This document is a summary of the document CII/GA-88-1 that has been revised for public release.
I. Introduction

1.1 Through its long-standing planning cycle, IDB Invest Management ("Management") and the Board of Executive Directors ("the Board") set the organization's financial, operational, and developmental priorities for a three-year period in a business plan. In the intervening years, Management provides updates and seeks the associated annual authorizations in business plan updates. This approach provides flexibility in the face of changing economic, financial, and operational environments.

1.2 In the first quarter of 2024, IDB Invest’s Board of Governors ("the Governors") will consider a decision that will substantially impact the strategic direction of the organization. In March 2023, the Governors took note of the proposal for a new vision and business model ("the New Vision") and mandated the Board to direct Management to prepare “a capitalization proposal and implementation plan for the new vision and business model,”... “aiming for a decision by the IDB Invest Board of Governors by no later than the 2024 Annual Meeting.” Should the Governors choose to pursue the New Vision, it will be a significant and complex change in IDB Invest’s business model, with a commensurately divergent path for IDB Invest’s strategic planning in 2025 and beyond. A new IDB Group institutional strategy—IDB Invest’s highest level of strategic guidance—is also currently under development and expected to be approved by the IDB and IDB Invest Governors, also at the 2024 Annual Meeting.

1.3 Given these exigent circumstances, Management, in consultation with the Chairperson of the Board, is submitting a one-year business plan for 2024. This approach will allow Management to set new planning objectives for 2024 which incorporate the evolving needs of the organization and address emerging priorities from discussions with the Board and Governors. Management will prepare a subsequent three-year business plan for 2025-2027, which will allow time to fully incorporate into that document the strategic decisions that Governors indicated they expect to make at the 2024 Annual Meeting.

I. Economic and Business Outlook

A. Economic Outlook

1.4 Global economic growth shows near-term resilience amid persistent challenges. According to the International Monetary Fund’s (IMF) most recent estimates, the world economy’s growth is projected to fall from an estimated 3.5% in 2022 to 3.0% in both 2023 and 2024, which is weak by historical standards. In Latin America and the Caribbean (LAC), economic growth is projected to slow to 1.9% this year. This performance mirrors medium-term trends: while the global GDP growth average was 2.5% per annum over the past decade and reached 3.6% in large emerging markets, LAC lagged with a modest average of 1.9%.

1.5 The economic growth outlook for Latin America and the Caribbean in 2023 is influenced by three key external factors: higher global financing costs, lower global growth, and, compared to previous years, more stable commodity prices. These factors affect...
countries in the region heterogeneously. While all countries are likely to experience the negative impacts of the global growth slowdown, the potential recession and sharp slowdown in the United States are expected to have a more direct effect on Mexico, Central America, and the Caribbean due to their close economic ties (i.e. on trade volumes of goods and services, such as tourism).

1.6 Following several years of relatively high commodity prices—which have been a boon for trade and current accounts of commodity exporters in LAC and commensurately for public revenues through higher taxes and royalties—prices are now stabilizing, with an impact on trade balances and public coffers. Agricultural producers will benefit from stabilized prices on fertilizers but will no longer receive higher prices for their products.

1.7 Rising interest rates globally have increased the cost of borrowing for the public and private sectors. Central banks around the world rapidly raised policy rates in 2022 and 2023 and reduced their balance sheets to contain inflation, which reached 9.6% annually in LAC in 2022. In most countries, inflation has started to decline, and as of mid-2023, median inflation is at 6.0%. In LAC, the yields of sovereign bonds rose by nearly 3% during the first half of 2023; policy interest rates increased from a median value of 3.5% in January 2022 to close to 8% in mid-2023 and are expected to remain at these levels to anchor inflation expectations and until inflation returns to its target values. Such tighter monetary policies are likely to have a dampening effect on growth.

1.8 Together with low growth, LAC also faces social and fiscal challenges. Debt levels in the region rose to 64% of GDP by the end of 2022, significantly higher than the average for other emerging markets of 54%. This high level of indebtedness, combined with high global interest rates, inhibits the region’s ability to invest in public services, creating the risk of a vicious cycle of stifled growth and unsatisfied social demands, and demand bolder private capital mobilization. Countries face significant challenges in terms of policy-making tradeoffs, as fiscal policy to support demand is not appropriate since it would be met with even tighter monetary policy. How countries pursue fiscal consolidation in the context of higher financial costs and low global growth to improve debt ratios will be critical to minimizing any impacts on growth and maximizing the beneficial impact of lower debt.

