy or sell any securities, financial instruments or services whether described herein or otherwise, or as any prospectus or investment-related advice in relation thereto, nor is it intended to form the basis of a decision to participate in any investment. IDB Invest makes no guarantee or other promise as to any outcomes, including any financial or development impact results that may be obtained from the practices disclosed in this statement. While past performance may be analyzed in this Disclosure Statement past performance should not be considered indicative of future performance. Accordingly, IDB Invest shall not have any liability to any of the recipients of this Disclosure Statement nor to any other party in connection with or arising in any way from, or in relation to, the information or any opinions expressed in this Disclosure Statement and IDB Invest does not accept any responsibility whatsoever for any action taken, or omitted to be taken by any party on the basis of any matter contained in, or omitted from, the Disclosure Statement.

Principle 1- Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

- IDB Invest, a member of the Inter-American Development Bank (IDB) Group, is a multilateral development bank committed to promoting the economic development of its member countries in Latin America and the Caribbean through the private sector. IDB Invest provides financial and non-financial solutions to companies and projects to achieve financial results and maximize economic, social, and environmental development in the region.
- At the IDB Group level, the IDB Group Institutional Strategy focuses IDB Invest's strategic priorities on areas where the private sector shows potential for significant contributions to the IDB Group's goals. The IDB Group's Institutional Strategy,¹ together with its Country Strategies² that articulate the work of the IDB Group in each of its borrowing member countries, further define the IDB Group's vision and guide its actions. The implementation of the IDB Group's Institutional Strategy is monitored through its Corporate Results Framework (CRF), which sets institutional targets that map directly to the UN Sustainable Development Goals (SDGs).³ Every active project within the portfolio links to corresponding SDG targets.
- At the organizational level IDB Invest's strategic framework is guided by the Renewed Vision, which reflects the Board of Governors' long-term mandate for IDB Invest to maximize development impact and provide access to financing, technical knowledge, and sectoral expertise to clients in the region. In March 2024 IDB Invest's Board of Governors approved a resolution endorsing IDB Invest+, a [New Vision and Business Model for IDB Invest](#). IDB Invest+ will supersede the Renewed Vision.
- IDB Invest's strategic framework is implemented through its Business Plan, which establishes the areas of focus and performance indicators, usually for a three-year period, in alignment with the Renewed Vision and the Institutional Strategy. The current Business Plan "The Pivot Year" was approved for one-year, in anticipation of the approval of IDB Invest+. Action Plans and Roadmaps, which serve to implement specific strategic objectives outlined in the Business Plan, are also part of the strategic framework.
- Through its Impact Management Framework⁴ which includes an end-to-end series of proprietary tools and practices to support the full project lifecycle from deal origination and structuring to monitoring, evaluation, learning, and knowledge management—IDB Invest actively selects projects based on their potential to generate measurable development impacts alongside financial sustainability, focusing on targeted country and sector development gaps.

¹ The IDB Group Institutional Strategy valid for 2023 (<http://dx.doi.org/10.18235/0001795>) was approved in 2010 and was updated in 2015 and again in 2019. In March 2024, the Boards of Governors of IDB and IDB Invest approved IDB Strategy+, a new Institutional Strategy which supersedes the previous strategy and is available here: <https://www.iadb.org/document.cfm?id=EZIDB0000578-1982496917-493>.

² www.iadb.org/en/about-us/country-strategies.

³ <https://crf.iadb.org/en/sdgs>.

⁴ For a detailed description of IDB Invest's Impact Management Framework see: www.idbinvest.org/impact.

