

## REQUEST FOR EXPRESSIONS OF INTEREST CONSULTING SERVICES

REOI # *IDB Invest 24-005 Rethinking Blended Finance Funds Administration*

Department: INO

Selection Method: Formal Competition

Beneficiary Country: Regional (Corporate Procurement)

The Inter-American Investment Corporation (IDB Invest) aims to be the partner of choice for the private sector in Latin America and the Caribbean. We finance projects to advance clean energy, modernize agriculture, strengthen transportation systems, and expand access to financing. For more information about IDB Invest please refer to IDB Invest's website at [www.idbinvest.org](http://www.idbinvest.org)

### *Section 1. Purpose of this REOI*

- 1.1 IDB Invest intends to contract consulting services described in this Request for Expressions of Interest (REOI). The purpose of this REOI is to obtain sufficient information to enable IDB Invest to evaluate if the eligible<sup>1</sup> consulting firms have the experience and qualifications relevant to the consulting services requested by IDB Invest. After the REOI process is completed, IDB Invest intends to issue a Request for Proposal (RFP) to those firms IDB Invest deems qualified and select one firm to establish a consulting services contract.
- 1.2 All eligible consulting firms, as defined in the [IDB Invest Procurement Manual](#) may submit an expression of interest (EOI). Consulting firms that have the required experience and competence relevant to the assignment shall be assessed and compared, and the best qualified and most experienced firm shall be selected. An Evaluation Panel will conduct the assessment and ranking of the EOI submitted by the consulting firms that expressed interest. The best-ranked consulting firm(s) will then be invited to continue further in the procurement process. This REOI sets out the criteria IDB Invest will apply for this short-listing process in Paragraph 3.2.
- 1.3 This REOI is not to be construed as either an RFP or an offer to contract and in no way obligates IDB Invest to do so. IDB Invest reserves the right to reject any or all participating consulting firms for any reason or for no reason without recourse, to request substitution and/or clarification of any information provided, to ask for interviews with the firm's management staff, and/or to visit the participating firm's site. IDB Invest does not bind itself in any way to select any participating consulting firm. No debrief will be provided to firms that have not been shortlisted.

### *Section 2. Instructions to the eligible consulting firms*

- 2.1 Expressions of interest must be delivered by email to [alopezlopez@iadb.org](mailto:alopezlopez@iadb.org) by no later than **September 6, 2024**. Eligible consulting firms may submit questions in relation to the Terms of Reference before **August 23, 2024** that will be answered no later than **August 30, 2024**. Please include REOI # IDB Invest 24-005 in the subject line of the email.

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<sup>1</sup> The IDB Invest Procurement Manual establishes general eligibility requirements.

- 2.2 Eligible consulting firms may associate in the form of a Consortium/Joint Venture to enhance their qualifications. Such Consortium/Joint Venture shall appoint one of the firms as the representative, which will be responsible for the communications, and the submission of the corresponding documents.
- 2.3 IDB Invest now invites eligible consulting firms to indicate their interest in providing the services described below in the intended Terms of Reference for the consulting services. Interested consulting firms must provide information establishing that they have the experience and are qualified to perform the Services. To ensure that all responses are evaluated in an equivalent fashion, eligible consulting firms must submit a response that includes the information that clearly explains all issues addressed in the following section.

### *Section 3. Consulting Services*

- 3.1 The consulting services include proposing a new approach to the administration of blended finance funds at IDB Invest, consistent with its pattern of growth and organizational reform under the IDB Invest 2.0 business model.
- 3.2 Eligible consulting firms must submit the EOI following the subsequent order:
- 1) Basic Information including:
    - Legal Entity Information:
      - a) Legal Entity complete name
      - b) Legal entity complete address
      - c) Legal entity phone number
    - Authorized person from the consulting firm to receive notices:
      - d) Name
      - e) Title
      - f) Phone number
      - g) E-mail address
  - 2) Background
  - 3) Experience related to the requested consulting services
  - 4) Resources and financial capacity to carry out the requested consulting services
  - 5) Added value that the firm could offer to IDB Invest for this project

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## **Rethinking Blended Finance Funds Administration**

### **Background**

Blended Finance (“BF”) Funds are a subset of IDB Invest Assets under Management defined by the following characteristics:

- BF Funds derive from long-term relationships with an external partner/donor.
- BF Funds operate within the framework of a development mandate from the external partner/donor.
- BF Funds activity is dependent on resources pledged by the external partner/donor.
- BF Funds generate fees for the administration of the resources pledged by the partner/donor.