1.9 Several countries in LAC—representing over one-half of the region’s total GDP—recently experienced recent credit rating downgrades or negative changes in outlook. Among the reasons cited by credit rating agencies as contributing factors in the downgrades have been greater financing risks due to a deterioration in the countries’ fiscal accounts, escalations in political risk and governance challenges, and a challenging external financing environment.

1.10 Over the last decade, social demands have escalated across the region, with citizens seeking better public services, improved living conditions, and enhanced economic opportunities in the context of increased poverty and inequality. Not only has poverty worsened over the last year, with 30% of the population now living on less than US$5 a day, but it has risen to levels comparable to 2011. At the same time, inequality increased

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4 Median among countries in LAC.
in 2022, with the Gini coefficient estimated to be higher than the average for the last 18 years.

1.11 Amidst this challenging scenario, there is evidence that investment in the region can become an important engine of growth. Even though global flows of investment fell in 2022, FDI to the region increased by 50% that year\(^7\). Consistent with overlapping global crises, the Russian war in Ukraine, high food and energy prices, and soaring public debt, flows of foreign direct investment fell 12% in 2022 globally, and the gap that developing countries face to achieve the SDGs is now of US$4 trillion per year. Despite this context, FDI flows to Latin America and the Caribbean increased in 2022 to close to US$210 billion from US$138 billion, which is the highest recorded value of FDI in the region since 1990.

B. Business Outlook

1.12 The outlook and financing needs of businesses in LAC vary substantially across the various sectors where IDB Invest operates. Leveraging IDB Invest’s internal expertise and business intelligence, this section highlights the business outlook and potential needs for each of the sectors IDB Invest serves, with a focus on emerging opportunities most aligned with its mandate. Given its focus on market trends and emerging opportunities, this section is not a comprehensive assessment of IDB Invest’s business development activities. Management will continue to look for opportunities to support impactful private sector investments in all its regional developing member countries, consistent with its various policies and mandates.

Corporates

1.13 In the corporate sector overall, persistently high interest rates will continue to have an impact on companies’ appetite for US dollar financing, which may reduce demand for financing in the segment. On the other hand, demand may be higher as companies look to catch up with capital expenditure needs and seek to capitalize on the opportunities arising from global supply chain challenges.

1.14 Extreme weather events—including historic droughts in much of the southern cone region—are adversely impacting the agribusiness sector in LAC in 2023 and are expected to continue in 2024 with the arrival of El Niño. Such events have become more frequent and more intense with the acceleration of climate change, making sustainability and adaptation a critical issue for the future of the agribusiness sector. Commodity prices have been highly volatile, creating challenges on the upswing as producers face rising input costs and on the downswing as producers face the need to unload stocks, potentially at a loss., and food insecurity is a growing concern, particularly in the Caribbean,\(^8\) Ecuador, Bolivia, Colombia and Peru and other net food importing countries.\(^9\) Projects supporting these challenges can also help to improve the efficiency, diversification and productivity levels of the sector and contribute to the food security agenda through strengthening the resilience and safety of the food supply in LAC. In 2023, there are likely to be opportunities to support sustainable management, local supply chains with a focus on MSMEs, traceability, and certifications. Support for agricultural technology solutions (digitalization and automation) in the supply chain is another area where needs will continue to grow.

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\(^7\) World Investment Report (2023) UNCTAD. Increase percentage given in nominal terms.

\(^8\) In 2020, 16.1% of inhabitants in Caribbean countries suffered from malnutrition (ECLAC, 2020).