Principle 2 - Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- IDB Invest's Impact Management Framework is rooted in a portfolio approach (referred to as Portfolio 2.0) that systematically integrates development impact and financial management into investment decision-making and portfolio management. This process aims to construct a portfolio that delivers on IDB Invest's mission to maximize development impact and ensure long-term financial sustainability.
- Portfolio 2.0 is comprised of two critical tools: (i) the Development Effectiveness Learning, Tracking, and Assessment (DELTA) tool, an original, proprietary impact rating system developed by IDB Invest to score the ex-ante development impact potential of each one of its transactions, as well as to monitor impact performance during project execution (as described below); and (ii) the Financial Contribution Rating (FCR), which measures the financial contribution of each transaction to IDB Invest, based on the risk-adjusted return on capital (RAROC).
- Proposed investments need to meet certain impact and financial contribution rating thresholds in order to advance. These "hurdle rates" are on a sliding scale, with decreasing financial contribution requirements for highly impactful projects.
- IDB Invest's Strategic Selectivity tool helps monitor project selection across the portfolio in line with the institutional priorities established in its business plan, including a focus on small and island and vulnerable countries; micro, small and medium enterprises; climate change; gender equality, and diversity and inclusion.
- The DELTA also monitors impact performance across the portfolio by tracking the achievement of investment results during execution on an annual basis. Results are housed in an analytics platform (see Principle 6), which produces portfolio insights from a development impact perspective to inform decision-making. Impact results achieved during supervision are presented quarterly to IDB Invest's Portfolio Supervision Committee, aggregated at the portfolio level in quarterly reports to IDB Invest's Board of Executive Directors, and reported annually in the Development Effectiveness Overview (DEO),⁵ which is the IDB Group's flagship publication on results and impact and reports progress against indicators set in the IDB Group's Corporate Results Framework.⁶
- Finally, in terms of staff incentive systems, IDB Invest's Compensation and Rewards strategy includes incentives and recognition programs designed to reward the performance of employees at the individual and team levels in relation to the annual objectives that are linked to the impact of IDB Invest.

⁵ <https://publications.iadb.org/en/development-effectiveness-overview-deo-2023>.

⁶ <https://crf.iadb.org/en>

Principle 3 - Establish the Manager's contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels.^a The narrative should be stated in clear terms and supported, as much as possible, by evidence.

^a For example, this may include: improving the cost of capital, active shareholder engagement, specific financial structuring, offering innovative financing instruments, assisting with further resource mobilization, creating long-term trusted partnerships, providing technical/market advice or capacity building to the investee, and/or helping the investee to meet higher operational standards.

- IDB Invest assesses both the expected development impact and “additionality”⁷ of each investment as part of the structuring and approval process using the DELTA Impact Rating System. IDB Invest’s contribution to the achievement of impact is reflected in the DELTA Project Score assigned to each transaction.
- “Additionality,” which is central to the mandate of IDB Invest and is embedded in its founding documents,⁸ refers to the key financial and non-financial inputs brought by IDB Invest to make the project or investment happen, make it happen sooner than it would otherwise, and/or improve its development impact and sustainability. The definition of the concept of additionality, the taxonomy of the different types of additionality (financial and non-financial), and the type of evidence needed to demonstrate additionality are defined in the document “Multilateral Development Banks’ Harmonized Framework for Additionality in Private Sector Operations”.^{9 10}
- Under IDB Invest’s additionality framework, all projects are assessed and scored in terms of their financial and non-financial additionality following explicit guidelines in the DELTA Impact Rating System.¹¹
- Valuing financial additionality through the DELTA Impact Rating System creates incentives to allocate IDB Invest resources where they are needed most, without crowding out the private sector. Financial additionality is assessed in two ways: (i) the extent to which IDB Invest provides financing for investments that the market alone would not provide sufficient (or any) resources for at the proper conditions, or the needed innovative financial structures and instruments (i.e., terms and conditions); and (ii) resource mobilization capacity of the investment.
- The DELTA scores non-financial additionality by assessing the non-financial inputs that IDB Invest is providing to make the operation possible, strengthen its impact, and/or mainstream the adoption of sustainable practices, in areas such as environmental and social standards, corporate governance, and gender equality and diversity, among others. For example, a project scores in the “gender equality” additionality criteria if actions taken by IDB Invest lead to meaningful, measurable improvements in gender policies and/or practices at the client level.

⁷ See footnote 4.

