Annual Report 2009

Inter-American Development Bank

The Year in Review

IDB

FINANCIAL SUMMARY 2005–2009

ORDINARY CAPITAL

(In millions of U.S. dollars)

	2009	2008	2007	2006	2005
Operational Highlights					
Loans and Guarantees Approved[1,2]	$15,278	$11,085	$ 8,577	$ 5,632	$ 6,448
Loan Disbursements	11,424	7,149	6,725	6,088	4,899
Loan Repayments	4,542	4,740	5,265	8,615	5,224
Balance Sheet Data					
Cash and Investments–Net, After Swaps	$20,204	$16,371	$16,301	$16,051	$13,717
Loans Outstanding	58,049	51,173	47,954	45,932	48,135
Undisbursed Portion of Approved Loans	21,555	19,820	16,428	16,080	17,000
Total Assets	84,006	72,510	69,907	66,475	65,382
Borrowings Outstanding, After Swaps	57,697	47,779	45,036	43,550	43,988
Equity	20,674	19,444	20,353	19,808	18,727
Income Statement Data					
Loan Income, After Swaps	$ 2,002	$ 2,355	$ 2,436	$ 2,466	$ 2,413
Investment Income (Loss)	831	(973)	487	619	403
Borrowing Expenses, After Swaps	951	1,764	2,135	2,070	1,733
Operating Income (Loss)	1,294	(972)	283	627	712
Ratio					
Total Equity to Loans Ratio (TELR)	34.2%	35.3%	40.2%	40.8%	37.3%

FUND FOR SPECIAL OPERATIONS

(In millions of U.S. dollars)

	2009	2008	2007	2006	2005
Operational Highlights					
Loans and Guarantees Approved	$ 228	$ 138	$ 152	$ 605	$ 410
Loan Disbursements	414	415	393	398	424
Loan Repayments	220	229	275	290	301
Balance Sheet Data					
Cash and Investments, Net	$ 1,410	$ 1,355	$ 1,565	$ 1,592	$ 1,564
Loans Outstanding, Net[3]	4,317	4,101	3,966	3,733	6,878
Undisbursed Portion of Approved Loans	1,290	1,502	1,783	2,229	2,051
Total Assets	6,449	6,289	6,305	6,148	9,391
Fund Balance	5,907	5,786	5,878	5,758	9,046
Income Statement Data					
Loan Income	$ 83	$ 91	$ 90	$ 152	$ 149
Technical Cooperation Expense	23	33	23	19	28
Debt Relief Expense	(3)	—	—	(3,306)	1
General Reserve Transfers	122	50	50	61	62
Net Income (Loss)	(14)	(72)	9	(3,267)	10

[1] Excludes guarantees issued under the Trade Finance Facilitation Program (TFFP).

[2] In 2009, includes $800 million of loan approvals canceled during the year.

[3] From 2005 to 2008, net of allowance for debt relief.

Letter of Transmittal

As required under the By-laws of the Inter-American Development Bank, the Board of Executive Directors hereby submits to the Board of Governors the Annual Report of the Bank for 2009. The two-volume report contains a review of the Bank's operations in 2009 (loans, guarantees and grants) and, in a separate volume, Management's Discussion and Analysis: Ordinary Capital; the financial statements of the Bank; and general appendices.

February 10, 2010

IDB

A Partner for Latin America and the Caribbean

Annual Report 2009

The Year in Review

About the IDB Group

The IDB Group is composed of the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF).

The IDB, the oldest and largest regional multilateral development bank, is the main source of multilateral financing for economic, social and institutional development in Latin America and the Caribbean.

The IIC focuses on support for small and medium-sized businesses, while the MIF promotes private-sector growth through grants and investments.

IDB Group loans and grants help finance development projects and support strategies in key areas such as poverty reduction; expanding growth; promotion of sustainable energy and mitigation of climate change impact; increased investment in water and sanitation, infrastructure and education; and private-sector development.

By the end of 2009, the IDB had approved $183 billion in loans and guarantees to finance projects with investments totaling over $402 billion, as well as $3.1 billion in grants and contingent-recovery technical cooperation financing.

The IDB obtains its own financial resources from its 48 member countries, borrowings on the financial markets, and trust funds that it administers, and through cofinancing ventures. The IDB's debt rating is AAA, the highest available.

The IDB is headquartered in Washington, D.C. and has Country Offices in all 26 of its member countries in Latin America and the Caribbean, as well as in Paris and Tokyo.

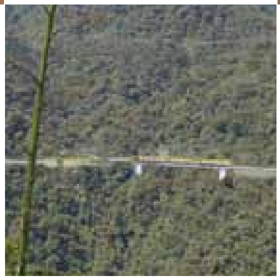
Member Countries

Argentina	Costa Rica	Honduras	Peru
Austria	Croatia	Israel	Portugal
Bahamas	Denmark	Italy	Slovenia
Barbados	Dominican Republic	Jamaica	Spain
Belgium	Ecuador	Japan	Suriname
Belize	El Salvador	Korea, Republic of	Sweden
Bolivia	Finland	Mexico	Switzerland
Brazil	France	Netherlands	Trinidad and Tobago
Canada	Germany	Nicaragua	United Kingdom
Chile	Guatemala	Norway	United States
China	Guyana	Panama	Uruguay
Colombia	Haiti	Paraguay	Venezuela

ON THE COVER: The *Oportunidades* initiative in Mexico seeks to break the intergenerational transmission of poverty, increasing human capital through investment in health, nutrition and education.
Photo courtesy of Coordinación Nacional del Programa de Desarrollo Humano Oportunidades





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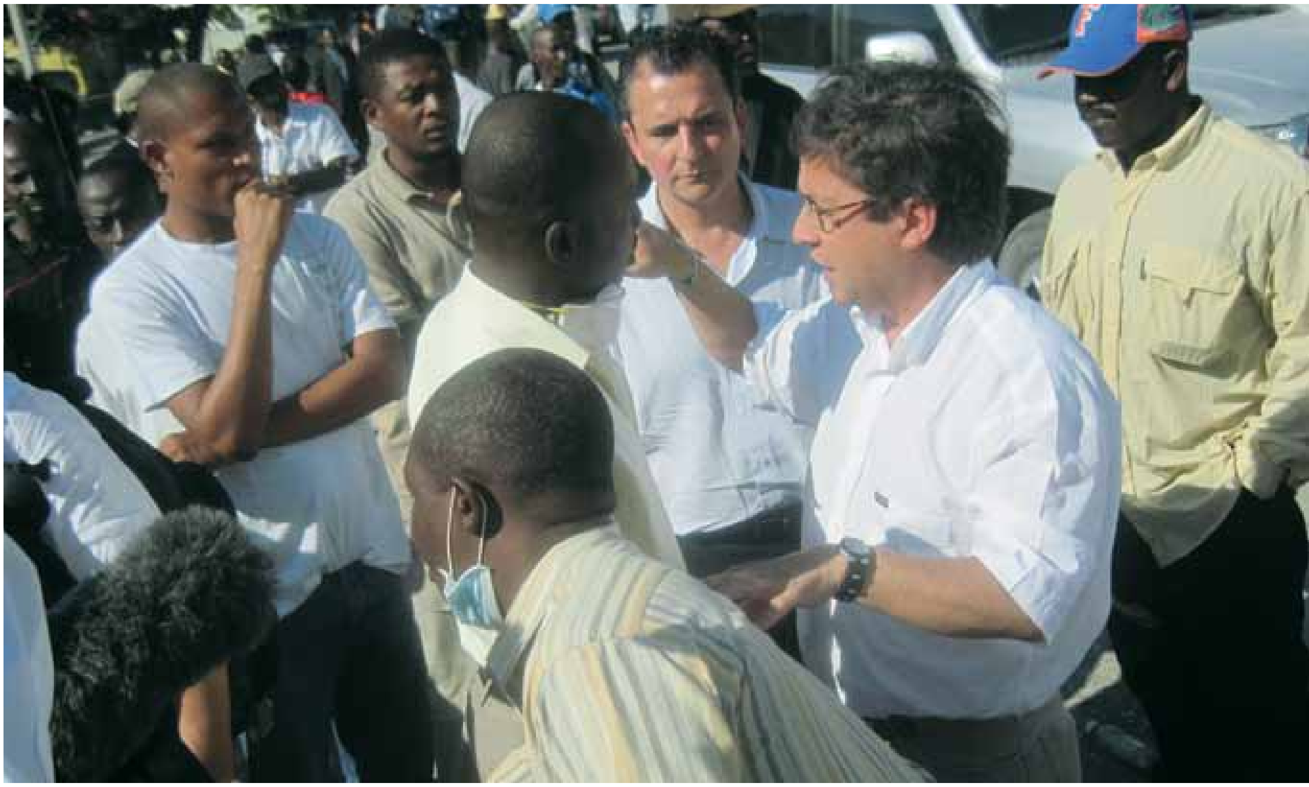
Note: This is the first of two volumes that constitute the Annual Report of the Inter-American Development Bank. The complete Management's Discussion and Analysis, audited financial statements and appendices are published in a separate volume as the *IDB Annual Report: Financial Statements and General Appendices*. The Annual Report is also available on the Bank's website at **www.iadb.org**.

MESSAGE FROM THE PRESIDENT



IDB President Luis Alberto Moreno visiting Haiti after January's devastating earthquake.

One year ago in this space, we suggested that 2009 would be a year in which the IDB's relevance to Latin America and the Caribbean would be put to the test. It was a safe prediction. As the global financial crisis rolled through the Region, our 26 borrowing member countries' access to credit markets on affordable terms disappeared. Demand for our loan products had already surpassed anything we had seen in the past. By the time of the Annual Meeting last March, the Governors of the Bank authorized an immediate review of the need for the first increase in the Bank's capital in 15 years.

But there was an unanswered question behind the challenge: Could we deliver a program, both operational and nonfinancial, commensurate with this unprecedented need? We had reason to be confident that our expanded array of lending and knowledge products would serve our clients well. Leading up to last year, the Bank had undergone a process of deep and, in some respects, difficult change. Even so, in 2008 we had achieved a record volume of loan approvals, $11.2 billion, in part because of the Governors' quick ratification of the creation of a new emergency facility, the Liquidity Program for Growth Sustainability. Today, a year later, thanks in part to our rapid response, many of the gains of the last few years were not lost and a recovery is under way in the Region. Moreover, there is clear evidence to suggest that the relatively short duration of the slowdown, relative to other areas of the world, was largely due to the macroeconomic policies that had been adopted throughout the past decade.

In retrospect, the answer to the question of whether we were positioned to provide meaningful countercyclical support to our countries during the economic and financial crisis is a resounding "yes." Yes, our products and processes were aligned with regional demand. The reforms that took root in the past decade helped magnify the impact of our lending. Looking

farther ahead, we also began preparing immediately to help our countries meet the growing structural needs that had already begun to accumulate before the crisis arrived.

In late December we commemorated the Bank's 50th anniversary. A short time before, the Governors agreed in Madrid to try to reach an agreement on the capital increase by the Annual Meeting in Cancún in March. If 2009 was extraordinary, 2010 will be no less momentous. A substantial increase in the resources of the Bank, accompanied by mandates on issues ranging from the direction of our private-sector lending to our financial architecture and essential questions of governance and transparency, will determine our relevance and impact on the Region for years to come.

In 2009, unprecedented levels of disbursements ($11.9 billion, 33 percent more than in any previous year) and loan approvals ($15.5 billion, 38 percent more than 2008) again made us the leading source of financing for development in the Region. The capital increase, reflecting the consensus among borrowing and nonborrowing members on what kind of Bank we will be, as well as how large, will set us on a course to last the better part of the next generation.

Now we face another momentous test in Haiti, where the devastating January 12 earthquake left a human tragedy of enormous proportions. Despite the loss of the building housing our Country Office and the personal hardships facing our staff, we can all be proud of the IDB's firm and vigorous response in the wake of this unprecedented disaster. Our courageous colleagues went to work literally before the dust had settled, organizing a new presence on the ground and spearheading the Bank's indispensible role for years to come in helping reconstruct the infrastructure of our member country.

As we look to the coming year, with its many challenges and opportunities, I would like to express my profound thanks and admiration for our dedicated staff and the Boards of Governors and Executive Directors. Together you guided us through these hectic but historic months. Together we stand confidently to face the future.

Luis Alberto Moreno
President
Inter-American Development Bank

THE IDB: FIFTY YEARS OF PROGRESS

On December 30, 1959, the last of the 20 original member countries of the IDB ratified the articles of agreement. In February 1960, at its first Annual Meeting, the Board of Governors of the IDB elected Felipe Herrera of Chile as the IDB's first president. The IDB opened its doors for business in October of that year, and in February 1961, Peru became its first borrower, with a loan to finance the La Tomilla water treatment plant near Arequipa.

From 1961 until the end of 2009, the IDB has approved $183 billion in loans and guarantees for infrastructure, social development and other investments to improve the quality of life and provide better opportunities for millions in Latin America and the Caribbean. The addition of Canada (1972), Japan (1976), Israel and most of the nations of Western Europe (1976, 1977, 1986), the Republic of Korea (2006) and China (2009) as shareholders represented an important change in the IDB's original governance structure, though borrowers continued to subscribe the majority of the Bank's ordinary capital. The IDB's internal realignment from 2006 to 2008 spurred an expansion in the IDB Group's operations. Approvals of funds for operations of the IDB, the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF) for development led by both the public and private sectors have risen from a combined $7 billion in 2006 to $9.6 billion in 2007 to $11.6 billion in 2008 and a record-breaking $16.4 billion in 2009.