\(^9\) World Food Programme, 2022.
After a robust recovery from the Covid-19 pandemic, manufacturing growth in LAC decelerated in 2023, reaching 0.63% in Q1 2023. In this context, there continues to be strong demand in key areas such as improving productivity, digitalizing their operations—including the integration with suppliers—and looking for ways to make their business more sustainable. Opportunities in the coming year will likely include new facilities for nearshoring, the digital transformation of production systems, and strengthening of regional value chains. Businesses seeking to implement innovative, inclusive, and circular business models will also be relevant opportunities for IDB Invest in the coming years as well as energy efficiency and self-generation of renewable power. Specific opportunities exist to support the increased demand in pharmaceuticals, metal mechanics, retail operations and housing projects (mainly through sustainability-linked financial solutions). The rapid growth of clean energy technologies has driven a booming market for energy transition minerals, which will be instrumental in enabling the energy renewable energy transition. Extraction of energy transition minerals and the related value chains are likely to experience strong growth in LAC in the coming short to medium term and will present opportunities for responsible investment through partners with high standards and robust ESG practices.

Advances in generative artificial intelligence emerged as the dominant trend in the technology sector in 2023, creating for LAC both opportunities—due to their low barrier to entry—and uncertainty, given their potential to upend labor markets. As technology continues to advance, bridging the digital divide will continue to gain importance as a means of reducing global inequality. The digital infrastructure and services gap remains wide, especially for vulnerable populations. In October 2023, the MDBs, DFIs, ITU, and UNDP jointly reaffirmed the importance of financing for digital infrastructure in closing the digital divide. In LAC, lower purchasing capacity of clients and aggressive pricing strategies are deteriorating operators’ margins, and regulatory uncertainty is halting certain digital infrastructure projects. Nevertheless, the investment outlook remains strong, with the explosion of data traffic and hyper-connectivity, a shift to cloud and virtualization mainly driven by large corporates and governments. Digital infrastructure is also a focus of collaboration at the IDB Group level, with opportunities for synergies between private investment in digital infrastructure and national connectivity plans. The emergence of disruptive technologies—including AI—is improving efficiency, increasing productivity, and allowing innovation, which enables the scaling of development solutions. Opportunities in 2024 include increasing access, affordability, and quality of broadband and digitally enabled services. Further financial support will be needed to widely deploy advanced technologies and innovative solutions across economic and social sectors. Deepening collaboration with the IDB to update regulatory frameworks will be key to catalyzing investments in the sector. The ongoing work with IDB Lab will also allow a strengthening of the IDB Group private-sector continuum as early-stage concepts scale and require follow-on solutions like those provided by IDB Invest.

Leisure travel in 2023 has recovered following the Covid-19 pandemic, as both domestic and international travel has resumed. Recovery, however, has been asymmetric across the region and markets, as urban destinations that depend on business travel, groups, and conference activity are still lagging. In addition, a high-interest rate environment continues to challenge operators seeking to develop greenfield projects, expand their

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10 UNIDO. 2023. World Manufacturing Production Quarter I 2023 Report
properties, or finance working capital needs. Tourism themes with high potential for the 2024 operational program include new-built leisure-based concepts in emerging destinations, nature-based and regenerative travel business models, preservation of historical heritage sites, disruptive and innovative business models, and growth capital to support the need for regional expansions. Partnerships with local banks\textsuperscript{11} have been effective in unlocking capital for the sector and are likely to continue to play an important role in 2024, though risk appetite in the sector remains limited.

**Financial Institutions (FIs)**

1.18 The financial sector in LAC has emerged sound from the Covid-19 pandemic, in part due to generally strong capital positions and high levels of liquidity, effective regulations and supervision, and stringent credit policies. Instability in the commercial banking sector—including the collapse of Silicon Valley Bank—has not had a significant impact on the financial sector in LAC. Looking ahead to 2024, global market conditions continue to present challenges for the financial sector in LAC, including a high interest rate environment, persistent inflation, lower growth rates, ongoing risks in the commercial banking sector, and the threat of further geopolitical instability linked to the Russian war on Ukraine. In this context, strengthening the financial sector through sustainable long-term adequate solutions both financially and non-financially are key. Working with the public sector and regulators, creating capabilities, and moving forward with sustainability at the country level in partnership with financial institutions and investment funds, supporting common taxonomies, and strengthening of Anti-Money Laundering/Know Your Customer practices will be instrumental for increased sector performance.