⁸ The [Agreement Establishing the IIC](#), Article III, Section 3, that established, among other Operating Principles, that the Corporation (c) shall provide financing on term and conditions which it considers appropriate taking into account the requirements of the enterprises, the risks assumed by the Corporation and the terms and conditions normally obtained by the private investors for similar financings; and (g) shall not undertake any financing for which, in its opinion, sufficient capital could be obtained on adequate terms.

⁹ See footnote 4.

¹⁰ For more on additionality see: “MDB Harmonized Framework for Additionality in Private Sector Operations”.

(<https://www.idbinvest.org/en/publications/report-multilateral-development-banks-harmonized-framework-additionality-private>).

¹¹ See footnote 4.

Principle 4 - Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact^a potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact?^b The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards^c and follow best practice.^d

^a Focus shall be on the material social and environmental impacts resulting from the investment. Impacts assessed under Principle 4 may also include positive ESG effects derived from the investment.

^b Adapted from the Impact Management Project (www.impactmanagementproject.com).

^c Industry indicator standards include HIPSO (<https://indicators.ifipartnership.org/about/>); IRIS (iris.thegiin.org); GIIRS(<https://giirs.org/about-giirs/how-giirs-works>) ; GRI (<http://www.globalreporting.org/Pages/default.aspx>); and SASB (www.sasb.org), among others.

^d International best practice indicators include SMART (Specific, Measurable, Attainable, Relevant, and Timely), and SPICED (Subjective, Participatory, Interpreted & communicable, Cross-checked, Empowering, and Diverse & disaggregated), among others.

- IDB Invest has a dedicated Development Effectiveness team, consisting of development economics and finance professionals, that is responsible for carrying out impact measurement and management activities throughout the investment lifecycle.
- IDB Invest's systematic approach to assessing the expected impact of each investment is centered on the DELTA, a rigorous, evidence-based impact rating system. The DELTA is used throughout the project cycle from the ex-ante assessment to the ex-post evaluation to track and measure progress against the achievement of impact targets.¹²
- There are four key building blocks underpinning the DELTA Project Score:
 - **Economic Analysis.** Estimates both the benefits and costs of the proposed investment to the economy and society and calculates an overall Economic and Social Rate of Return.
 - **Beneficiary and Stakeholder Analysis.** Complements the Economic Analysis by focusing on who will benefit and how, ensuring that the impact on specific beneficiaries is properly accounted for and rewarded in the DELTA Project Score.
 - **Sustainability Analysis.** Ensures that the proposed investment is financially sustainable and meets ESG standards based on the assessment carried out by IDB Invest credit and ESG specialists, respectively.
 - **Additionality Analysis.** Ensures that IDB Invest provides financing beyond what is available in the market, without crowding out, and when needed, offers advisory services or knowledge to strengthen the operation's impact and/or build client capacity for long-term sustainability.
- In turn, the DELTA Project Score is divided into two sections: (i) Development Outcome, which captures project impacts and systemic effects on market creation and sector development; and (ii) Additionality (as described in Principle 3). The DELTA also includes an evaluability score to assess whether the project is designed in a way that allows development impact to be evaluated and verified ex-post.

¹² See footnote 4.

- Counterfactual analyses, which look at what would happen in the absence of the investment, and risk assessments are embedded within the DELTA. In addition, to consider the uncertainty carried by future costs or benefits, IDB Invest performs sensitivity analyses to test the robustness of the economic rate of return against different scenarios, such as a drop in commodity prices or energy demand.
- The DELTA is accompanied by a Results Matrix following the vertical logic of the project and a Monitoring and Evaluation Plan. The Results Matrix includes output and outcome indicators and yearly targets that are tracked throughout the life of the project. These indicators are aligned, to the extent possible, with industry standards, including the [Joint Impact Indicators](#), the Harmonized Indicators for Private Sector Operations (HIPSO) and IRIS+, and best practices (SMART). The Monitoring and Evaluation plan contains additional relevant indicators aligned to business priorities and other project components, such as advisory services, to ensure adequate performance monitoring and evaluability.
- Both the DELTA and Results Matrix are created and updated in IDB Invest's Business Process Management System.
- Furthermore, in 2023 IDB Invest launched a series of "Impact Models" to ensure greater consistency in the analysis of the expected impact of comparable investments, or "sub-portfolios" of investments. The Impact Models outline the shared theory of change underpinning these operations, as well as IDB Invest's systematic approach to measuring their expected impact. The models also review existing evidence and relevant lessons learned that can help maximize the effectiveness of these types of operations. IDB Invest will continue to develop more Impact Models in 2024.