A young girl or boy growing up today in Kingston, Jamaica, or Valparaiso, Chile, can only imagine what her or his surroundings would have looked like 50 years ago, when her or his grandparents were their age. The Region's population in 1960 was 218 million; in 2011 it will reach roughly 580 million. A child born in the Region today can expect to live more than 17 years longer, on average, than 50 years ago, mortality rates for children under the age of five having fallen from 150 to 28 per 1,000.

Has the IDB Group played as large a role in this development as it could have, given the resources at its disposal? The answer, we suspect, is "Large, but not large enough."

We are justifiably proud of what IDB financing has helped the countries of the Region to accomplish. But when nearly one-third of the Region's population lives in poverty, and only 12 percent of wastewater in the Region is treated, we have much more to do.

Now in the Bank's 51st year, we must redouble our efforts to realize the Region's development goals and improve the quality of its people's lives.

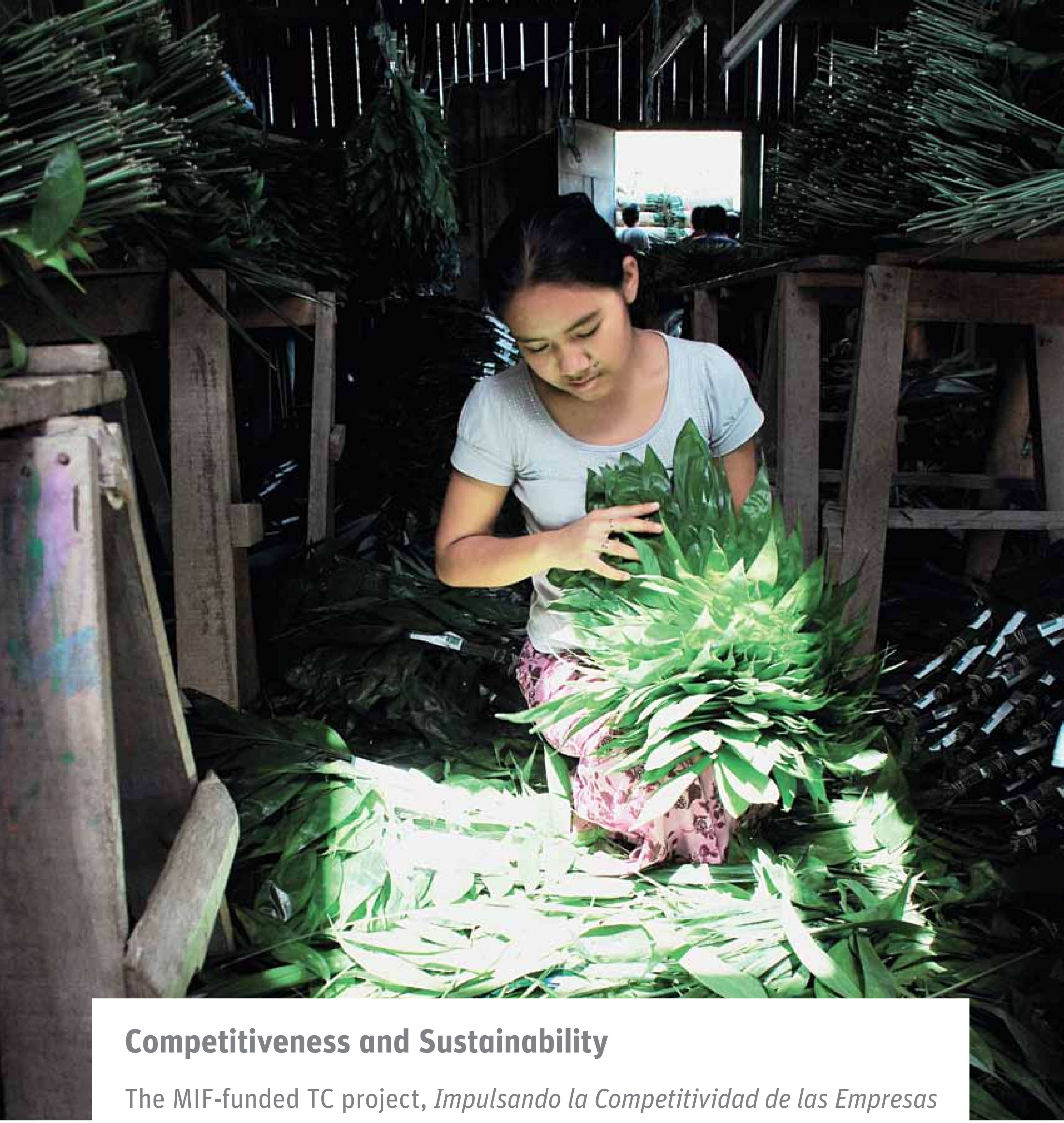
THE BOARD OF EXECUTIVE DIRECTORS

Board Members, *on this page, left to right:*
First Row: Marc-Olivier Strauss-Kahn, Elisabeth Gruber, Adina Bastidas, Antonio De Roux, and Eugenio Díaz-Bonilla
Second Row: Martín Bès, José Carlos Miranda, Sérgio Portugal, Yasusuke Tsukagoshi, and Gerry Duffy
Third Row: Gustavo Arnavat, Hernando Larrazábal, Marcelo Bisogno, Hans Hammann and Francesca Manno (one seat was vacant)

The IDB shareholders—its 48 member countries—are represented by the Board of Governors, the highest decision-making authority of the Bank. The Governors delegate many of their powers to the Board of Executive Directors, whose 14 members they elect or appoint for three-year terms. Executive Directors for the United States and Canada represent their own countries; all others represent groups of countries. The Board of Executive Directors also includes 14 Alternates, who have full power to act when their principals are absent.

Board Members, *on this page, left to right:*
First Row: Alex Foxley, Xavier Santillán, Winston A. Cox, Richard Bernal, and Manuel Coronel Novoa
Second Row: Carmen María Madriz, Cecilia Ramos, Muriel Alfonseca, Verónica Zavala, and Luis Guillermo Echeverri
Third Row: Vinita Watson and Peter Cameron

The Board of Executive Directors is responsible for day-to-day oversight of the Bank's operations. It establishes the institution's policies, approves projects, sets interest rates for Bank loans, authorizes borrowings in the capital market, and approves the institution's administrative budget. The work of the Board of Executive Directors is guided by the Regulations of the Board of Executive Directors and the Code of Ethics for Executive Directors. The agendas and minutes of the Board of Executive Directors' meetings are public documents, as is the Board's annual work program.



Competitiveness and Sustainability

The MIF-funded TC project, *Impulsando la Competitividad de las Empresas Forestales Comunitarias*, supports the development of rural cooperatives in Central America; members gain their livelihoods from sustainable forestry-related activities.

THE IDB IN 2009

After five years of steady improvement, economic growth declined in Latin America and the Caribbean in 2009. The financial and economic crisis that began outside the Region came to affect it. Prudent macroeconomic policies, adopted over more than a decade, made the effects less severe than in other parts of the world, but indicators drifted downward. Exports slumped, job creation was sluggish; of the approximately 125 million people in the Region who live on less than two dollars a day, fewer were able to rise above that poverty line than during the previous year.

Amid these difficult conditions, in which both sovereign and private-sector borrowers found capital markets hard to access, the IDB rose to the occasion and delivered a countercyclical response of unprecedented proportions. Loan and guarantee approvals, at $15.5 billion, exceeded the comparable figure for 2008, a record at the time, by 38 percent. Lending to Bolivia, Guyana, Honduras and Nicaragua, the four countries eligible to borrow from the concessional Fund for Special Operations (FSO), rose to over $400 million. More significantly, loan disbursements from the Ordinary Capital (OC) and FSO combined rose by 56 percent over the prior year, reaching a record $11.8 billion and generating a $7 billion positive net financial flow to the countries of the Region. Grants to Haiti (which since 2007 has taken financing only in that form) reached $154 million, another record amount. Overall, grant approvals, including technical assistance and investments, totaled $480 million for 462 operations. Loan approvals at the IIC totaled $294 million and operations authorized by the MIF reached $116 million.

The Bank's record volumes of disbursements and approvals were made possible by an effort to tap the maximum amounts authorized under the New Lending Framework for 2009–2012. In addition, the Board of Governors approved a shift of $3 billion from the Emergency Lending Facility, providing financing for the 2008-approved Liquidity Program for Growth Sustainability, to the regular lending operations of the Bank. In order to expand the OC short-term lending envelope, the Bank accepted an offer by Canada to increase its callable capital by $4 billion on a temporary basis. This resulted in an increase in borrowing capacity (and thus lending capacity) by the same amount, under existing policies.

At the fiftieth Annual Meeting of the Bank in Medellín, Colombia, in March, the Board of Governors directed Management to begin immediately to review the need for the ninth general increase in the ordinary capital of the Bank and a replenishment of the FSO. As described in greater detail below in this Report, meetings of the Governors, in July and October, led to the establishment of a timetable whereby negotiations among member countries of the terms of the capital increase would be completed by the time of the 2010 Annual Meeting in Cancún, Mexico. Depending on the volume approved by the Governors, the resources from a capital increase would allow the Bank to maintain lending levels in 2011 and beyond that are consistent with those achieved in the past two years; absent such an increase, lending capacity would revert to the pre-2008 level.

Agile and timely adjustments to lending authority were not the only aspects of the Bank's strong countercyclical response to the needs of the 26 Latin American and Caribbean member countries. Nor do approval volumes alone measure the Bank's influence in promoting development throughout the Region: the IDB was able to bring forward a record 165 new loan projects, due in part to changes resulting from its 2007 realignment. These changes were consolidated during the year, accompanied by an increased rhythm of project-cycle due-diligence reviews and heightened risk management and development effectiveness measures.

The composition of the portfolio of projects approved during 2009 continued the trend of preceding years, with roughly 15 percent by volume in the energy sector, 12.8 percent in water

and sanitation, 10.9 percent in transportation, 9.4 percent in capital markets and 8.7 percent in reform and modernization of the state. Loan approvals in the subsector of social investment projects showed an increase from 12.4 percent of the lending program in 2008 to 18.2 percent in 2009.

Non-sovereign guaranteed (NSG) operations approvals were marked by a continued expansion of the Trade Finance Facilitation Program and an increase in loan approvals for the poorer C and D countries. The Opportunities for the Majority (OMJ) initiative accelerated during the year, with nine new operations, as against four in 2008. Classified by instrument type, there was an increase in both investment and policy-based loans; multiphase projects, performance-driven loans and sectoral facilities were also approved. "B-Loan" syndications tied to NSG lending totaled $729 million.

In June, Haiti completed the process whereby it obtained debt relief from multilateral and bilateral creditors totaling more than $1 billion, of which $511 million was from the IDB. Grants to Haiti under the special-purpose IDB Grant Facility totaled $122 million, including $25 million that were disbursed quickly as budget support. One major grant sought to limit flooding in three major watersheds, benefiting an estimated 360,000 people. The third of four planned grants for road rehabilitation focused on the departments of Nippes, Grand Anse and Sud; other projects included $20.5 million for school reconstruction and $39 million for water and sanitation, the latter financed jointly by the Bank and Government of Spain. Undisbursed balances from those and other operations, plus new grant-making authority for 2010 of $128 million, will be available as the initial source of funds from the Bank to help Haiti undertake immediate relief and longer-term reconstruction efforts following the catastrophic earthquake of January 12, 2010.

As part of the effort to produce new market-based financial products, in 2009 the Bank launched the Conversion Offer, the largest liability management exercise ever extended by the Bank to its borrowing shareholders. The offer allowed Bank borrowers to move $26.3 billion in outstanding loans (slightly more than half the Bank's lending portfolio) into mostly fixed-cost base interest rates and to dollarize loans under the Currency Pooling System.

In December, the Board of Executive Directors approved a new Liquidity Policy and Investment Authority for the Bank. At year's end, the new Capital Adequacy Policy was distributed to the Board for consideration early in 2010. By these measures, the Bank took significant steps to improve its risk management framework. Moreover, the Bank undertook a revision of its investment guidelines with the aim of avoiding concentration risks of the kind that led to mark-to-market losses in specific asset classes, predominantly asset-backed securities and mortgage-backed securities, which were particularly affected by the financial crisis.

As the Region rebounds, with early forecasts of GDP growth suggesting an overall increase of 3 percent for 2010, (though with disparities among subregions), the IDB will as always strive not only to keep pace, but to demonstrate leadership and innovation. As the capital increase exercise advances through its final phase, the corporate and operations sides will each have areas of particular emphasis. On the corporate side, advances in measuring development effectiveness and the fight against corruption, already set in motion, will need to be rolled out. In operations, the use of country systems (both fiduciary and nonfiduciary), the review by an External Advisory Group on Sustainability of the 2006 Environment and Safeguards Compliance Policy and related matters, and the establishment of a Platform for Knowledge and Capacity-Building Products (KCP) already signal a full and ambitious agenda.

PROPOSED GENERAL CAPITAL INCREASE

At the Bank's Annual Meeting in March 2009, the Board of Governors initiated a review of the need for a general capital increase of the Ordinary Capital (OC) and replenishment of the FSO. The initial phase of the review, discussed by the Board of Governors in Santiago, Chile in July, addressed a series of issues including the development of a new institutional strategy, an analysis of the nature and scale of demand for IDB support, and advances in the implementation of initiatives to improve the Bank's efficiency and development effectiveness, otherwise known as the Better Bank agenda. At their October meeting in Madrid, the Committee of the Board of Governors reviewed financial scenarios for the OC and the FSO and a proposal for a new strategy for the private sector, and agreed to reach a decision on the parameters of the Ninth General Capital Increase (GCI-9) by the Bank's Annual Meeting in Cancún in March 2010.