1.19 MSME finance and financial inclusion continue to be a challenge for LAC. Financing to MSMEs will be critical for increasing productivity and job creation. As of 2021, only 72% of adults had an account, and 30% had borrowed from a formal financial institution.\textsuperscript{12} Specific segments, including women and the poorest 40% of the population, continue to be underserved. There will continue to be important opportunities to generate impact by supporting projects expanding financial services to underbanked, underserved, and excluded segments, as well as supporting financial products and services with a focus on gender, diversity, and inclusion. Financing to MSMEs will be critical for increasing productivity and job creation. The 2024 operational program will also be focused on supporting the silver economy, rural finance, food security through financial institutions’ agribusiness portfolios, indigenous communities, and immigrants as a mean to expand its contribution to the social agenda in the region.

1.20 The financial sector is undergoing a transformation and sustainability, and digitalization are increasingly relevant elements of that journey. More FIs across the region are incorporating sustainability into their business strategy—both as part of their risk assessment and business opportunities. The market is also demanding more transparency, accountability, and improved governance practices. Technology continues to transform the operation of diverse types of FIs and is driving open banking and open

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\textsuperscript{11} IDB Invest launched a first-of-a-kind risk mitigation facility in Panama (12174-03), aimed at guaranteeing loan portfolios in the tourism sector, backed by a first-loss guarantee from the Panamanian Government. This innovative instrument is expected to guarantee a tourism loan portfolio of up to US$300 million through different financial institutions in Panama. The first signatory of the facility is Banitsmo.

\textsuperscript{12} Lower than upper middle-income countries (84% and 35% respectively) and the OECD (97% and 57% respectively).
innovation in the sector with the aim of increasing inclusion. These changes are permeating an array of actors, from commercial banks to microfinance institutions, creating commitments to different stakeholders. Public-private collaboration at the IDB Group level will be critical, with opportunities to align IDB support for policies to support open finance with private investments in the sector. As More FIs embrace sustainability, they will need support to develop corresponding value propositions for clients and other stakeholders, e.g., Environmental, Social, and Governance (ESG) risk assessment and disclosures, green finance and decarbonization business strategies, and transition to net zero carbon emissions. In this context, specific opportunities for IDB Invest include financial solutions in local and international capital markets, such as green, social sustainable, transitions and/or sustainability-linked loans and bonds that finance green and/or social portfolios, circular economy projects, clean mobility, green building investments, food security and smart agriculture. IDB Invest can also support financial markets and facilitate the ongoing digital transformation and innovation across the sector, as well as financing or investing in digital business directly or through investment funds.

Infrastructure and Energy

1.21 Investment in infrastructure remains below the levels required to reach Sustainable Development Goals by 2030 in most of LAC. The frequency and intensity of climate events further compromise infrastructure assets and create challenges for the delivery of basic services. As governments in the region continue to face fiscal constraints, they are increasingly turning to the private sector to finance infrastructure investments such as Public-Private Partnership (PPP) contracting modalities, despite limited capacity to structure and execute these types of projects. Institutional investors and private equity funds are increasingly participating in infrastructure financing. However, political instability in the region is perceived as a risk by international investors, a key reason why many prefer to co-invest in projects with MDBs, who have a deep understanding of the political and integrity risk issues at the country and project level.

1.22 In the energy sector, transmission and storage are increasingly bottlenecks to the clean energy transition. Opportunities for investing in this area are arising in some countries. However, many will require upstream regulatory reforms to enable private investment in transmission and storage. Emerging technologies, such as green hydrogen, will play a key role in decarbonization. Opportunities in green hydrogen are likely to arise in Chile and Brazil in the short term, while smaller markets—including Barbados, Colombia, Paraguay, and others— are also making progress. As countries seek to meet their Paris commitments within the context of fiscal constraints, those with energy matrices most heavily dependent on imports may create ongoing demand for transition fuels to lower emissions as they look for long-term renewable solutions.