Principle 5 - Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG)^a risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice.^b As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

^a The application of good ESG management will potentially have positive impacts that may or may not be the principal targeted impacts of the Manager. Positive impacts resulting from ESG matters shall be measured and managed alongside with, or directly embedded in, the impact management system referenced in Principles 4 and 6.

^b Examples of good international industry practice include: IFC's Performance Standards (www.ifc.org/performancestandards); IFC's Corporate Governance Methodology (www.ifc.org/cgmethodology), the United Nations Guiding Principles for Business and Human Rights (www.unglobalcompact.org/library/2); and the OECD Guidelines for Multinational Enterprises (<http://mneguidelines.oecd.org/themes/human-rights.htm>).

- IDB Invest's Sustainability Framework sets the criteria, policies, and standards that enhance the environmental, social and corporate governance (ESG) sustainability of the investments financed by IDB Invest.
- The Framework includes an Environmental and Social Sustainability Policy¹³ ("Sustainability Policy") and a "Exclusion List", both effective December 15, 2020, and IDB Invest's Access to Information¹⁴ Policy, effective January 1, 2020, as well as the Corporate Governance Guidelines and Methodology.
- The Sustainability Policy describes core responsibilities and requirements both for IDB Invest clients, and for the institution itself during environmental and social (E&S) appraisal and supervision. The Sustainability Policy reflects IDB Invest's commitment to emerging priorities, such as Climate Change Adaptation, Mitigation and Low Carbon Development and Gender Risk Management and Equality. It references the IFC Performance Standards on Environmental and Social Sustainability and the World Bank/IFC Environmental, Health and Safety (EHS) General and Industry Guidelines^{15a} which establishes the specific client requirements for E&S safeguards and are widely accepted standards in the international finance community.
- IDB Invest's Access to Information Policy reflects its commitment to enhancing transparency and accountability in its activities, aspects that the institution considers necessary and fundamental to fulfill its sustainable development purpose. IDB Invest discloses the project's Investment Summary, E&S Review Summary, and E&S Action Plan on its website¹⁶ at least 30 days prior to Board approval. For high-risk projects, the client's E&S documentation is disclosed at least 60 days prior to Board approval and the E&S Action Plan is updated annually on the website. IDB Invest has also implemented a channel to respond to requests for information on its projects and activities.
- IDB Invest undertakes E&S due diligence on all projects, assessing the client's ability and commitment to achieve E&S outcomes consistent with the Sustainability Policy.

¹³ See: <https://idbinvest.org/en/sustainability>.

¹⁴ See: <https://www.idbinvest.org/en/access-information-policy>.

¹⁵ See: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines.

¹⁶ See: <https://www.idbinvest.org>.