The Bank's institutional strategy is based on the addressing two main structural constraints to poverty reduction: the lack of equality in opportunities, and the growth gap within the Region and with other regions. These constraints will need to be addressed in the context of global environmental sustainability. The Bank's proposed institutional priorities for the GCI-9 are: (i) **social policy for equity and productivity**, which includes safety nets for the poor that are compatible with their productive insertion into labor markets, improving the quality of education, promoting equity in health outcomes, and tackling gaps in outcomes that result from gender and diversity issues; (ii) **infrastructure for competitiveness and social welfare**, including access to water and sanitation, transport, and investment in renewable energy and energy efficiency; (iii) **institutions for growth and social welfare**, focused on improving credit markets, fiscal efficiency and sustainability, and citizen security; (iv) **competitive regional and global integration**; and (v) **protection of the environment, responding to climate change and ensuring food security**, focusing on climate change adaptation and mitigation, renewable energy and agricultural productivity.

The Capital Increase is framed by these challenges and priorities, and by the Bank's comparative advantages with respect to other international financial institutions and development partners working in the Region: (i) majority ownership by the regional member countries; (ii) country focus, with offices in all 26 borrowing member countries; (iii) the capacity to articulate public and private sector operations; (iv) diversification of financial and nonfinancial products; and (v) the capacity and knowledge to support regional trade and integration.

The Bank has undertaken an extensive public consultation, receiving feedback and recommendations from civil society on the three pillars of the Capital Increase: (i) the Bank's institutional priorities; (ii) the Bank's comparative advantages; and (iii) the Better Bank agenda. The Bank conducted consultations with civil society in 11 countries in the Region between October and November. The Bank's web site was open for comments on these three pillars from October 2009 to January 9, 2010. A report compiling all the comments from civil society, prepared by a nonprofit organization contracted by the Bank, has been delivered directly to the Board of Governors as an input for their deliberations on the final form of the Capital Increase.

“Our goal must not be merely to protect the gains of the past. Our objective must be growth that is more ambitious, sustainable and inclusive.”

Luis Alberto Moreno, IDB President

—Statement at the year-end meeting of the Board of Executive Directors, 2009.

PRIORITY AREAS

Poverty Reduction

The main challenge the IDB faced in 2009 in its fight against poverty was providing timely support to its clients in alleviating the negative impact of the global economic crisis on the poorest, while maintaining the commitment to increase their capacity to benefit from economic growth once it resumes.

To meet that challenge, the Bank approved $2.5 billion (through 15 loan operations) and disbursed $2.4 billion in the areas of social protection and health. A considerable portion of those resources were directed to supporting and improving the mechanisms by which conditional cash-transfer (CCT) programs protect the livelihood of poor households and their investments in the nutrition, health and education of their children. In Bolivia, for instance, the Bank is helping to reduce maternal and child mortality in the mostly indigenous rural municipalities

The MIF supports the semi-urban Zona da Mata in Pernambuco, Brazil, at the municipal and regional levels, in the improvement of basic services, environmental protection and management, support for nonagricultural microenterprises, infrastructure and sanitation.

The MIF enhances the development impact of remittances by improving access to mortgage loans for individuals of Mexican origin living in the United States so that they can buy houses in Mexico.

that benefit from the CCT, through the promotion of culturally sensitive health services. In the Dominican Republic, it is enabling the development of management tools and financial incentives to foster the multiagency coordination needed to maximize the impacts of CCTs. It has also continued to provide support to the *Oportunidades* CCT program in Mexico, which has been instrumental in protecting the extremely poor during the crisis.

In 2009, the Bank disbursed $85 million in labor market–related loans, supporting efforts to respond to the employment contraction in the Region. The recently created Labor Markets Unit designed a new loan to Mexico for the training and placement of unemployed workers, and also reformulated an employment loan in the Dominican Republic, to enhance the effectiveness of that country's response to the employment crisis.

The Mesoamerica Health Facility (MHF), established in 2009, is the operational component of the Mesoamerica Health Initiative, a partnership between public- and private-sector actors to improve the health of the poor in Mesoamerica. The MHF is a highlight of the Bank's effort to support the Region in meeting the Millennium Development Goals (MDGs). MHF aims at accelerating progress towards the health MDG in Mesoamerica via targeted performance-driven investments that increase the coverage of proven efficacious or promising health interventions among the poorest populations.

The IDB continued to develop and disseminate knowledge that improves poverty-reduction policies and programs, expanding research in the key areas of productivity and employment services, financial services for the poor, chronic disease management and adolescent pregnancy.

Sustainable Energy and Climate Change

During 2009, the IDB approved eight loan operations in Argentina, Bolivia, Brazil, Nicaragua, Peru, Panama and Venezuela totaling $1.7 million, and 28 technical assistance grants for a total of $18 million, in Renewable Energy, Energy Efficiency, Bioenergy and Institutional Capacity. Through these operations the IDB has been a leading proponent of change to the energy matrix of countries in Latin America and the Caribbean, strengthening the transmission and distribution infrastructure and supporting renewable indigenous generation sources. Technical cooperation (TC) and loans have significantly contributed to new technology that allows renewable energy resources to leapfrog the Region's traditional energy matrices.

The IDB addresses climate change by helping its Latin American and Caribbean member countries adopt mitigation and adaptation measures and joining the global community's efforts to set policy and mobilize new sources of financing. The IDB's Sustainable Energy and Climate Change Initiative (SECCI) will foster renewable energy sources, energy efficiency technologies and practices and carbon finance, and will promote and finance adaptation strategies that reduce the Re-

The IDB approved $102 million in partial financing for two wind power projects totaling 318 megawatts in the state of Oaxaca, Mexico, that will generate clean renewable energy for private companies, and jobs and payments for low-income rural communities.

Working with the government of Barbados, the IDB supports efforts to improve coastal management. Project components include shoreline stabilization, coastal ecosystem recovery, coastal access improvement and institutional development.

gion's climate vulnerability. Through policy dialogue, policy-based loans for climate change, TC, and investment grants, the IDB works with finance ministries to set national priorities for action.

During the past two years, the IDB has approved two policy-based loans totaling $850 million, including a $600 million program for Mexico and a $250 million program for Colombia. At the same time, SECCI has approved over 60 TC projects totaling $34.7 million and three investment grants totaling $2.25 million. SECCI's work has helped to mainstream the climate change initiative in the Bank's investment programs for different sectors. It is also responsible for the development of nonfinancial products such as the IDB's Biofuels Sustainability Scorecard, now in its second version, KCPs in climate change.

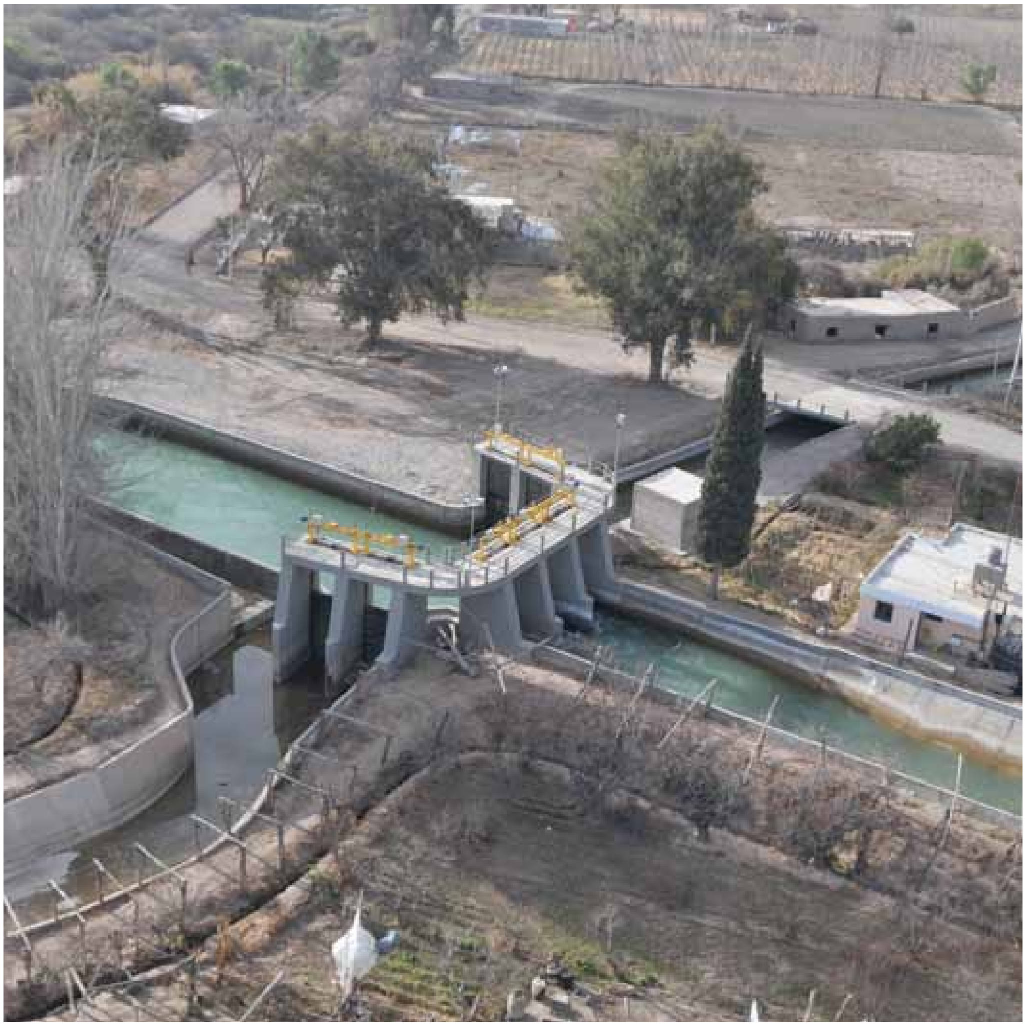
Internationally, the IDB has taken on an integral role as an implementing agency of the World Bank–administered, multidonor Climate Investment Funds (CIF). Mexico's Investment Plan, prepared jointly by the IDB, the World Bank and the International Finance Corporation (IFC), was the first plan submitted to the CIF's Clean Technology Fund. Out of the approved $500 million, the IDB will be accessing $200 million to support programs in renewable energy and energy efficiency through the public and private sectors. These programs will build on existing IDB financing and technical assistance to Mexico, including the previously noted policy-based loan.

Water and Sanitation

To close the coverage gap in water and sanitation services in the near future, the IDB launched its Water and Sanitation Initiative in 2007, with special financial products to support solutions tailored to each country's needs.

In 2009, the IDB approved more than $1.8 billion in loans and more than $15 million in TC funding for water and sanitation projects. Highlights included the third stage of the Tiete River Cleanup Program in São Paulo (this operation involved $600 million in IDB resources, the largest loan ever by the Bank in this sector); $200 million for improvement and expansion of the water supply and sanitation infrastructure for the Buenos Aires Metropolitan area; and the $450 million Medellín River Sanitation Program, enabling the city of Medellín, Colombia, to significantly improve its wastewater treatment coverage. Another project, the Second Program to Support Consolidation of Reforms in the Water and Sanitation Sector in Colombia, is a policy-based loan for $250 million to develop legal, regulatory and institutional instruments for use by municipalities that provide water and sanitation services.

The IDB supports programs that increase access to potable water and enhance service coverage.



As part of a project to provide services, investments and business plans to farmers in Argentina, the IDB finances irrigation and drainage projects in the framework of a policy of sustainable management of water resources.

The IDB also leveraged a variety of partnerships with donors and organizations such as the Spanish Cooperation Fund for Water and Sanitation in Latin America and the Caribbean. Through this strategic partnership with the Spanish Government, the IDB received more than $450 million to invest in water and sanitation projects, especially in rural and peri-urban areas. In 2009 the Bank approved four of these projects, amounting to almost $250 million. It also continued developing the Water Operator Partnership program with the United Nations.

By year-end 2009, the Bank had approved projects in 112 cities as part of the 100 Cities program to provide water and sanitation in cities with more than 50,000 people, and in 1,500 rural communities as part of the Rural Communities program that seeks to reach 3,000 such locales. The Bank has also assisted 21 priority microwatersheds under the Water Defenders program, and supported 62 water and sanitation operators under its Efficient and Transparent Utilities program.

Infrastructure

The IDB supports access to high-quality infrastructure, to improve the competitiveness of individual countries and of the Region as a whole. Support is provided through loans to public or private entities, with or without sovereign guarantees. The IDB provides analytical support and intellectual leadership to help countries find innovative solutions to their infrastructure needs. The Infrastructure and Environment Sector is the IDB's lead department for infrastructure, working with other parts of the Bank. All told, the IDB approved $7.1 billion in 2009 in loans for infrastructure (including water and sanitation and SECCI): $6.5 billion in sovereign-guaranteed (SG) loans plus more than $600 million in NSG loans.

During 2009, the IDB developed an ample and diverse program to assist client countries in meeting their transportation needs. Twenty loan operations were approved, totaling more than $1.2 billion, mainly for improving road networks to foster economic growth and improve accessibility in urban areas. The IDB has also taken a leadership position in three areas considered critical for future development of the transport sector: road safety, logistics and sustainable transport.

The new 45.6-km alternate route between the localities of San Francisco and Mocoa, financed by the IDB, will contribute to southern Colombia's economic and social development and to its integration with neighboring countries, while improving the corridor's safety and efficiency.

Productive Opportunities for Rural Microentrepreneurs, a MIF project, helps to improve the quality of life of families that live in rural areas in El Salvador.

In the agricultural sector, the IDB initiated a series of studies to support regional dialogue on agricultural policy, these dialogues are part of an effort to help focus future operations toward more social inclusion of small producers, more efficient use of public funds for agriculture and higher economic returns on productive investments. In the tourism sector, the IDB has consolidated its leadership role in Latin America and the Caribbean, with important technical and financial support for tourism products. The IDB is supporting Brazil's National Tourism Development Program, a key initiative in the preparations for the country's hosting of the World Cup in 2014 and the Olympic Games in 2016.