1.23 In the transportation sector, poor infrastructure quality continues to have a negative impact on productivity. Governments are looking to strengthen domestic transportation to reduce logistics costs and contribute to regional integration through the construction of new ports and roads. Adaptation to the effects of global climate change is also increasingly important for the region’s transportation network, as the frequency and intensity of extreme weather events and sea-level rise put ports and roads at risk. The electrification of transport via private electric vehicles and urban transportation projects will generate further opportunities for financing but still faces logistical and financing constraints.
1.24 As climate change increases the urgency of efficient management of the region’s supply of potable water, demand for financing is also increasing in the water and sanitation sector. Demand is especially high in sanitation, where large investments are needed for wastewater collection and treatment. Additionally, financing is needed for infrastructure maintenance, infrastructure upgrades, and for desalination solutions. Demand has grown in recent years in larger markets such as Brazil and is now emerging in smaller markets, including in S&I countries.

1.25 In social infrastructure, the LAC market is seeing an expansion of non-traditional service offerings, such as telehealth and virtual education, but players are small, and markets are fragmented. However, regional market forecasts are positive, with expected annual growth rates of 17% for telehealth over the next 5 years, in line with global trends. It is expected that for 2024, efforts will be focused on financing the construction or expansion of health centers and higher education campuses.

1.26 Across the infrastructure segments, there is strong demand for MDB involvement to help mobilize capital market investors to provide long-term financing to fill the infrastructure gap, particularly post-construction, a role that has proven to be a significant source of mobilization for IDB Invest. The supply of long-term debt continues to be limited and most projects are initially financed with short to medium-term debt during the construction phase. Given current levels of political instability, project sponsors often face challenges securing refinancing for the repayment phase of projects via international capital markets without an MDB to serve as an anchor investor, guarantee a debt issuance, or provide the benefits of its umbrella.

1.27 Guarantees, first-loss structures, as well as subordinated and mezzanine loans can help align the risk profile of projects with investors’ risk appetites. It is expected that there will be a greater emphasis on developing capital markets through thematic bonds, which will raise local and especially international liquidity in US dollars and local currencies. Local currency capabilities are increasingly in demand; expanded local currency capabilities will be important in meeting the evolving needs of clients and IDB Invest’s regional developing member countries. Collaboration with IDB on regulatory reforms, PPP development, integrity, and increasing the performance of infrastructure-related state-owned enterprises will contribute to the creation of a long-term pipeline of bankable projects. Looking forward, the establishment of a carbon price, either as a carbon tax or carbon certificates, has the potential to speed up innovation and the ability to implement decarbonization technologies.

Financial Products

1.28 **Supply Chain Finance**: Demand for supply-chain finance products grew in 2023, a trend likely to continue in 2024 as corporate’s suppliers have increasing needs for working capital (especially MSMEs). Since the introduction of the supply chain product in 2018 as part of the MSME Action Plan, supply-chain finance has become an increasingly large share of IDB Invest’s short-term business, representing 65% of short-term commitments in 2023. Corporates in the agribusiness sector are growing, creating an opportunity to strengthen the resilience of the region’s food system. As

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14 As of August 11.
the supply chain product matures, there are increasing opportunities in C&D and S&I countries. Short-term, trade-related assets are a highly mobilizable asset class, given their lower-risk profile, creating new opportunities to continue increasing impact through mobilization.

1.29 Trade Finance Facilitation Program (TFFP): Demand for TFFP continues to be strong in the context of high interest rates. Recently, demand has increased to guarantee products in particular, a trend expected to continue in 2024.\(^{15}\)

1.30 Equity: Following a peak in 2021, overall activity in equity markets in LAC declined in 2022 due to rising interest rates, a trend that has continued into 2023. This trend has been most evident in countries that had the biggest equity booms in recent years, including Brazil and Mexico. In the context of declining activity from investors, the role of multilateral institutions in continuing to develop markets in the region is even more critical. Demand for equity investments from high-quality firms continues to be high, substantially exceeding IDB Invest's current financing capacity. IDB Invest's role in this space complements the work of IDB Lab along the continuum of product offerings to the private sector.