- IDB Invest assigns each project an E&S categorization to reflect the level of E&S risk (i.e., for direct investments: A, B and C; and for financial intermediary investments: FI-1, FI-2, and FI-3). IDB Invest E&S specialists conduct the E&S due diligence and prepare an E&S Review Summary describing the project's key impacts and mitigation measures, and, where relevant, an E&S Action Plan listing the actions required by the client to comply with IDB Invest's E&S policy requirements.¹⁷
- In relation to corporate governance (CG), risks are assessed according to the IDB Invest Corporate Governance Guidelines, which describe the IDB Invest Corporate Governance Methodology, risk-based priorities, and assessment responsibilities and requirements throughout the investment process and supervision. The IDB Invest Corporate Governance Guidelines are in line with the global Corporate Governance Development Framework,¹⁸ a common platform for evaluating and improving governance practices adopted by 35 development finance institutions in the world.
- IDB Invest conducts CG due diligence in each and all projects, assessing five key CG attributes: (1) the company's commitment to good CG; (2) structure and functioning of the Board of Directors; (3) control environment and processes; (4) transparency and disclosure; and (5) shareholders rights and treatment.
- IDB Invest assigns each project a CG risk assessment (high, medium or low) to reflect the level of CG risk and development opportunity in the project. IDB Invest CG specialists may prepare a CG Review Summary describing the project's risks and mitigation measures, and, where relevant, a CG Action Plan can become a contractual commitment or recommendation.¹⁹ IDB Invest supervises the client's' compliance with E&S and CG requirements and conditions on a regular basis, commensurate with the level of impacts and risks.
- The client's level of compliance with ESG requirements is also factored into the DELTA Project Score, along with any additional inputs (i.e., advisory services) provided by IDB Invest to enhance the client's ESG capacity and the client's/project's long-term sustainability.
- IDB Invest has implemented an institutional grievance mechanism (Management-Led Grievance Mechanism - MGM) with the aim to foster a proactive dialogue with stakeholders and communities that could be affected by projects financed or considering financing by IDB Invest. It strives to provide effective and timely responses to grievances related to ESG issues and enhance the quality of ESG risk management at the project and portfolio level.
- IDB Invest's Independent Consultation and Investigation Mechanism (MICI for its initials in Spanish) provides a mechanism and process independent from Management to: (i) investigate allegations by Requesters of Harm produced by IDB Invest's failure to comply with its Relevant Operational Policies in IDB Invest-Financed Operations; (ii) provide information to the Board of Executive Directors regarding such investigations; and (iii) be a last-resort mechanism for addressing the concerns of Requesters, after reasonable attempts to bring such allegations to the attention of Management have been made. IDB Invest is committed to implementing the project-related recommendations approved by the IDB Invest's Board of Executive Directors and considers the lessons learned from MICI cases in an ongoing effort to improve and continue to strengthen the supervision and implementation of its Sustainability Framework.

¹⁷ <https://www.idbinvest.org/en/sustainability>

¹⁸ See: <http://cgdevelopmentframework.com/>

¹⁹ See footnote 17.

Principle 6 - Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action^a The Manager shall also seek to use the results framework to capture investment outcomes.^b

^a Actions could include active engagement with the investee; early divestment; adjusting indicators/expectations due to significant, unforeseen, and changing circumstances; or other appropriate measures to improve the portfolio's expected impact performance.

^b Outcomes are the short-term and medium-term effects of an investment's outputs, while the outputs are the products, capital goods, and services resulting from the investment. Adopted from OECD-DAC (www.oecd.org/dac/).

- IDB Invest's Impact Management Framework is grounded in a portfolio approach that integrates impact and financial sustainability to steer investment decision-making and portfolio management. The framework comprises an end-to-end series of tools and practices to support the complete project lifecycle, including: (1) the Strategic Selectivity Scorecard to identify areas with the highest potential development impact within a given sector/country; (2) the DELTA Impact Rating System to both assess ex-ante impact potential and measure project impact performance against targets throughout implementation; (3) an analytics platform, the DEA (Development Effectiveness Analytics), to capture data and produce portfolio-level insights during project implantation and as a repository of lessons learned (see Principle 8); and (4) ex-post evaluations that are conducted for every operation and are externally validated (see Principle 8) and studies to generate knowledge and lessons learned and foster accountability.
- IDB Invest monitors the progress of each investment in achieving impact against expectations. Each investment contains a Results Matrix with indicators and targets and a Monitoring and Evaluation Plan that includes all relevant indicators (outcomes, outputs, and additional tracking indicators) to ensure adequate performance monitoring and evaluability. It specifies: (i) how often data will be collected; (ii) the method for data collection; (iii) data sources; and (iv) responsibilities for data collection and analysis. These aspects are agreed with the client and described in the project documentation, ensuring mutual understanding of reporting requirements for tracking impact performance.
- The DELTA tool is used to measure progress on outcome and output indicators against expected targets set in the Results Matrix at project approval. The DELTA Project Score is updated annually to reflect actual performance, and each project is classified as "satisfactory", "alert", "problem" or "lack of/ unclear data". These results are documented in Annual Supervision Reports, consolidated in quarterly Development Impact Supervision Reports, presented to IDB Invest's Portfolio Supervision Committee and in the quarterly updates to IDB Invest's Board of Executive Directors. Aggregate results are published and presented annually in the IDB Group's Development Effectiveness Overview report (DEO) and reported to IDB Invest's Board of Executive Directors.