Education and Innovation

The Bank's Education Initiative strategically gives priority to three areas: early childhood development (ECD), teacher quality, and the school-to-work transition. A key objective in all activities is to enhance learning and reduce the gap in performance between rich and poor and between the Region and other parts of the world. To this end, the Bank approved three loans, 16 grants for individual countries and two grants for regional projects in education, totaling over $185 million.

In ECD, the Support to Seamless Education Program in Trinidad and Tobago supports the creation of public–private partnerships to improve services, particularly to poor children. In addition, the Ministry of Education will partner with key stakeholders to gain additional experience in ECD, using this expertise to improve the quality of services all children receive.

The Bank continued its support to a group of social entrepreneurs who founded *Enseña Chile*, an adaptation to the Chilean context of the Teach for America model, which seeks to place well-qualified teachers in disadvantaged schools. The *Enseña Chile* model is now being replicated in Peru, with the Bank's support.

The IDB's country strategy for Guyana includes investment in social development. The Basic Education Access Management project financed the construction and rehabilitation of schools, and supported the development of the institutional capacity to sustain wider coverage in the sector.

In the Dominican Republic, the IDB's Equity Enhancement Basic Education Program increases the coverage and quality of education in rural and marginal urban areas, improving teaching, lengthening the school year, and reforming teacher training.

In 2009 the Bank approved the Regional Project on Child Development Outcomes Indicators. The project will provide high-quality, policy-relevant data on the state of young children and their families in Argentina, Costa Rica, Ecuador, Haiti, Nicaragua, Paraguay and Peru.

The Region as a whole continues to lag behind developed and emerging countries by most science, technology and innovation indicators and the gap is increasing. To meet this challenge, in 2009 the Bank almost doubled the volume of lending for technology and innovation projects over 2008 levels, with the approval of the first loan under a $750 million CCLIP for Argentina. At the same time, the Bank mobilized significant TC resources for innovation projects (almost twice the 2008 level) and created the multidonor Knowledge Economy Fund.

To leverage TC resources for innovative initiatives, the Bank also developed strategic partnerships with private-sector organizations and research institutions. Examples include (i) the LACCIR Virtual Institute with Microsoft Research; (ii) "Mobile Citizen," supported by a network of partners including Telefonica, Carso Health Institute, and the United Nations' mHealth Alliance) and (iii) "A World of Solutions: Innovations for People with Disabilities," with the Massachusetts Institute of Technology's D-Lab.

In the area of knowledge products, the IDB is pursuing an ambitious but focused agenda in collaboration with other agencies such as the Organisation for Economic Co-operation and Development, the Economic Commission for Latin America and the Caribbean, the International Development Research Centre, UNU-MERIT and the World Bank.

Opportunities for the Majority

Opportunities for the Majority (OMJ), operating under the Bank's Vice Presidency for Private Sector and Non-Sovereign Guaranteed Operations, focuses on developing innovative, market-based solutions to address the needs of the Region's poor and low-income populations.

OMJ's operational phase is supported by a $250 million financing facility approved by the Board of Executive Directors. By the end of 2009, OMJ's portfolio included a total of 13 projects that directly benefit low-income communities, nine eligible projects in its pipeline, and others in earlier stages of development, all supported by an active portfolio of TC projects.

These projects use new approaches to address persistent problems that face the Region´s underserved majority population. Projects must have the potential to be scaled up, and must create significant positive social impacts. The approved operations demonstrate OMJ's growing expertise in building sustainable public–private partnerships among businesses, nongovernmental organizations (NGOs), philanthropic organizations and government.

The goal of the MIF regional *Aliar* project is to improve the international competitiveness of small and medium-sized enterprises in participating countries through the formation of business alliances.

In Chile's Atacama region, the IDB's Multiphase Program for the Comprehensive Development of Indigenous Communities helps to enhance agricultural production through irrigation and drainage and improved livestock management, and promotes community strengthening.

In May, OMJ hosted a Strategic Partners meeting with representatives from 18 development organizations. The event served as a platform to support the multidonor Market Solutions to Mobilize Social Change Strategic Thematic Fund, which is mobilizing financial and nonfinancial contributions through partnerships with donors and investors, and will enable the Bank to act as a clearinghouse for knowledge of what works in market-based solutions for the majority. The Fund has received a seed pledge in the amount of €1 million from the Government of Austria. OMJ is inviting additional bilateral donors to participate in the Fund in 2010.

OMJ continues to improve its capacity to develop and disseminate information, as it becomes a Bank and industry resource for knowledge of effective, market-based strategies for addressing poverty. It remains central to OMJ that its projects demonstrate how the Bank and other financiers can invest effectively in underserved markets. Each new OMJ project brings new learning, which increases the Bank's institutional knowledge and that of OMJ's partners and clients.

OTHER KEY AREAS

Private Sector Development

The IDB Group consists of three entities that closely coordinate activities for private-sector development: the IDB, the IIC, and the MIF. The IDB and the IIC are distinct international organizations with their own governance structures and assets. The MIF is a trust fund that is administered by the IDB. In addition to OMJ, the IDB's Vice Presidency for Private Sector and Non-Sovereign Guaranteed Operations houses the IDB Structured and Corporate Finance Department (SCF) and the MIF.

Structured and Corporate Finance

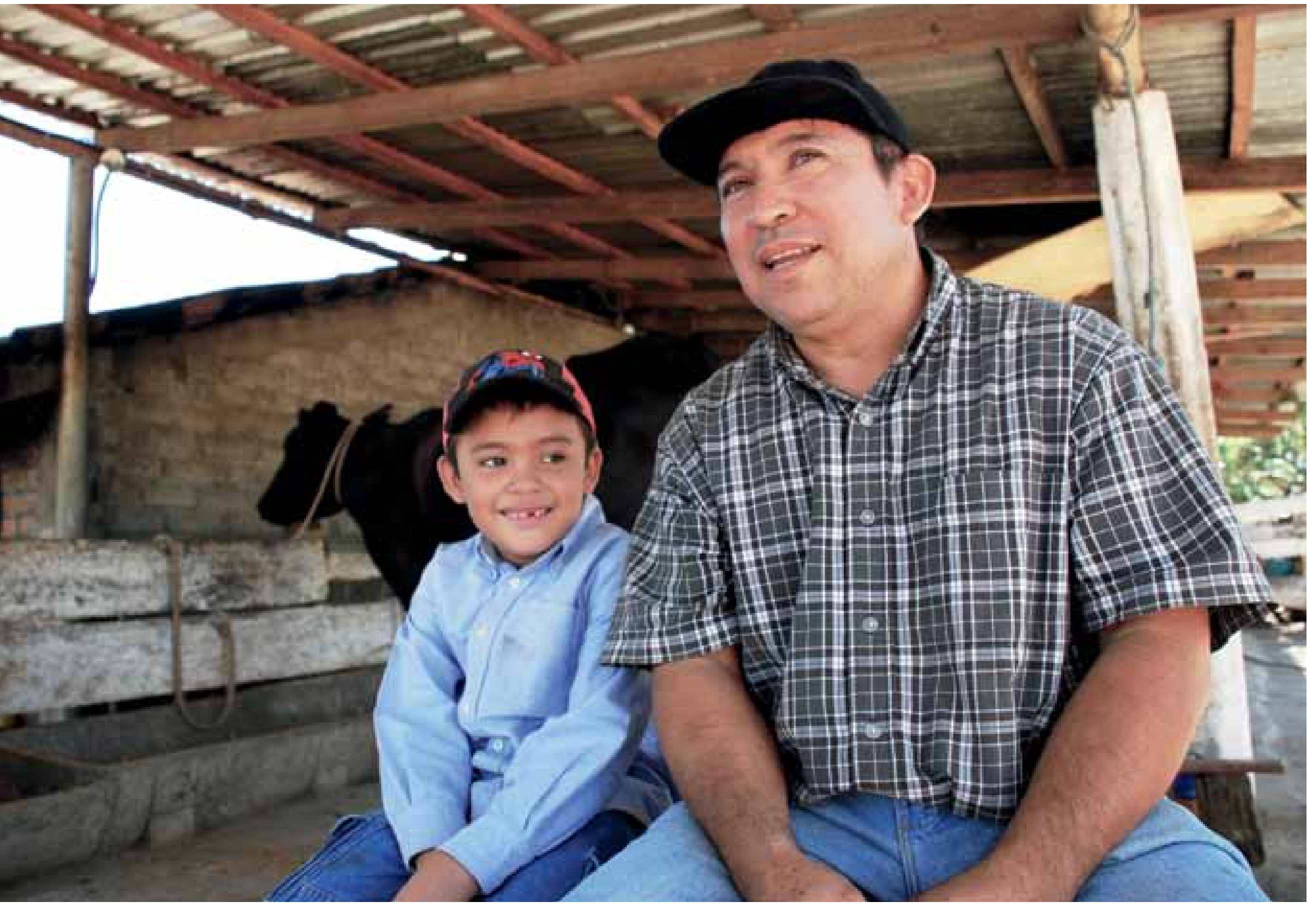
The 2009 SCF operational program included operations in 17 countries representing all four subregions—the Caribbean, Mexico and Central America, the Andean region and the Southern Cone—and totaling $919 million. Approximately 35 percent of the approved volume and roughly 50 percent of the operations were located in C and D countries. SCF maintained its focus on delivering innovative financing solutions to its traditional areas of operations—infrastructure and financial and capital markets development, among others—while prioritizing "green" investments. These include the financing of biofuel plants, implementation of energy efficiency programs, and financing of industries related to the production of equipment for the generation of renewable energy. SCF's focus in this area enables the private sector to combat climate change by investing in renewable energy, energy efficiency, and recycling projects, creating a demonstration effect for other investors and promoting the sustainability of projects and industries.

In 2009, SCF continued to explore ways to extend its reach and the development impact of its interventions. Two new products were added to the toolkit in 2009: the Tourism Scorecard, designed to ensure that the IDB's investments in private-sector tourism projects maximize social, economic, cultural and environmental benefits for local communities and destinations; and the beyondBanking initiative, to promote principles of social and environmental sustainability and good corporate governance within financial institutions throughout the Region, and to expand the potential value added of SCF transactions within the financial markets segment.

Multilateral Investment Fund

In 2009 the MIF approved $115.7 million in funding for 134 operations. Of these, 114 were grants and 20 were investments. With local counterpart resources, the MIF mobilized $497 million in the Region. The MIF spearheaded work on the $200 million Microfinance Growth Fund, supported by the Overseas Private Investment Corporation (OPIC), the IIC, and other institutions. During the year, 43 percent of MIF operations approved were in the smaller and relatively poorer C and D countries. The value of total operations under administration decreased by 8 percent, while the number of operations increased by 18 percent, reflecting a trend toward smaller average project size.

The MIF hosted a number of important conferences in 2009: the Twelfth Inter-American Forum on Microenterprise, in Arequipa, Peru; the Seventh Inter-American Conference on Corporate Social Responsibility in Punta del Este, Uruguay; and a conference on lessons learned



The MIF Learning from Business Alliances program in Central America promotes the formation and strengthening of business alliances among participating member countries' SMEs, to increase competitiveness and to learn and disseminate best practices.

from Spanish public–private partnerships in infrastructure, in Madrid. The MIF commissioned the Infrascope, a tool for analyzing countries' readiness for public–private partnerships, and the Global Microscope on the Microfinance Business Environment, produced by the MIF and the Economist Intelligence Unit, and expanded in 2009 to include 55 countries (21 in Latin America and the Caribbean). The MIF joined with the National Geographic Society and Ashoka (an association of social entrepreneurs) to host the Changemakers Geotourism Challenge 2009 "Power of Place" Competition, which offered cofinancing for selected small geotourism initiatives. Welcoming a new General Manager in 2009, the MIF began to concentrate on the issue of access, a crosscutting theme that will be at the core of MIF action going forward.

Inter-American Investment Corporation

The IIC's mission is to foster the economic development of its Latin American and Caribbean member countries. The IIC makes loans to small and medium-sized enterprises (SMEs) directly and indirectly through financial intermediaries, and deploys grant resources through programs and direct technical assistance.

IIC projects must foster sustainable development. A new assessment, tracking and evaluation system designed in 2007 offers a comprehensive yet straightforward way to measure the

extent to which the IIC is achieving its developmental mandate. As of the end of 2009, this development database covers all projects approved since 2005.

For the year, the IIC approved 40 projects, through which it will channel a total of $300 million to SMEs in the Region, bringing the total amount of financing approved since its inception to $3.6 billion. The year 2009 marked the seventh consecutive year that the Corporation has turned a profit, notable considering the uneven and sometimes challenging global economic conditions affecting this sector in the Region.

In 2009, the IIC's Board of Executive Directors approved the creation of the Capital for SME Business Unit that will resume the Corporation's equity investment activities in Latin America and the Caribbean. This unit will also work to deploy $75 million in resources that China has provided for the same purpose.

Institutional Capacity and Finance

This sector encompasses the Bank's activities in the areas of strengthening the institutional capacity of the state, capital markets and finance, fiscal policy and management, decentralization and urban development. Measured both by volume ($5.5 billion) and number of operations (44),

By bringing remittance senders and receivers into the Dominican Republic's formal banking system, the MIF is helping to extend the system's reach and coverage into rural areas, channeling remittances into production-oriented projects to be executed primarily by low-income women.

the Institutional Capacity and Finance Sector was second only to the Infrastructure Sector in originating lending during 2009. During the year, the sector was responsible for bringing to the Board of Executive Directors three operations totaling $1.1 billion from the Liquidity Program for Growth Sustainability, for the Dominican Republic, Jamaica and Panama. Although two of the five liquidity loans approved since the establishment of the program in October 2008 were subsequently cancelled, the creation of the line itself gave a strong signal to markets that the Bank stood ready to alleviate liquidity shortfalls derived from the financial crisis, thus benefiting both individual countries and the Region as a whole.

