

Video transcript: **IDB Invest's journey to reform and capital increase**

On the sidelines of the BNP Paribas Global Official Institutions Conference 2024, Orlando Ferreira, CFO, IDB Invest, speaks with Monica Hanson, Head of Insurance and Official Institutions Coverage Americas, BNP Paribas, about their journey to reform and capital increase.

Monica Hanson: Orlando, thank you so much for coming. It's a privilege to have IDB Invest represented at this conference.

I would love to get your perspective on the significant journey you took. Clearly, the MDB reform agenda last year was quite significant in thinking about how do we really mobilise and how do we get enough capital to allow your institution to mobilise.

Your journey was quite unique. Congratulations. You got a very significant capital increase. I do think that there are questions around what it took. Are there lessons learned? Are there elements of takeaways that you'd want to share with your Multilateral Development Bank community?

Orlando Ferreira: I think there's a couple of things that are important to frame.

First of all, what was approved in Punta Cana was really a set of three reforms: One is a new institutional strategy for the whole IDB Group. The second was a reform of our lab, our testing lab, IDB Lab. And the third was the capital increase for IDB Invest.

What I can tell you, it's a journey of two years. And it was really an intense dialogue and a process of co-creation with our board of executive directors. Maybe that's the biggest lesson learned: to really have a conversation around what it takes, because in the beginning the conversation was more around, let's test something. Let's do something, like what we did in the past and we had to get the conversation going in the direction of what it actually takes to do something like that.

That ended up being a conversation of what's the minimum viable capital to do this? And also what's the amount of resources that we needed to have the flexibility to be able to implement the plan?

I think those are the two biggest lessons learned: to continue having the conversation and getting the resources in the context of the ambition.

Monica Hanson: So very much a partnership dynamic.

So maybe let's take it to a different level: now that you've gotten the capital commitments, how do we think about deployment? Because I'm sure that there were elements of how quickly, are there any operational elements that you've transformed, that you hope to transform to make the money truly available, to really fulfill the ambitions that you have?

Orlando Ferreira: Absolutely. So there's two sides to this.

The first part of the discussion, I would say the first year, was around the why. Why are we doing this? And, as our CEO says, how do we make IDB Invest's social and climate agenda second to none? So that was a discussion around impact.

Then there was the discussion that I mentioned before related to the amount of capital required and then the how. That was an interesting part of the discussion because, very different from eight years ago when the discussion was, 'let's maximise the capital in terms of lending to the countries', this discussion was very much 'how do we get the tools in place to mobilise more?'

This is about crowding in private sector investment to the region. And that's why the discussion centered around tools that would allow us to significantly change our risk appetite. That doesn't mean that it wouldn't be a prudent deployment of the capital. It'll be very different.

In a nutshell, it's five levels:

1. We want to triple the amount of equity investments that we've done in the past.
2. We want to double the amount of riskier assets that we can book in our portfolio.
3. We want to establish technical assistance facility to help our clients get up to speed and do upstream work.
4. We want to run some market risks when it comes to doing local currency.
5. And last but not least, we want to put in place tools that would allow us to transfer risk, to do de-risking, to make sure that that we can absorb a larger part of the risk so we can attract investors to those countries where they usually wouldn't go.

As you can easily see, all of these elements consume capital very differently than alone.

So that was the first part of the conversation that we talked about with the Board was to get here, to say we are going to have to deploy the capital differently in order to achieve those goals. That's where we are.

The first four I would say we got a good handle on how to do. The last one will be the one that we will need all of your help and all of our partners' help to make sure that we do our best in implementing these tools. As I mentioned to you before, these are not tools that exist in the market. But for rules-based multilaterals, deploying this package will be a significant challenge.

Monica Hanson: So it's all about solutions, right. And I think the partnership that you mentioned before, it's also in devising the solutions that meet the market and the client base that you serve.

So I love the comment that you made around crowding in, because crowding in really is about how many more folks, particularly the private sector involvement, can we get into the discussion and into really the mobilisation of that capital?

So maybe shifting a little bit, because I do think that IDB Invest in particular is quite unique and crowding in in many areas. Last week you hosted what I consider to be really the kick off of this COP initiative, if you will, right, for the region. We're going to have a pretty interesting event come next year, COP 30. But IDB Invest's Sustainability Week just happened last week. It was in Manaus. Many topics discussed. I think there was a strong focus from your CEO James Scriven on what the goal and the ambition is on this crowding in initiative.

Maybe you want to talk a little bit about what did it mean? What are some of the one or two takeaways, if you will, and how do we think about that element for the future?

Orlando Ferreira: This was an extraordinary event in every way that you can look at it. In the end, we had almost 1000 people participating in person. And this is in Manaus, in the Amazon.

So, when you think about that kind of attendance, at the end of the day, there were almost 15,000 people registered online and close to 3000 people that participated on training events on Day 1, all separate. So it was a very holistic event.

Clearly the most obvious result was putting focus on a region in our planet that requires a lot of effort that signifies a lot of hope in terms of this big challenge that we all face. But there were a lot of interesting conclusions.

First, it was heavily attended by private sector stakeholders. And the sense was that this issue – the social agenda, the climate agenda – is not viewed anymore as an obstacle, but

as a good in and of itself in terms of achieving good corporate governance. And that they were open to becoming impact investors. And they were open to participate in initiatives even as challenging as the one in the Amazon.

But I think most of all, it has become over the years the signature event of IDB Invest, and truly a business and knowledge event. In terms of what comes next, I think, there's a lot that this event will be able to contribute, especially in these interactions.

Monica Hanson: So exciting times ahead. Lots to do, but I think there is a path forward, and again, we're excited to see and hopefully help you in the journey as well. Thank you so much, Orlando.