IDB Invest Blended Finance team (“FNP/BF”) manages 17 concessional funds/programs, representing US\$614 million resources under management as of YE 2023. Blended finance (“BF”) is critical to leverage private sector investments in high impact projects in the region.

Since 2009, IDB Invest closed 100 BF investments (out of 578 IDB Invest transactions), committing US\$ 648 million of concessional resources, mobilizing a total of US\$ 22 billion (including US\$ 2.5 billion from the IDB Group, and US\$ 19.5 billion from other investors), representing a leverage ratio of 1:33.

Blended finance resources are allocated strategically to bring superior social returns on investments, as evident in the average Delta of 8.8 of the FNP/BF portfolio in supervision as compared to 8.0 for IDB Invest, and a Delta of 9.2 for the FNP/BF investments closed in 2023 (vs 8.9 for IDB Invest).

IDB Invest has established itself as the leading BF institution in Latin America and the Caribbean (“LAC”). However, scaling up this activity remains a challenge due to certain structural impediments through the lifecycle of this business (fundraising, execution, and fund management).

Execution and fund management are impacted by the existing institutional set up where fund administration stays at IDB and investment management (FNP/BF) at IDB Invest.

IDB Invest upcoming capital increase and its organizational reform, under IDB Invest 2.0 business model, presents an opportunity to design an innovative financing structure which will allow IDB Invest to increase complementarities in blended finance resources, and achieve strong efficiencies through the product lifecycle, thus maximizing capital mobilization and net social returns in the projects we support.

### **Objectives**

The objective of this Assessment **is to propose a new approach to the administration of blended finance funds at IDB Invest**, consistent with its pattern of growth and organizational reform under the IDB Invest 2.0 business model.

### **Scope of the Assessment**

#### ***Activity A. Taking Stock***

In this Activity the consulting company will establish the foundations of the Assessment by, in close cooperation with IDB Invest relevant stakeholders, conducting an in-depth analysis of the existing BF fund administration architecture at IDB Invest. This analysis will include:

- Understanding the governance of the administration of BF funds at IDB Invest.
- Mapping existing processes and systems in use to handle the functions derived from administering BF Funds at IDB Invest, including establishing the trust funds, allocating and committing resources, channeling

disbursements and reflows, manage audit and accountability of trust funds, and preparing financial and impact reporting.

- Identify key strengths, weaknesses, opportunities, and threats associated with the current architecture.
- Establishing the revenues and costs involved in the BF Funds administration function to set the foundation for a subsequent economic sustainability analysis.

### ***Activity B. Benchmarking***

In this Activity the consulting company is requested to provide its insights on best practices for institutions entrusted with the administration of third-party resources for investment in emerging markets for development impact. This activity will encompass the following tasks:

- Research industry best practices in blended finance administration and fund management.
- Identify successful case studies and innovative structures implemented by similar institutions or organizations.
- Benchmark best practices and successful case studies with IDB Invest current operating model for BF funds administration.

### ***Activity C. Evaluating Alternatives***

In this activity, the consulting company is expected to evaluate the incorporation of industry best practices identified in the previous activity against 3 archetypes for the architecture of IDB Invest BF Funds administration:

- **Archetype 1:** Keeping the IDB Invest BF funds administration function at the IDB and propose an incremental approach towards the incorporation of industry best practices in the function.
- **Archetype 2:** Establishing the IDB Invest BF funds administration function at the IDB Invest integrating best practices in an end-to-end management of BF funds function.
- **Archetype 3:** Establishing a separate vehicle to outsource the BF funds administration function and incorporate best practices and successful case studies in a segregated and outsourced function.

The consulting company may provide hybrid approaches between these archetypes at its own discretion and criteria.

The evaluation of alternatives will include at least, a description of roles and responsibilities involved in the function, assessment of operational risks, cost-benefit analysis and strategic outcomes per each alternative evaluated.

### ***Activity D. A New Operating Model***

Once the different alternatives have been evaluated and the best alternative has been identified in conjunction with the relevant internal stakeholders, the consultancy company is expected to establish the foundation for a new operating model for the BF funds administration, to be further developed in subsequent projects.

This Activity will include the following tasks:

- At a concept design stage, develop a comprehensive proposal for a new approach to the administration of BF funds at IDB Invest.
- Propose a new model of BF funds administration that aligns with the strategic objectives and operational needs of IDB Invest, taking into account the legal, regulatory, and contractual implications.
- Develop a roadmap and action plan for the transition from the current model to the new model, outlining the key steps, milestones, resources, and timelines.