Multisector Credit Programs, which for many years have proven to be an effective means of channeling credit to second-tier banks and businesses that the private sector by itself cannot reach, constituted another important business line for the Bank. In 2009, the IDB approved seven such loans, totaling more than $2.1 billion. The demand-driven multisector loans were a clear instance of the countercyclical role the IDB sought to play during the worst of the financial crisis: countries sought to obtain resources from the Bank so as to lend in local currency for profitable productive-sector activities, improving their economies' competitiveness. Still another important product employed by the sector in 2009, the first of its kind, was a $100 million contingent loan to the Dominican Republic from the Contingent Credit Facility for Natural-Disaster Emergencies. Part of the IDB's broad-based Disaster Risk Management Focus, loans from the facility use as eligibility criteria measurable indicators such as the wind speed and volume of rainfall associated with hurricanes, or Richter scale readings for seismic events.

The year also marked a strong performance in terms of lending to municipalities and other subnational governments. In Brazil alone, $273.1 million were lent to 11 municipalities and states to support urban development and fiscal management in a major partnership with the country through the PROCIDADES and PROFISCO programs. In addition, the Bank developed a new framework for its support to countries in the area of citizen security, a major factor affecting social cohesion and economic development and an area in which the Bank expects to invest considerably in the years to come.

The outbreak of the international financial crisis in 2008 posed significant fiscal challenges to the Region throughout 2009. Through integrated lending and nonlending programs, the strategy underlying the Bank's response was twofold: to provide fiscal space and promote fiscal adjustment. Under the first heading the Bank supported countercyclical policies to sustain economic growth, preserve employment and protect the poor. Under the second the IDB supported policies to enhance revenues, tax administration, quality of public expenditure and fiscal sustainability for the medium and long term. To complement this strategy, the Bank continued supporting subnational governments in their efforts to strengthen budgetary policies, tax collection and public expenditure management. In the two areas combined, the Bank approved 13 operations totaling $1.5 billion. Six operations were part of the PROFISCO line of credit in Brazil, totaling roughly $130 million. Additional operations included a policy-based loan for $400 million in Guatemala, three policy-based programmatic loans totaling $350 million, and a fiscal emergency loan for the Dominican Republic for $500 million.

Cities are home to 75 percent of the Region's population, and account for 50 percent of its economic growth. However, cities also suffer from poverty and shortage of employment opportunities and public services, resulting mainly from rapid population growth: one out of three people lives in informal settlements. To address these problems the Bank approved nine operations for approximately $400 million, including five new loans under the PROCIDADES lending facility in Brazil for $150 million to improve city services and infrastructure, the "Bicentennial Cities" program to strengthen local government's investment capacity in Chile, two social housing programs in Ecuador, and the second phase of a low-income shelter program in Suriname.

An IDB loan is helping to increase the coverage and quality of infrastructure and services for the rural population in Argentina's provinces. Projects financed will include rural energy, roads, and irrigation and drainage infrastructure.

Regional Integration

The IDB continued to support integration and trade in the Region through the provision of loans, technical assistance and KCPs. These help member countries to build their capacities for better utilizing trade liberalization, to tap into new opportunities such as expanding services trade, and to pursue a proactive regional and extraregional integration agenda. Among highlights were loans to Nicaragua and to Argentina to improve capacities for taking advantage of trade and investment opportunities. Work on execution of loans includes, among others, promoting trade and investment in Chile, Paraguay, Peru and Uruguay, and enhancing government capacities to facilitate private-sector trade operations in Barbados, Suriname, and Trinidad and Tobago. Extensive support was provided to Peru in mainstreaming trade to national development. Regional TC in Central America included such projects as stock exchange integration, integration of productive value chains, and development of regional competition policies. In the Southern Cone projects included investment promotion, support for the MERCOSUR Parliament and MERCOSUR Trade Commission, and trade and investment development in Brazilian border zones.

The Bank provided extensive technical support to the efforts of the Pacific-11 Group of Pacific Rim Latin American countries (*Arco del Pacífico Latinoamericano*) established in 2007 to

The IDB is providing financing for TECSIS, a leading manufacturer of wind turbine blades, and supplying technical cooperation for a study of the market and of the environmental and social impacts of wind power technology in Brazil.

connect the regional countries' common trade agreements, and supported the Pathways to Prosperity in the Americas, among a dozen Latin American nations, the United States and Canada. The Bank also supported Colombia and Chile in implementing a new program of digital certification of origin that dramatically accelerates cross-border trading operations. In October 2009, the Bank and the UN's Office of the Special Envoy to Haiti organized an International Business Meeting in Port-au-Prince, the largest-ever gathering of domestic and foreign companies in the nation.

The IDB has played a central role in the global Aid for Trade initiative spearheaded by the World Trade Organization (WTO), creating an Aid for Trade Strategic Thematic Fund to mobilize resources in support of Aid for Trade implementation in the Region. The Bank also forms part of the Aid for Trade Road Map for 2009–2010 (to monitor project implementation) and worked on Aid for Trade Reviews, most recently in the Caribbean, Honduras, and, with support from the Swiss government, in Peru.

Continuing its extensive work on regional integration and cooperation, the Bank supported policy dialogues, among them the second Meeting of the Finance Ministers of the Americas, hosted by Chile, and the Trade Network of the Regional Policy Dialogue. The innovative Regional Public Goods program approved 14 additional projects, raising the total to $47.4 million for 60

projects. The Bank's pilot program for transit cost reduction, International Transit of Goods in Mesoamerica, was extended to all borders from Mexico to Panama. Other regional initiatives included support to trade networks and private forums on promoting exports and attracting investment.

The Bank accentuated its work agenda on Latin America/Caribbean–Asia trade and investment, offering a variety of support: funding trans-Pacific trade policy research, cooperation with the Asian Development Bank, and technical studies, presentations, and private sector forums with the Asia-Pacific Economic Cooperation. The Bank also launched a TC project to attract Asian investment to Latin America and map out import requirements for agricultural products in Asian markets. The year also saw the publication of a report on India: *Is India the Next Big Thing for Latin America? Opportunities and Challenges for Trade and Investment*.

The Bank also honed its thought leadership in trade through such products as a book, jointly published with the WTO, *Regional Rules in the Global Trading System*; a special report on the prospects for greater convergence of regional trade agreements, *Bridging Regional Trade Agreements in the Americas*; and an extensive study on furthering the effectiveness of export promotion agencies in Latin America and the Caribbean, *Evaluating the Impact of Export Promotion Institutions in Latin America and the Caribbean.*

Better Sanitation

Through its strategic partnership with the Spanish Cooperation Fund for Water and Sanitation in Latin America and the Caribbean, the IDB received nearly $500 million to invest in water and sanitation projects, especially in rural and peri-urban areas.

Risk Management

The IDB moved to solidify its systems for financial and other types of risk management on a variety of fronts, following the creation in 2007 of the Risk Management Office that reports directly to the President. By the end of 2009 the Bank was poised to put in place a series of measures that would align it with other leading multilateral financial institutions in this essential area. Improvements and refinements in corporate systems focused on executing initiatives in three areas identified in the Bank's financial risk management strategy. In the area of *credit risk*, the introduction of a new classification index as part of the loan approval process standardized the review of risks associated with individual operations from the standpoint of the borrower, sector, country, and product type. On June 30, each project in the NSG portfolio was rated under the new system.

In terms of *strategic risk*, as described in greater detail below, the Bank neared completion of a review of its Capital Adequacy and asset/liability management risk policies. The Bank is also well advanced in the implementation of the Integrated Capital Adequacy and Portfolio Analysis System, which will serve as the centerpiece of the infrastructure for measuring and monitoring credit and market risks associated with the Bank's loan and liquidity portfolio.

A review of the Bank's Investment Strategy was performed by Management and presented to the Board of Executive Directors. The review laid out a series of specific actions designed to improve the management and evaluation of the investment portfolio, under the third heading of *treasury risk*. It also outlined a Strategic Asset Allocation process, whereby new allocation targets will be determined under the Bank's Asset and Liability Management Committee. The new process will provide the basis for analysis of tradeoffs between risk and reward and adjustments in the portfolio in light of liquidity needs.

Procurement, Financial Management and Portfolio Monitoring

In the areas under the responsibilities of the Vice Presidency for Countries' Project Procurement, Financial Management and Portfolio Monitoring Division, one important accomplishment was the approval by the Board of Executive Directors of important elements of a new strategy for the use of country systems, broken out into two types, *fiduciary* and *nonfiduciary*. The former includes standards for procurement and public contracting, as well as norms for financial management. Nonfiduciary systems involve the use of national laws and regulations for gauging development effectiveness and environmental standards and safeguards.

Given the complexity and breadth of the need to reconcile the Bank's existing systems and emergent and established best practices in borrowing member countries, the Board and Management focused on a strategy that emphasizes the clients' needs. It will be implemented gradually, in step with individual countries' needs as identified in Country Strategy documents and addressed through the provision of resources and technical assistance from the Bank. Work on the use of country procurement systems will continue in 2010.

The new Financial Management Policy and the new Financial Management and Procurement Operational Guidelines, approved in 2009, are being rolled out gradually. The new approaches promote: (i) greater use of professional judgment; (ii) better customer service, including the reduction of transaction costs; (iii) risk- and results-based management; (iv) integrated fiduciary activities, as part of the programming and project cycles; (v) increased use and strengthening of country systems; and (vi) standardized and high-quality application of fiduciary policies and principles.

Over the course of the year, the Bank developed and launched a new approach to portfolio monitoring, which includes standardized portfolio performance indicators and reports. This new comprehensive approach helps to facilitate active portfolio management, by integrating measures relating to resource allocation, disbursements, performance, supervision, and execution output data.

Use of systems for e-government procurement was the subject of a major conference hosted by the Bank in 2009, the first of its kind in three years, at which officials in charge of public purchasing from approximately 95 countries reviewed prospects for the harmonization of standards.

Environmental Safeguards

In 2009 the IDB's Sustainability Initiative was mainstreamed into the Bank's operating budget through four KCPs: instruments and operational tools for environmental and social risk management; training and knowledge; sustainability reporting; and country environmental analyses.

The Bank hired eight additional environmental safeguards (ESG) specialists, bringing the total number of such technical staff to 21. ESG specialists have been assigned to an increasing number of projects in the pipeline and in the portfolio, providing expertise to ensure their

A MIF project in Costa Rica helps increase the capacity of SMEs to access international markets for products grown using eco-friendly methods. The program will be implemented by the Tropical Agricultural Research and Higher Education Center (CATIE).

social and environmental sustainability. ESG specialists are involved as team members in more than 370 operations, an increase in 2009 of 50 percent of operations in preparation and a 20 percent increase in involvement in operations in execution. Additionally, ESG has screened more than 800 loan and MIF operations and TC grants through the environmental and social review process. A safeguard tracking system has been developed improving access to documentation of environmental and social aspects of IDB operations.

In support of the Environment and Safeguards Compliance Policy, the Environmental Safeguards Unit has begun to develop clear criteria for reducing the climate impacts of IDB-financed projects in areas including manufacturing, agriculture, oil and gas industries, hydroelectric dams, and cement. The first of these are the Coal-Fired Power Plant Guidelines developed in coordination with Bank's Energy Division and SECCI: the IDB will only finance projects that use the best available technologies to reduce emissions of greenhouse gases and other pollutants.

In May of 2009 the Bank invited a group of nine leading experts in environmental policy and sustainable development, the External Advisory Group on Sustainability, to review the implementation of the Environment and Safeguards Compliance Policy. The Advisory Group is to provide advice and recommendations on the implementation of the policy and the achievement of its objectives. It will also serve as part of the Bank's preparation for the Ninth General Capital Increase. Specifically the Advisory Group is asked to provide advice on (i) the IDB's efforts and performance in addressing the critical environmental issues affecting the Region; (ii) improvements to the Environment Policy and implementation processes, which may better enable the IDB to address critical environmental issues; (iii) emerging sustainability issues in the Region and how the Bank could effectively address them in the context of its Better Bank agenda; and (iv) the Bank's role in sustainability leadership in the Region.

Development Effectiveness

In October of 2008, the Board of Executive Directors approved the Development Effectiveness Framework (DEF). The DEF frames the Bank's activities under a new logic—a greater focus on results, based on empirical evidence, while improving the quality of the effort—that aligns the constituent parts of the Bank in the same basic direction. It enhances the Bank's accountability for results, emphasizing evidence-based decision making, and provides a learning environment in which to understand what works and why. The DEF proposed that the evaluability—the extent to which an activity or program can be evaluated in a reliable and credible fashion—of all development products of the institution be consistently and comprehensively measured at entry (before approval). The instrument used to measure evaluability is a series of development effectiveness matrices, each specifically designed for a specific type of development intervention (country strategies, public- or private-sector operations). Beginning in 2009, all loan proposals distributed to the Board of Directors for approval include a rating of their evaluability.

Additionally, the Bank has identified projects approved in 2008 and 2009 that include experimental or quasi-experimental evaluation methodologies in their design, which attempt to establish counterfactuals for the project's interventions; that is, they allow for calculation of the net effect of the project on beneficiaries, not just of notional improvements. The Bank will track these projects and ensure that technical support is provided so that the impact assessments of the interventions continue to be rigorously executed.