- Changes in project DELTA ratings are monitored and factored into the tracking of portfolio progress toward delivering development outcomes. Similarly, the expected SDG contributions of each project in supervision are updated annually as part of the monitoring process, allowing for more precise accounting of SDG impact.
- Automation has allowed IDB Invest to improve how it visualizes the results achieved by the portfolio on an ongoing basis through its internal Impact Dashboard that was launched in 2022 and captures figures on the impact generated by IDB Invest at different levels, which can be disaggregated by year, region, country, and sector, among other filters.
- The monitoring process identifies opportunities for portfolio and development effectiveness officers to work with clients that may not be achieving impact targets according to expectations so they can pursue remedial actions, as appropriate. It also allows IDB Invest to engage in a continuous dialogue with clients about how to achieve the expected impact and/or strengthen their impact, as well as to add value through knowledge products (i.e., Client Impact DEBrief) that show the impact achieved by their operations during supervision.
- In 2023, IDB Invest launched a Preliminary Protocol for the identification, execution, and evaluation of corrective actions to increase the probability of project success. The protocol defines a formal process and provides guidance to identify and document the root causes of performance issues, actions needed to address them, and timelines and responsibilities for implementing them, as well as to ensure follow-up. The protocol is currently being piloted.

Principle 7 - Conduct exits considering the effect on sustained impact.

When conducting an exit,^a the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

^aThis may include debt, equity, or bond sales, and excludes self-liquidating or maturing instruments.

- Regarding debt and guarantee instruments, most of them are self-liquidating and thus do not require exit decisions. IDB Invest occasionally sells assets for capital optimization or limit management purposes. In this context, IDB Invest usually retains some exposure, and potential effects on the sustainability of the project's impact are considered in the decision by the Portfolio Supervision Committee.
- IDB Invest considers the status of development impact achieved at the time of exit and the effect on development, inclusive of ESG topics, when making exit decisions in its equity portfolio. This can potentially affect the timing, structure, and process of how and who to sell to.
- IDB Invest documents equity exit decisions and rationale through a memo approved by the corresponding approval level.
- Distressed operations that exit the Special Assets Division (SAT) and move back to the regular portfolio continue to follow the same monitoring and evaluation process defined in IDB Invest's Impact Management Framework.²⁰

²⁰ See footnote 4.