- Prepare a comprehensive presentation of the different activities undertaken to the IDB Invest Senior Management Committee and other relevant stakeholders and receive and provide feedback based on the outcome of the presentation.

## Deliverables

### *Activity A. Inception Report*

Provide a detailed outline of the consultancy approach, methodology, and timeline. Present initial findings from Activity A and the review of the current blended finance structure and organizational challenges.

### *Activity B. Benchmark Analysis*

Compile a comprehensive report summarizing industry best practices and successful case studies in blended finance administration. Highlight key learnings and insights relevant to the context of IDB Invest.

### *Activity C. Alternatives Analysis*

Prepare a detailed alternative analysis of at least the 3 archetypes proposed in this document for BF funds administration including at least, a description of roles and responsibilities involved in the function, assessment of operational risks, cost-benefit analysis and strategic outcomes per each alternative evaluated.

### *Activity D. A New Operating Model Concept Design and Final Presentation*

#### **New Operating Model Concept Design**

Deliver a well-documented proposal outlining the recommended New Operating Model for administering blended finance funds at IDB Invest, including descriptions of proposed financing structures, organizational reforms, and implementation strategies.

#### **Final Presentation**

Deliver a final presentation to senior management and other relevant stakeholders at IDB Invest, presenting the proposed approach and key recommendations, addressing any questions, concerns, or feedback from stakeholders during the presentation.

## Timeline

Deliverable	Date
Inception Report	<b>3 weeks</b> from the initial date of the contract
Benchmark Analysis	<b>6 weeks</b> from the initial date of the contract
Evaluation of Alternatives	<b>12 weeks</b> from the initial date of the contract
New Operating Model. Concept Design and Final Presentation	<b>16 weeks</b> from the initial date of the contract

## Consulting Company Profile

### **Overview:**

IDB Invest is looking for a consulting company **in the field of operating models and organizational design** with a strong background in the integration of data and technology in strategic thinking.

## Core Competences:

- **Strategic Analysis:** The ability to conduct comprehensive strategic analysis to understand the organization's goals, challenges, and competitive landscape. This involves analyzing market trends, industry dynamics, and internal capabilities to inform the design of an effective operating model and organizational structure.
- **Operating Model Design:** Expertise in designing operating models that align with the organization's strategic objectives and optimize resource allocation, processes, and workflows. This includes defining key components such as governance structures, decision-making frameworks, and performance metrics to drive operational efficiency and effectiveness.
- **Organizational Structure Design:** Proficiency in designing organizational structures that support the organization's strategy, culture, and objectives. This involves defining reporting relationships, roles and responsibilities, and communication channels to facilitate collaboration, innovation, and agility within the organization.
- **Process Optimization:** Capability to analyze and optimize business processes to streamline operations, reduce inefficiencies, and enhance productivity. This includes identifying bottlenecks, redesigning workflows, and implementing technology solutions to automate and improve process performance.
- **Change Management:** Expertise in change management principles and practices to facilitate smooth transitions during organizational redesign initiatives. This involves engaging stakeholders, managing resistance to change, and fostering a culture of adaptability and continuous improvement.
- **Technology Integration:** Ability to integrate technology solutions into the operating model to support business processes, enhance decision-making, and drive digital transformation. This includes assessing technology requirements, selecting appropriate tools and platforms, and managing implementation and integration efforts.
- **Performance Measurement:** Capability to develop performance measurement frameworks and key performance indicators (KPIs) to track the effectiveness of the operating model and organizational design. This includes establishing metrics to monitor operational performance, identify areas for improvement, and drive continuous optimization.

## Industry Expertise:

The consulting company brings deep industry expertise across various sectors, with relevant experience in the financial sector and, more precisely, in the impact investment business, with accredited success in renewing the approach to operating models and organizational design.

## Client Collaboration:

Ability to collaborate closely with clients to understand their unique needs, goals, and constraints, and tailor solutions to address their specific challenges and opportunities. This includes building strong client relationships, managing expectations, and delivering value-added services that exceed client expectations.

## Data-Driven Insights:

Leveraging advanced analytics, market research, and data-driven methodologies, provide actionable insights and decision support to drive informed strategic decisions. Data-driven approach helps organizations unlock valuable insights, optimize resource allocation, and enhance performance across key business functions.

## Innovation and Creativity:

Fostering a culture of innovation and creativity, continuously exploring new ideas, methodologies, and approaches to solving our clients' most pressing challenges. Adept at thinking outside the box, challenging conventional wisdom, and developing innovative solutions that drive sustainable impact and value creation.