1.31 Thematic Bonds: In 2022, sustainability-linked issuances in LAC grew 5.5%, even in the context of a slight decline in the global market.\(^{16}\) As sustainability-linked bonds continue gaining recognition as an asset class among international investors, demand for these products is increasing from clients across all segments. New product offerings, such as the sustainability-linked 144A/Regulation S bond structured by IDB Invest in Costa Rica, have expanded the potential range of mobilization partners. Clients also react positively to IDB Invest’s innovation in securities products. IDB Invest’s participation (as an anchor investor or partial credit guarantee provider) in thematic bonds and sustainability-linked bonds is expected to grow across all segments. The Covid-19 crisis also increased the relevance of structured finance as alternative funding and capital preservation solutions for corporate and financial institutions.

II. Strengthening the Foundation for Impact

1.32 Entering the pivot year, IDB Invest will focus on strengthening the foundations that will allow it to reinforce its impact, enabling it to increase its development effectiveness and capacity to meet the needs of clients. Following IDB Invest’s first start-up year, the subsequent two business plans were “consolidation for growth”,\(^{17}\) which focused on building origination capacity and the impact, innovation, and risk toolboxes necessary to support the generation of earning assets and ensure financial sustainability; and “growth for sustainable impact”,\(^{18}\) which focused on strengthening the organization’s backbone functions and non-financial value proposition. Following the completion of this second business plan and an extensive strategic dialogue with the Board and Governors—in response to the resolutions approved by Governors in Barranquilla,\(^{19}\) Washington,\(^{20}\) and

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\(^{15}\) Following the end of cross-booking, all new TFFP products are booked IDB Invest’s balance sheet.

\(^{16}\) Climate Bonds Initiative.


\(^{19}\) CII/AG-2/21.

\(^{20}\) CII/AG-3/22.
Panama—on the needs of the region and the future of the organization, IDB Invest faces the need to reinforce foundations across the organization. This includes reassessing processes developed during the start-up and consolidation phases, such as the impact management framework, and continuing to strengthen the backbone areas that will be necessary to support greater impact. Whereas previous business plans were structured to begin and complete initiatives over the three-year period they cover. In this case the activities and milestones will often represent only the beginning of a longer process, which will need to be refined in a subsequent business plan, informed by the decision of Governors at the 2024 Annual Meeting.

1.33 The key areas for 2024 fall into four pillars: First, IDB Invest will reinforce its impact model; second, it will reinforce operational processes and systems; third, it will review its organizational model and strengthen its commitment to workforce engagement; and finally, it will begin implementation of the IDB Group institutional strategy, including the synergies framework, to be approved by governors at the 2024 Annual Meeting. The remainder of this section outlines the state of the organization in each of these areas, the workplan for 2024, and the high-level points of divergence for the pivot.

III. 2024 Key Initiatives

1.34 Management has identified a series of key initiatives that will be undertaken in 2024 to strengthen IDB Invest’s impact in key priority areas.

Comprehensive Review of the MSME Action Plan

1.35 IDB Invest’s MSME Action Plan was approved in 2018. As proposed in the New Vision and Business Model and in the 2023 Business Plan Update, Management will work with the Board to review this action plan and propose changes as necessary. Management has begun an assessment of the impact and lessons learned from its investments in MSMEs since the approval of the action plan, which will inform this review. The availability of levers of the new vision such as greater capacity to take financial risk, technical cooperation funds for upstream interventions, and local currency capacity would contribute to IDB Invest’s overall ability to support MSMEs and, given the relevance of tools, would impact the strategic approach to supporting MSMEs. For this reason, consideration of this review will need to be with sufficient time to allow Management to fully incorporate expectations about the future capacity of the organization into the review.

Private Sector Approach for Amazonia Forever

1.36 In 2023 the IDB launched the Amazonia Forever initiative, an umbrella program to scale up financing, strengthen the planning and execution of projects, and boost coordination for the Amazon region. Since the launch of the Amazon Forever, IDB Invest has been actively working with IDB to find opportunities to support sustainable development through the private sector in the Amazon region. In 2024, Management will develop an approach

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21 CII/AG-3/23.
25 June 30, 2023. IDB Launches ‘Amazonia Forever,’ an Umbrella Program to Boost Coordination for Amazon Region.
to private sector operations in support of the Amazonia Forever initiative that aligns with local development needs. This approach will be informed by close collaboration across the IDB Group, and by leveraging IDB Invest’s experience adapting its processes and products to working in S&I countries and in close coordination with the Amazon Coordination Unit of the IDB.\(^{26}\)

**Food Security**

1.37 In the context of Management’s commitment to strengthening IDB Invest’s social agenda and the challenges of food insecurity that continue to face many people in LAC, Management is in the process of developing its approach to food security, which it will complete in 2024.