In September of 2009, monitoring of the implementation of public-sector operations shifted to a quantitative approach that tracks the achievement of each program's outputs and out-

comes relative to its estimated time and cost parameters. Data reporting from this new system will begin during the first quarter of 2010 for all SG operations in the portfolio. Additionally, reporting on results at completion has undergone a change with the implementation of the DEF. Whereas in the past only 30 percent of fully disbursed SG operations generated Project Completion Reports, 2009 saw an increase in the compliance rate in the preparation of such reports. Compliance reached 83 percent by the designated target date of June 30, 2009. SG completion reports had their results validated by the Office of Evaluation and Oversight (OVE)—the Bank's independent evaluation office—by the end of 2009. Moreover, by the same time OVE had also validated results of NSG operations completed in 2008.

At the beginning of 2010, the Bank will publish the Development Effectiveness Overview (DEO). The DEO will assess: (i) the Bank's progress in implementing its new policy on development effectiveness; (ii) the available empirical evidence on the effectiveness of programs financed by the Bank in the last two years since the realignment, and the alignment of this lending with the institutional priorities proposed under the General Capital Increase; and (iii)

A worker in Peru inspects mandarin oranges for pests. The IDB supports the region's agricultural health and safety through the implementation of pest control programs, and through strengthening of agricultural health services.

In Honduras, a MIF loan supports the creation of banks specializing in microfinance, to increase access to financial services for microentrepreneurs.

an analysis of effectiveness of policies supported by the Bank in one particular development challenge of the Region, namely fostering agricultural production for competitiveness and food security.

Integrity

The Office of Institutional Integrity (OII) continued its activity in the prevention and investigation of fraud and corruption, as part of the IDB Group's mission of ensuring that the activities that it finances are prepared and executed under the strictest standards of integrity.

At the beginning of the year, OII had 69 cases under investigation; by the end of the year, the office received 163 complaints and completed 152 investigations. Additionally, during the same period, OII processed 146 consultations. Sanctions imposed by the Bank as a result of finding of violations of the Bank's anticorruption policies were published on the IDB web site.

In the area of prevention, the office responded to the growing demand of executing agencies, operational units and fiduciaries for the production of Integrity Risks Reviews. These reviews identify the integrity risks revealed in past OII cases, and recommend ways to reduce the likelihood that fraudulent or corrupt practices will occur in the activities financed by the

IDB Group. Also, OII continued to implement its pilot Red Flags Matrix, developed jointly with the Vice Presidency for Countries. These activities rely on the assistance of the Knowledge and Learning Sector.

OII has also progressed in the prevention of risks to integrity in activities related to the Bank's private-sector financing. Under the coordination of the Vice Presidency for Private Sector and Non-Sovereign Guaranteed Operations and jointly with the Office of Outreach and Partnerships and the Legal Department, OII forms part of the group charged with revising and implementing the procedures of analysis and prevention of integrity risk in these operations. OII also lent assistance to project teams, responding to specific questions on issues of integrity and reputation in NSG operations. The Office took steps to improve both internal and external communication about its activities and made progress in sharing information and harmonizing best practices with the other multilateral development banks.

During the year, the Office of the President led a team responsible for planning and implementing the recommendations drawn from the external review of the Bank's Systemic Framework against Corruption by a group headed by former United States Attorney General Richard Thornburgh and former Ombudsman of Peru Jorge Santistevan. Important changes in Bank policies and procedures resulting from the review's recommendations included increased protection for whistleblowers; creation of a new Sanctions Committee (four of whose seven members will be from outside the Bank); establishment of the Anti-Corruption Policy Committee; and a change in the status of OII whereby it becomes an independent advisory unit within the Bank's basic structure.

An action plan for Bank support for countries in their efforts to fight corruption and foster transparency, endorsed by the Board of Executive Directors, sought to improve the Bank's analytical capacity on anticorruption and governance issues at the country, sector and institutional levels. The action plan, known by its Spanish acronym PAACT, calls for the IDB to support countries' implementation of international conventions against corruption and encourages the involvement of the private sector and civil society in institutional strengthening. On the internal front, PAACT recommends adoption of a systemic approach by various units in multiple areas of Bank activities and throughout the project cycle.

Audit and Evaluation

During 2009, the Office of the Executive Auditor (AUG) continued monitoring the realignment of the comprehensive information technology initiative Program Optima and its related project and system implementations, as well as reviewing its progress. In the operational departments, AUG conducted assessments of the control environment and processes of five Country Offices, and performed more functional audits than in previous years. In areas other than operations, AUG conducted audits on information technology general controls, cash management, budget process and execution, administrative procurement, human resources, governance and risk management. On behalf of Management and external auditors, AUG tested Bank-wide controls and certain key controls of business processes, as part of the Management's process of reporting annually on the effectiveness of internal controls over financial reporting.

AUG continued strengthening its effectiveness and efficiency by reviewing and enhancing its internal procedures and tools, which help to improve the overall quality and value of the audit services. The office developed or enhanced performance indicators for monitoring key phases of the audit cycle.

A MIF regional project supports coffee producers in five Central American countries, helping them to increase their competitiveness in the international market by developing tools for differentiating their coffee on the basis of quality.

Different types of risk are assessed and managed at different places within the IDB. The Office of Evaluation and Oversight (OVE) has a fundamental concern with assessing "mission risk," which is the risk that Bank interventions do not produce the intended development results. OVE assesses mission risk at various levels: country program evaluations examine the results obtained by Bank activities in a given country over a multiyear timeframe; ex-post project evaluations assess the impact of specific individual interventions; ex-ante evaluability assessments examine the design of both projects and country programs with respect to their ability to demonstrate results; and oversight studies examine the Bank's tools for monitoring and supervising project implementation. In addition to information on mission risk, OVE's work also provides oversight findings relevant to both fiduciary and operational risk assessment and mitigation.

In 2009, OVE completed 11 country program evaluations and 34 in-depth project impact evaluations, and carried out evaluability assessments on every project and every country program sent to the Board for approval. Oversight studies related to fiduciary and operational risk in 2009 also included a review of the Bank's investment policies by an independent panel of experts, a joint review with the Bank's Auditor General of the risk management issues arising from

a private-sector loan for which the Bank booked a loss, and a review of how the Bank manages and supervises its substantial program of TC activities. OVE in 2009 also initiated oversight review of the Bank's approach to credit risk management, as well as a review of the process for originating private-sector lending operations. An evaluation of the Bank's approach to disaster risk management is programmed for 2010.

Public Consultation and Civil Society

Following the Roadmap agreed upon during the Eighth IDB–Civil Society Meeting in Montevideo, Uruguay, in October 2008, the Bank moved to broaden and deepen its engagement with NGOs and other civil society organizations (CSOs) throughout the year. At the Ninth IDB–Civil Society Meeting in Guadalajara, Mexico, in November, the Bank and CSOs took stock of the progress achieved toward meeting the commitments enumerated in the Montevideo blueprint. The review culminated in the issuance of a second Roadmap in which the IDB articulated ten additional commitments in areas including overall Bank–civil society relations, information disclosure policy, the proposed Independent Consultation and Investigation Mechanism, the IDB and youth, and consultations on the Ninth General Capital Increase and the proposed Gender Equality Policy. At year´s end, the Office of External Relations was readying the first-ever annual report on the Bank´s engagement and activities with civil society for publication in March.

During the second half of the year, the Bank undertook a number of formal public consultation exercises. The first focused on the draft Independent Consultation and Investigation Mechanism and included meetings in Brasilia, Lima, Paris, Santo Domingo and Washington, and videoconferences in Bogotá, Buenos Aires, La Paz, Mexico City and Port-of-Spain. As part of the online component of the consultation, more than 250 written comments were submitted. A second public consultation involved the draft Operational Policy on Gender Equality in Development. A 30-day informational phase ended in November and a second 90-day phase began in December and will run until the middle of March.

At the center of many of the events and consultations was the review of the scope and mandates of what have heretofore been known as Civil Society Advisory Councils (CASC, for the Spanish acronym), and which have been proposed to be reconstituted in each of the Bank´s 26 borrowing member countries as Civil Society Consulting Groups, or ConSOCs. The proposal to establish 26 ConSOCs during 2010 was based on a series of guidelines as to how they were to be formed and operated, allowing flexibility for the unique needs of the Bank and civil society in each country while still recognizing traits common to all.

Human Resources

2009 proved to be another year of extensive recruiting for the Bank, with over 150 new staff recruited, 33 percent of these for the Country Offices. To complement the IDB's targeting of top talent, a sourcing strategy was developed, in line with market best practice. The scope of recruitment missions was considerably expanded, with a number of outreach initiatives undertaken to countries that are underrepresented, including a focus on sourcing persons with indigenous backgrounds. Further, HRD worked on the planning and implementation of a new e-recruitment system to streamline the recruitment and hiring processes, to be launched in 2010.

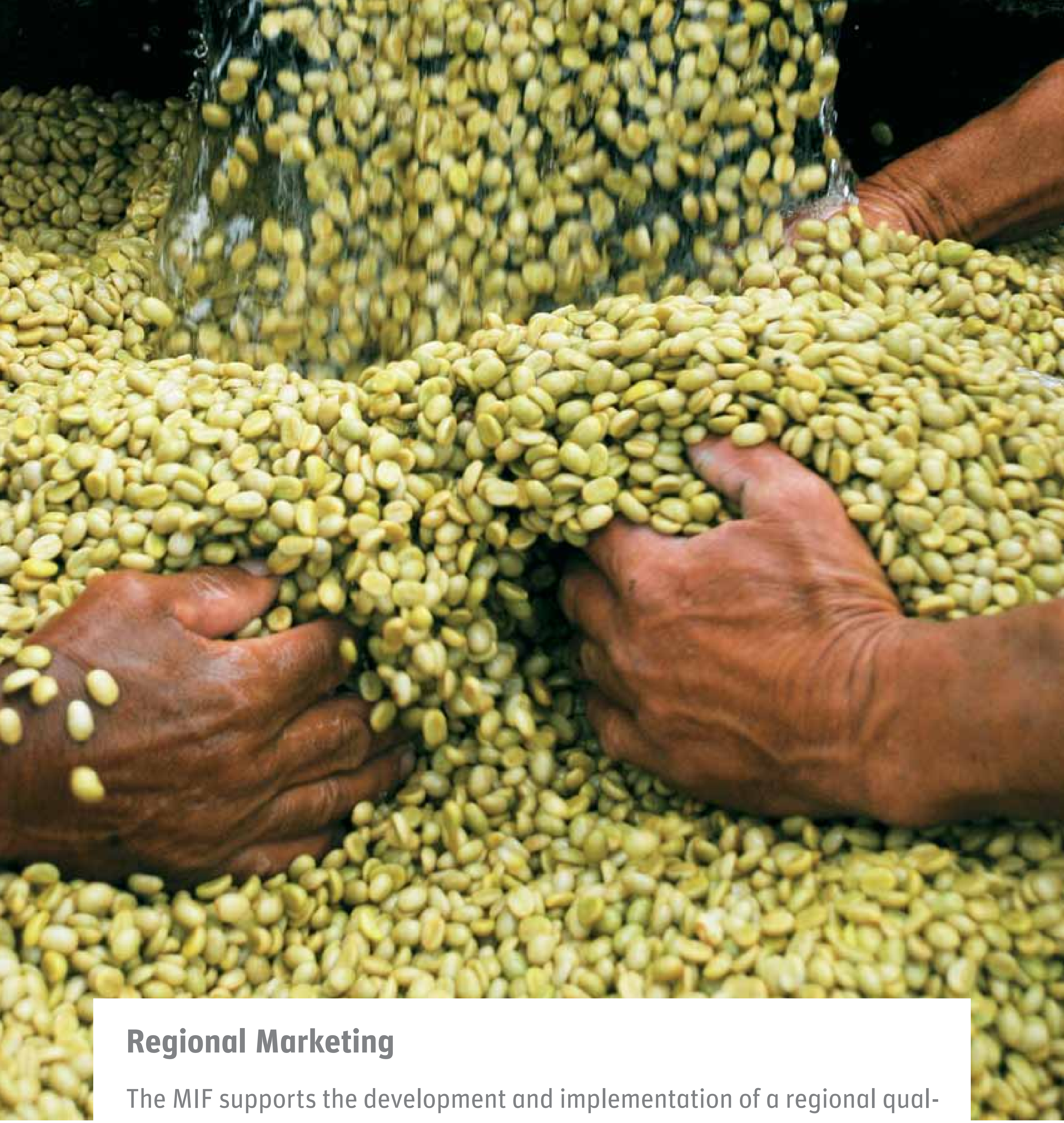
The Young Professional Mentoring Program, launched in February 2009, provided young professionals with the opportunity to expand their networks and build relationships, while allowing mentors to become key learning partners for the organization.

Another major area of concentration in 2009 was the design and development of a new career development model for the organization. This project included a Bank-wide consultative process and the review of the Bank's personnel policies on recruitment and career development issues. It will be presented for final approval in early 2010.

Led by the newly hired Diversity Advisor, the Bank organized and delivered its first Diversity Conference; 13 round-table topic discussions were held, yielding more than 100 recommendations. Management selected ten of these recommendations to implement.

Knowledge and Learning

During 2009, the Bank continued to implement the Institutional Knowledge and Learning Strategy for 2008-2010, which is centered on (i) the alignment of staff learning with core business priorities and the enrichment of technical expertise to ensure that the Bank has cutting-edge knowledge and operational skills to carry out its mission, and (ii) the improvement of conditions for the acquisition, creation, dissemination, exchange and use of knowledge needed to provide member countries with high-quality development assistance. The 2009 work program focused particularly on improving the development effectiveness of Bank operations, addressing institutional needs for improved information flows and enhancing matrix management capabilities and client service. This focus reflected an agenda that included proposals for staff development and for knowledge and capacity-building products that share relevant Bank knowledge with partners in the Region. As a result, staff time invested in knowledge and learning activities increased by 57 percent over the previous year, to an average of 9.9 days for each Bank employee. The number of hours invested by staff in Country Offices increased by 137 percent, supporting the Bank's overall emphasis on decentralization. The IDB also increased its efforts to ensure that relevant knowledge is available to strategic clients by increasing staff engagement with practitioners in the Region and by making use of state-of-the-art technologies.