Principle 8 - Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

- The IDB Group's Evaluation Policy Framework establishes the scope and principles that guide evaluations, both for self-evaluation work conducted by IDB and IDB Invest, as well as for independent evaluation work conducted by the Office of Evaluation and Oversight (OVE).²¹
- OVE undertakes independent and systematic evaluations of the IDB Group's strategies, policies, programs, operations, activities, and systems and reports its findings to the IDB Group Boards, thereby contributing to accountability for development results and continuous learning and improvement.²² IDB Group Management develops action plans to respond to the recommendations of these evaluations.
- IDB Invest conducts a mandatory final self-evaluation for each operation in the portfolio once it reaches early operating maturity.²³ This evaluation compares the expected and actual impact of each project through a systematic assessment of its efficiency, effectiveness, relevance, and long-term sustainability, as well as the main lessons learned. The final rating of each evaluation is validated by OVE. Aggregate performance results are reported to the Board annually and disclosed publicly.²⁴
- Guided by its Impact Evaluation Framework²⁵ IDB Invest conducts more in-depth studies and impact evaluations for certain projects with the purpose of learning and accountability. Impact evaluations fill knowledge gaps, inform clients and IDB Invest of how to improve operational work, and provide important insights for operational and strategic investment decisions.
- Results from monitoring and evaluation are housed in the Development Effectiveness and Analytics (DEA) platform, which produces portfolio insights from a development impact perspective to inform decision-making. A series of dashboards allow IDB Invest to visualize data and analyze key factors driving operations' impact performance. For example, at the approval stage, a dashboard provides data on median DELTA scores and sub-scores, disaggregated by region, country-type, and sector. The supervision dashboard shows how the active portfolio is performing. The SDG dashboard tracks the percentage of portfolio transactions and financing amounts contributing to each SDG. The results of final evaluations and lessons learned from operations are also captured by the DEA platform, helping IDB Invest feed learning into the design of new operations and foster continuous improvement. An automated virtual assistant facilitates feedback loops by automatically matching relevant lessons from past operations to new ones in the pipeline.

²¹ See: <https://www.iadb.org/en/ove/home>.

²² See footnote 4.

²³ While the definition of EOM varies across project types and financial instruments, in general, EOM is defined by the date when the loan has been fully disbursed, the project has been implemented, and has started to have development impact.

²⁴ See: <https://publications.iadb.org/en/development-effectiveness-overview-deo-2023> and <https://crf.iadb.org/>.

²⁵ Impact evaluations are selected based on the following guiding principles: (1) the operation is highly representative of existing or potential business lines for IDB Invest; (2) the operation includes innovative business solutions with important development impacts that can trigger systemic effects; and (3) the operation's prominence, size, and/or systemic impact on a country or industry is substantial, warranting more precise reporting of its effects on stakeholders.

- Additionally, IDB Invest strives to preserve value by maintaining the going concern of distressed assets and seeking non-financial additionality in recovery strategies. The Special Assets Division (SAT) focuses on learning, which usually remains internal given the sensitivity of SAT-managed transactions and the confidentiality of restructuring/recovery. SAT uses an internal digital platform to capture, reflect, and disseminate knowledge, and turn lessons learned into best practice. It also offers quarterly presentations to inform IDB Invest employees about lessons learned. Lessons feed into new projects with the help of a virtual assistant tool that automatically matches relevant lessons from past operations to new ones in the pipeline. Since 2022, SAT has been doing additional portfolio analyses of E&S issues on a case-by-case basis in order to identify and quantify E&S risks and generate internal lessons.

Principle 9 - Publicly disclose alignment with the Principles and provide regular independent verification^a of alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

^a The independent verification may be conducted in different ways, i.e., as part of a financial audit, by an independent internal impact assessment committee, or through a portfolio/fund performance evaluation. The frequency and complexity of the verification process should consider its cost, relative to the size of the fund or institution concerned, and appropriate confidentiality.

- This Disclosure Note re-affirms the alignment of IDB Invest's procedures with the Impact Principles and will be updated annually.
- The independent verification report on the alignment of IDB Invest with the Operating Principles for Impact Management is available at: [Independent Verification – April 2024](#). The independent verification is expected to be completed every 3 years.
- The information on the current independent verifier is:

Name and Address: Office of the Executive Auditor of the IDB
1350 New York Avenue NW
Washington, DC 20577

Qualifications: The Office of the Executive Auditor (AUG) provides independent and objective assurance and advisory services designed to add value and continuously improve the IDB Group operations by bringing a systematic, disciplined approach to access and improve the effectiveness of governance, risk management, and control processes. AUG's activity, authority, responsibility and organization are established in its Charter which is aligned with relevant professional standards. Integrity, professionalism, objectivity, and confidentiality in the provision of value-added services are the cornerstones of our activities.

Most Recent Review: April, 2024

Next Planned Review: April, 2027

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