### IV. Plan of Operations

#### A. Proposed Plan of Operations

1.38 As reported in the 2023 Business Plan Update, in 2024, capital levels continue to be the primary constraint on lending levels. The proposed 2024 Plan of Operations is aligned with the long-term sustainable lending level.

1.39 Projected total activity for 2024 is US$7.8 billion.\(^{27}\) The total own commitment target for 2024 is US$4.8 billion, including US$2.2 billion in long-term\(^{28}\) and US$2.6 billion in short-term investments (US$1.9 billion in short-term average outstanding), a total of US$ 600 million above the 2022 target.\(^{29}\) The increase in short-term finance is due to additional capital space created during 2023 by a change in the Fitch credit rating methodology. This change was the result of a dialogue with Fitch, which is the result of Management’s broader efforts to implement the recommendations of the G20 CAF. The capital space was allocated proportionally to long-term and short-term finance in 2023, however it is only reflected in the short-term financing for 2024 due to the difference in tenor. The target for core mobilization will be US$3.0 billion, an increase in both the amount and the ratio of core mobilization to long-term commitments as compared to the 2023 target. Management will maintain its median DELTA target of 8.0 for long-term commitments.

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\(^{27}\) Total activity may be lower depending on the volume of unfunded mobilization.

\(^{28}\) Including US$ 50 million in equity investments.

\(^{29}\) Short-term financing accounts for an important portion of IDB Invest’s projects supporting MSMEs. Since 2018, financing supporting MSMEs accounts for 33% of TFFP commitments and 45% supply chain finance commitments—a product that was added as part of the MSME Action Plan (CII/GN-364-1).
#### Figure 1. Indicative Operational Activity for 2024

<table>
<thead>
<tr>
<th>Segment</th>
<th>US$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institutions</td>
<td>670</td>
</tr>
<tr>
<td>Corporates</td>
<td>670</td>
</tr>
<tr>
<td>Infrastructure and Energy</td>
<td>860</td>
</tr>
<tr>
<td><strong>Subtotal Long-Term Commitments</strong></td>
<td><strong>2,200</strong></td>
</tr>
<tr>
<td>Short-Term Commitments</td>
<td>2,600</td>
</tr>
<tr>
<td><strong>Total Commitments</strong></td>
<td>4,800</td>
</tr>
<tr>
<td>Core Mobilization</td>
<td>3,000</td>
</tr>
</tbody>
</table>

1.40 The segment mix in Figure 1 is consistent with 2023 targets. Consistent with its long-standing practice, Management will deploy anti-bunching measures aiming at a smooth delivery of the program of operations throughout the year.

1.41 Management renews its commitment to impact objectives: reaching 40% of DRAs in C&D countries by 2025; a floor of 10% of commitments—applied separately to long-term and short-term—in S&I countries; 30% of total commitments supporting MSMEs; and 30% of total commitments supporting Climate Finance, also considered a floor. For projects supporting gender equity or diversity, Management will set a target of 38%, with at least 35% supporting gender equality and at least 7% supporting diversity, consistent with IDB Invest commitments in the IDB Group Gender and Diversity Action Plan 2022-2025 (CII/GN-498-1).

1.42 Following the established practice and building on recent efforts to enrich quarterly discussions with the Board, Management will report on the progress achieved toward these and other corporate goals through comprehensive quarterly operational, financial, and institutional presentations.

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30 Long-term commitment amounts include both debt targets.
31 IDB Invest works with clients in the strategic sectors of Agribusiness, Manufacturing, Telecommunications, and Tourism (grouped into the Corporates segment); Energy, Social Infrastructure, Transport, and Water and Sanitation (grouped into the Infrastructure and Energy segment); and Financial Institutions and Investment Funds (grouped into the Financial Institutions segment).
32 Management will continue reporting the percentage of Climate Finance for long-term commitments, a metric aligned with the reporting methodologies of the other MDBs.