Regional Marketing

The MIF supports the development and implementation of a regional quality management system for Central American coffee. The program will also develop market mechanisms for recognizing quality through price and improving producers' access to such mechanisms.

THE YEAR'S OPERATIONS

Loans and Guarantees

The 2009 loans and guarantees approved by the Bank and cumulative totals, as of December 31, 2009, less cancellations, came from the following sources:

- Ordinary Capital (OC): 148 loans for $15.3 billion and one guarantee for $10 million brought the cumulative total of loans to 2,225 for $160.8 billion and the cumulative number of guarantees to 14 totaling $1.7 billion.
- Fund for Special Operations (FSO): 24 loans totaling $228 million brought the cumulative total of loans to 1,259 for $18.9 billion.
- Other Funds: There were two loans approved in 2009. Cumulative loan totals were 217 for $1.8 billion.

Total Cost of Projects

The $15.5 billion in Bank loans and guarantees approved in 2009 will help finance projects involving a total investment of approximately $25.5 billion. The Bank's loans cover only a part of the total cost of the projects being carried out by the borrowing countries, which supply the majority of the balance.

Disbursements

The Bank's disbursements on approved loans amounted to $11.9 billion in 2009, compared with $7.6 billion in 2008. As of December 31, 2009, cumulative disbursements, including exchange adjustments, totaled $158.6 billion, or 87 percent of the loan amounts approved by the Bank. The 2009 disbursements and cumulative totals as of December 31, 2009, by source include:

- Ordinary Capital: $11.4 billion, bringing the cumulative total to $139.3 billion.
- Fund for Special Operations: $414 million, bringing the cumulative total to $17.6 billion.
- Other Funds: $13 million, bringing the cumulative total from funds administered by the Bank to $1.8 billion.

Repayments

Loan repayments amounted to $4.8 billion in 2009. Cumulative payments as of December 31, 2009, were $86.1 billion. Repayments received by the Bank during the year, and cumulative as of December 31, 2009, were as follows:

- Ordinary Capital: $4.5 billion, bringing the cumulative total, before repayments to participants, to $81.1 billion.
- Fund for Special Operations: $220 million, for a cumulative total of $8.3 billion.
- Other Funds: $5.0 million, bringing the cumulative total to $1.7 billion.

Information on IDB Projects available at www.iadb.org/projects.

Grant Financing

The 2009 actions and achievements in grant financing—TC and investment grants—derive from the new TC policy and framework approved by the Board of Executive Directors in April 2008. For example, to support the Bank's decentralization, procedures were introduced to ensure access to grant financing by team leaders based in headquarters as well as in Country Offices. The delegation of authority for the approval of TC operations to the President and down through line management has also tended to reduce transaction costs associated with approval of operations. Five donor trust funds have been renegotiated so that their terms and conditions are aligned with the new TC policy and framework. One result was the approval in 2009 of 462 grant-financed operations for $480 million, of which three are investment grants in water and sanitation for $150 million and five were operations in Haiti for $122 million.

Execution performance in 2009 improved over 2008 with a 21.7 percent increase in disbursements.

The countries and multilateral institutions that contribute to Bank-established trust funds are Austria, Canada, Chile, China, Denmark, the European Union, Finland, France, Germany, Italy, Japan, the Republic of Korea, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States. In 2009 the total amount of received contributions was $673.1 million, with Spain's contribution of $496.5 million accounting for a large majority.

In 2009, the Bank established three new multidonor funds: Gender and Diversity, Knowledge Economy, and Market Solutions for Social Change. The Mesoamerica Health Facility, a new type of financing vehicle, will be funded through both public and private sources. The Bill and Melinda Gates Foundation has committed $50 million, and an additional $50 million contribution from a private source is anticipated. The year also saw the replenishment of the SECCI Fund.

Cofinancing

The Bank intensified its effective resource mobilization efforts through cofinancing in 2009, promoting the expansion of the Bank's OC lending capacity and setting the stage for replenishment of the FSO.

The Bank has signed Memoranda of Understanding (MOUs) with new cofinancing counterparts in Asia including the Bank of China, China Development Bank and the Export-Import Bank of China, and renewed MOUs with the Japan Bank for International Cooperation, Japan International Cooperation Agency, European Investment Bank and Korea Exim Bank among others. Further efforts to expand existing cofinancing partnerships were made with institutions such as the OPEC Fund for International Development, Germany's *Kreditanstalt für Wiederaufbau and Deutsche Gesellschaft für Technische Zusammenarbeit* and other multilateral and bilateral development banks.

In addition to the traditional cofinancing with bilateral and multilateral development agencies, the Bank sought to connect a wide range of nontraditional, emerging private partners, proposing innovative, well-structured and defined development programs that meet agency requirements, address the Region's needs, and align with the Bank's priority areas.

Nearly $3.4 billion was mobilized from non-B lending private and public cofinanciers. This amount includes resources for the Panama Canal project and approximately $47 million in project-specific grants. Also as part of the total, $783 million was mobilized from the Brazilian Development Bank (BNDES) and $450 million combined from the World Bank and IFC.

Snapshot

Figure 1. Lending by Sector, 2009

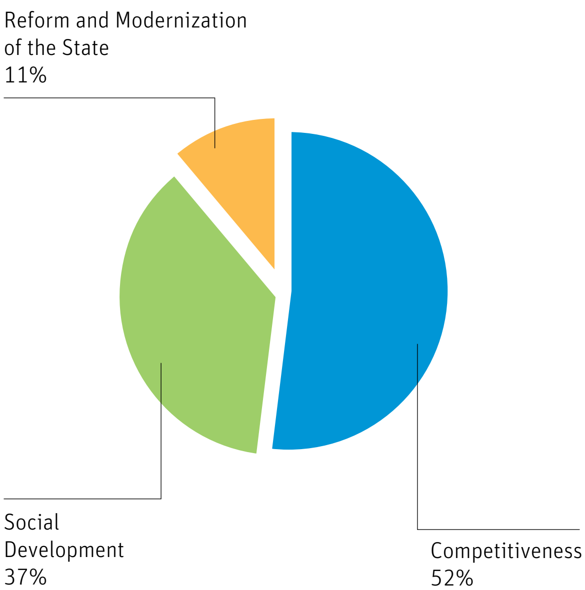


Figure 2. Lending by Sector, 1961–2009

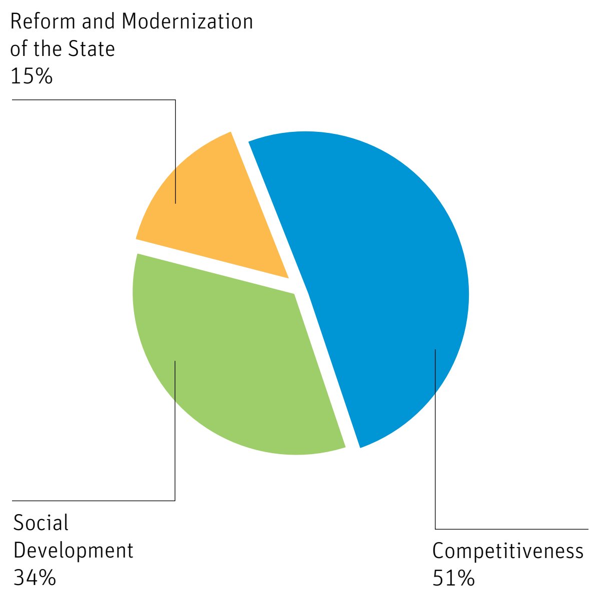


Figure 3. Lending and Disbursements, 2000–2009
(In millions of U.S. dollars)

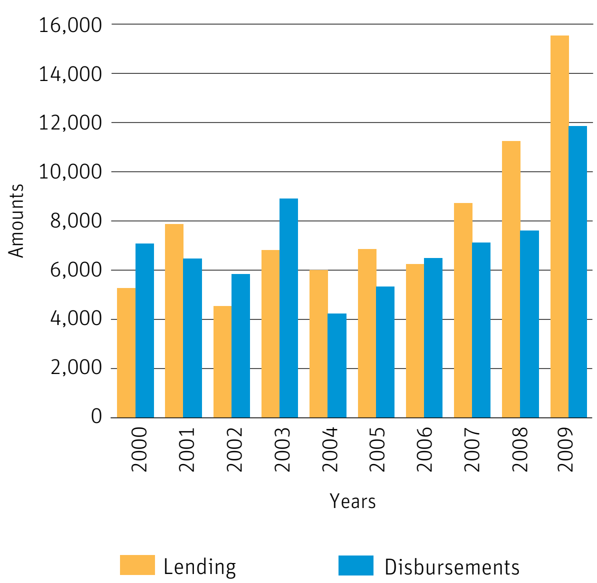
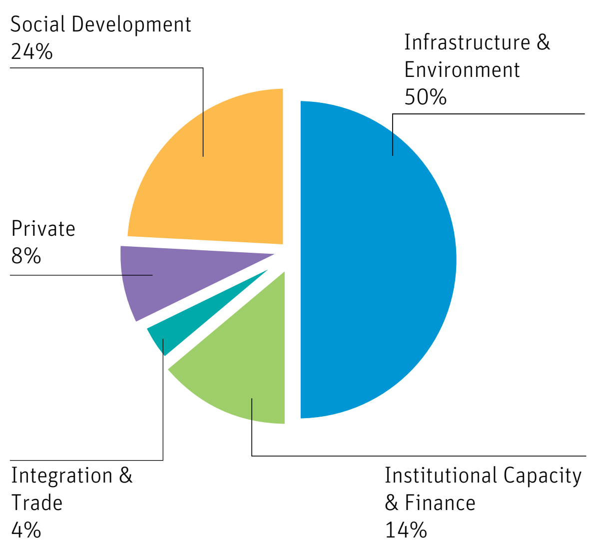


Figure 4. Grant Financing by Sector, 2009
(Percentage of total amount)



Note: Does not include Investment Grants, Reimbursable Technical Cooperation or operations financed from the IDB Grant Facility.

TABLE I • DISTRIBUTION OF LOANS AND GUARANTEES BY SECTOR[1]

(In millions of U.S. dollars)

SECTOR	2009	%	1961–2009	%
Competitiveness	**$ 7,994.8**	**51.6**	**$ 93,829.10**	**51.2**
Energy	2,096.4	13.5	25,243.58	13.8
Transportation and Communication	1,450.3	9.4	21,195.93	11.6
Agriculture and Fisheries	838.6	5.4	15,885.93	8.7
Industry, Mining, and Tourism	25.0	0.2	13,580.29	7.4
Multisector Credit and Preinvestment	1,055.0	6.8	5,972.11	3.3
Capital Markets	2,351.5	15.2	3,912.80	2.1
Productive Infrastructure	32.0	0.2	2,771.42	1.5
Science and Technology	100.0	0.6	3,247.63	1.8
Trade Financing	46.0	0.3	2,019.40	1.1
Social Development	**5,792.5**	**37.4**	**61,447.59**	**33.5**
Social Investment	2,594.1	16.7	23,572.98	12.9
Water and Sanitation	1,808.8	11.7	12,950.19	7.1
Urban Development	389.1	2.5	9,408.30	5.1
Education	154.8	1.0	6,939.55	3.8
Environment	741.0	4.8	4,567.57	2.5
Health	94.0	0.6	3,488.79	1.9
Microenterprises	10.8	0.1	520.21	0.3
Reform and Modernization of the State	**1,719.2**	**11.1**	**27,894.83**	**15.2**
Reform and Public Sector Support	201.1	1.3	12,338.64	6.7
Financial Sector Reform	400.0	2.6	8,360.34	4.6
Fiscal Reform	1,096.7	7.1	5,609.78	3.1
Decentralization Policies	–	0.0	1,131.77	0.6
Modernization and Administration of Justice	21.4	0.1	454.30	0.2
TOTAL	**$ 15,506.5**		**$ 183,171.53**	

[1] Totals may not add up due to rounding.

TABLE II • YEARLY (2009) AND CUMULATIVE (1961–2009) LENDING AND DISBURSEMENTS[1,2]

(In millions of U.S. dollars)

	TOTAL COST OF PROJECTS		LOANS AND GUARANTEES APPROVED[3]					DISBURSEMENTS[4]				
	Total Amount		Total Amount		Ordinary Capital	Fund for Special Operations	Funds in Administration	Total Amount		Ordinary Capital	Fund for Special Operations	Funds in Administration
Country	2009	1961–2009	2009[5]	1961–2009	1961–2009	1961–2009	1961–2009	2009	1961–2009	1961–2009	1961–2009	1961–2009
Argentina	$ 1,944.8	$ 54,044.8	$ 1,601.0	$ 28,594.3	$ 27,900.2	$ 644.9	$ 49.2	$1,773.4	$ 24,158.4	$ 23,464.3	$ 644.9	$ 49.2
Bahamas	92.8	789.5	–	486.6	484.6	–	2.0	24.6	377.6	375.6	–	2.0
Barbados	–	830.9	80.0	532.3	471.8	41.5	19.0	30.4	399.3	338.8	41.5	19.0
Belize	28.2	227.9	27.5	164.2	164.2	–	–	12.9	123.6	123.6	–	–
Bolivia	210.6	6,567.7	191.0	4,136.6	1,566.9	2,497.4	72.3	112.0	3,573.5	1,339.0	2,162.2	72.3
Brazil	8,608.4	108,536.4	2,958.8	37,318.2	35,628.3	1,555.9	134.0	2,396.5	32,075.5	30,385.6	1,555.9	134.0
Chile	161.3	15,127.7	66.5	6,401.2	6,151.1	205.5	44.6	80.2	5,871.8	5,621.7	205.5	44.6
Colombia	2,103.5	29,564.2	1,347.2	16,468.3	15,632.9	769.4	66.0	869.6	15,263.7	14,428.3	769.4	66.0
Costa Rica	147.0	5,754.7	45.0	3,429.5	2,924.5	367.0	138.0	41.2	2,584.8	2,079.6	367.0	138.2
Dominican Republic	1,178.2	5,411.9	992.3	3,844.8	2,999.9	756.2	88.7	485.5	3,232.8	2,387.9	756.2	88.7
Ecuador	560.3	9,824.2	515.0	5,662.2	4,569.5	997.4	95.3	261.2	4,966.5	3,885.8	987.9	92.8
El Salvador	347.0	5,767.6	327.0	3,829.6	2,876.6	805.2	147.8	488.4	3,781.4	2,828.6	805.2	147.6
Guatemala	672.0	5,662.1	672.0	4,139.2	3,357.9	711.2	70.1	377.5	3,216.1	2,448.6	696.8	70.7
Guyana	37.1	1,376.2	34.8	1,177.7	177.2	993.6	6.9	66.2	982.7	134.1	841.7	6.9
Haiti	–	1,774.4	–	1,304.9	–	1,298.6	6.3	91.5	1,118.8	–	1,112.5	6.3
Honduras	98.0	4,922.7	71.0	3,170.1	793.3	2,308.9	67.9	50.5	2,677.6	608.8	2,003.0	65.8
Jamaica	671.1	3,251.4	401.0	2,464.5	2,091.8	173.8	198.9	151.5	2,063.1	1,690.4	173.8	198.9
Mexico	4,000.0	57,149.7	3,126.9	25,407.9	24,786.1	559.0	62.8	2,696.3	22,908.2	22,289.4	559.0	59.8
Nicaragua	179.8	4,114.8	173.4	2,849.3	470.9	2,310.6	67.8	152.6	2,465.6	338.9	2,058.4	68.3
Panama	965.9	12,134.6	705.0	3,461.9	3,122.9	296.4	42.6	242.8	2,520.5	2,181.8	296.4	42.3
Paraguay	358.0	3,586.5	239.8	2,648.6	1,974.3	661.9	12.4	91.7	2,062.6	1,421.0	629.2	12.4
Peru	1,473.3	20,910.9	447.0	9,528.0	8,868.4	438.5	221.1	516.5	8,737.5	8,077.9	438.5	221.1
Suriname	15.3	318.8	15.0	203.8	197.4	6.4	–	13.5	109.5	107.5	2.0	–
Trinidad and Tobago	62.5	1,774.2	48.8	1,199.6	1,143.8	30.6	25.2	26.5	1,053.6	997.8	30.6	25.2
Uruguay	339.5	6,512.5	325.5	5,112.4	4,966.1	104.5	41.8	477.3	4,626.3	4,480.0	104.5	41.8
Venezuela	1,050.0	17,401.2	1,000.0	6,118.9	5,944.6	101.4	72.9	292.7	4,805.5	4,631.2	101.4	72.9
Regional	190.0	19,334.3	95.0	3,516.9	3,268.1	234.7	14.1	27.9	2,860.5	2,611.7	234.8	14.0
TOTAL	**$25,494.6**	**$402,671.8**	**$15,506.5**	**$183,171.5**	**$162,533.3**	**$18,870.5**	**$1,767.7**	**$11,850.9**	**$ 158,617.0**	**$139,277.9**	**$17,578.3**	**$1,760.8**

[1] Cumulative amounts are after cancellations and exchange adjustments. Totals may not add up due to rounding.

[2] Detail includes non-sovereign-guaranteed loans, net of participations, and guarantees, as applicable.

[3] Excludes lines of credit approved and guarantees issued under the Trade Finance Facilitation Program (TFFP).

[4] Does not include grant financing.

[5] In 2009, includes $800 million of loan approvals canceled during the year.

TABLE III • STATEMENT OF APPROVED OPERATIONS[1] (ABOVE $2 MILLION), 2009

(In millions of U.S. dollars)

Country	Project	Fund	Amount
Argentina	Program to Support Argentina's Social Protection and Inclusion System – Phase I	OC	850.0
	Additional Financing for the Norte Grande Electricity Transmission Program	OC	300.0
	CCLIP: Water and Sanitation Program for the Buenos Aires Metropolitan Area	OC	200.0
	First Productive Road Infrastructure Program	OC	120.0
	CCLIP: Program of Technological Innovation	OC	100.0
	Citizen Security and Inclusion Program	OC	25.0
	Export Promotion Program	OC	6.0
	Creation of Argentinean Microfinance Development Fund (FODIMA)	MIF	4.0
Barbados	Water and Sanitation Systems Upgrade	OC	50.0
	Agricultural Health and Food Control Program	OC	20.0
	Barbados Competitiveness Program	OC	10.0
Belize	Social Policy Support Program	OC	15.0
	Agricultural Services Program	OC	5.0
	Emergency Road Rehabilitation Program in Response to Flooding from a Tropical Depression	OC	5.0
	Land Management Program III	OC	2.5
Bolivia	Misicuni Renewable Energy Hydroelectric Project	OC	70.7
	Misicuni Renewable Energy Hydroelectric Project	FSO	30.3
	Road Conservation in the East-West Corridor	OC	17.5
	Direct Supports for the Creation of Rural Agrifood Initiatives	OC	14.0
	Multiphase Program in Support of the Plan to Eradicate Extreme Poverty (PEEP)-I	OC	14.0
	Water and Sewerage Program in Peri-Urban Areas Phase I	OC	14.0
	Road Conservation in the East-West Corridor	FSO	7.5
	Direct Supports for the Creation of Rural Agrifood Initiatives	FSO	6.0
	Multiphase Program in Support of the Plan to Eradicate Extreme Poverty (PEEP)-I	FSO	6.0
	Water and Sewerage Program in Peri Urban Areas Phase I	FSO	6.0
	Transparency and Anticorruption Program	OC	3.5
	Rural Productive Credit and Microsavings in Bolivia	MIF	2.0
	Support for Consolidation of ECOFUTURO FFP and Its Rural Financial Services	MIF	2.0
Brazil	Program to Support Micro-, Small and Medium-Sized Enterprises	OC	1,000.0
	Tietê River Cleanup Program, Stage III	OC	600.0
	Ceará State Highway Program – Ceará III	OC	158.6
	National Program to Support the Administrative and Fiscal Management of Brazilian Municípios – PNAFM Phase II	OC	150.0
	Pécem Thermoelectric Power Plant Project[2]	OC	147.0
	Rodoanel Oeste[2]	OC	100.0
	Expansion and Strengthening of Specialized Health Services in Ceará	OC	77.0
	Social and Environmental Program for the Igarapés in Manaus (PROSAMIM)	OC	77.0
	Urban Upgrading and Social Inclusion Program	OC	59.4
	Improve Road Access to Small Municipalities in Minas Gerais – Phase II	OC	50.0
	PROCIDADES: Município of Curitiba Integrated Social and Urban Development Program	OC	50.0
	Program for Urban Development and Socioenvironmental Inclusion in Manaus	OC	50.0
	Santa Catarina Highway Program – Stage V	OC	50.0
	TermoMaranhao Thermoelectric Power Plant Project[2]	OC	50.0
	Support for Social Reforms in Ceará – PROARES Phase II	OC	45.0
	PROFISCO-Minas Gerais: Institutional Strengthening to Modernize Fiscal Management	OC	40.0
	Program of Integrated Public Policies for Fortaleza Youth	OC	33.1
	Integrated Urban Development and Social Inclusion Program of Aracaju	OC	30.3
	PROFISCO-Santa Catarina: State Administration's Management Modernization Program	OC	30.0
	Management Systems and Instruments Modernization Program	OC	28.6
	PROFISCO-Espirito Santo: Finance Administration Development Plan	OC	22.0
	PROFISCO Pernambuco	OC	15.0
	Regional Trade Finance Facilitation Program[2]	OC	15.0
	Support for the National Tourism Development Program (PRODETUR Nacional)	OC	15.0
	PROCIDADES-Maringá: Municipality of Maringá Urban Mobility Program	OC	13.0
	Cluster Competitiveness Support Program for Minas Gerais	OC	10.0
	Innovation and Dissemination Program for Local Cluster Competitiveness in the State of Pernambuco	OC	10.0
	Northwest Minas Gerais Electrification Program	OC	10.0
	Catanduva Integrated Urban Development Program	OC	8.4
	PROFISCO – Fiscal Modernization Program of the State of Paraíba	OC	7.5
	PROFISCO – State of Rio Grande do Norte	OC	7.0
	Partnership between the MIF and Burrill & Company LLC	MIF	5.0
	Transformation of CEAPE-MA into a financial institution regulated by the Central Bank	MIF	2.0

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TABLE III • STATEMENT OF APPROVED OPERATIONS[1] (ABOVE $2 MILLION), 2009 (*continued*)
(In millions of U.S. dollars)

Country	Project	Fund	Amount
Chile	Bicentennial Cities Program	OC	50.0
	BCI Banca Emergente Risk Sharing Guarantee Facility	OC	10.0
	Energía Pacífico S.A. Biomass Cogeneration Plant	OC	6.5
	Partnership between the MIF and Burrill & Company LLC	MIF	4.0
	Equity Investment in the AgroDesarrollo Fund	MIF	3.5
Colombia	Medellín River Sanitation Program – Phase II	OC	450.0
	Program to Support the Development of a Climate Change Agenda	OC	250.0
	Second Program to Support Consolidation of Reforms in Water and Sanitation Sector	OC	250.0
	Second Loan for Investment Financing, Restructuring, and Business Development	OC	200.0
	Ashmore Colombia Infrastructure Fund	OC	75.0
	San Francisco-Mocoa Alternate Road Construction Project – Phase I	OC	53.0
	Water and Sanitation Program for the Municipio of Pasto	OC	27.8
	Project for Strengthening Judicial Services	OC	21.4
	Institutional Support for the Integrated Public Transport System	OC	10.0
	Social Financing Program EPM-UNE	OC	10.0
	Venture Capital Fund – Progresa Capital	MIF	3.0
Costa Rica	Juan Santamaría International Airport Expansion	OC	45.0
Dominican Republic	Fiscal Strengthening Program	OC	500.0
	Liquidity Program for Growth Sustainability	OC	300.0
	Support for the Social Protection Program – Phase I	OC	70.0
	Program to Support Policies to Enhance Productivity and Competitiveness	OC	60.0
	Boulevard Turístico del Atlántico Toll Road	OC	44.8
	BHD Bank Lending Facility	OC	12.5
	BHD Bank Lending Facility	OC	5.0
Ecuador	First Road Infrastructure and Maintenance Program	OC	350.0
	National Program for Social Housing Infrastructure	OC	100.0
	Support for a Coastal Artisanal Fishing Project	OC	38.1
	CTH Warehouse Facility	OC	15.0
	Support for a Coastal Artisanal Fishing Project	FSO	9.5
	Support for a Coastal Artisanal Fishing Project	OC	2.4
El Salvador	Reformulation of the Social Policy Support Program	OC	300.0
	Banco Agrícola Lending Facility[2]	OC	20.0
	FONAVIPO: Access to Housing Solutions for the Majority	OC	7.0
Guatemala	Program to Strengthen Public Finances	OC	400.0
	Human Capital Investment Program	OC	139.0
	Human Capital Investment Program	OC	48.8
	Water and Sanitation Program for Human Development – Phase I	OC	40.0
	Establishing a Cadastral Registry and Strengthening Legal Certainty in Protected Areas	OC	17.6
	Human Capital Investment Program	FSO	12.2
	Water and Sanitation Program for Human Development–Phase I	FSO	10.0
	Establishing a Cadastral Registry and Strengthening Legal Certainty in Protected Areas	FSO	4.4
Guyana	Road Improvement and Rehabilitation Program	FSO	12.4
	Road Improvement and Rehabilitation Program	OC	12.4
	Expansion and Integration of Basic Nutrition Program	FSO	2.5
	Financial Sector Reform Program II	FSO	2.5
	Expansion and Integration of Basic Nutrition Program	OC	2.5
	Financial Sector Reform Program II	OC	2.5
Haiti	Natural Disaster Mitigation Program in Priority Watersheds I	GRF	30.0
	Fiscal Sustainability I	GRF	25.0
	Rehabilitation of Road Infrastructure[3]	GRF	25.0
	Project to Support the Reconstruction of Education Infrastructure	GRF	20.5
	Water and Sanitation for Intermediate Cities II	GRF	19.0
	Improving Child Survival and Building Blocks for Social Safety Nets	OC	3.0
	Improving Child Survival and Building Blocks for Social Safety Nets	GRF	2.5
Honduras	Agricultural Corridor Road Program (Tegucigalpa-Puerto Castilla)	OC	35.0
	Agricultural Corridor Road Program (Tegucigalpa-Puerto Castilla)	FSO	15.0
	Disaster Risk Prevention and Mitigation Project	OC	13.3
	Disaster Risk Prevention and Mitigation Project	FSO	5.7
	Competitiveness and Financial Security of Credit Unions	MIF	2.1
	Banco Financiera Hondureña[2,4]	OC	2.0
	Competitiveness and Financial Security of Credit Unions	MIF	2.0

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TABLE III • STATEMENT OF APPROVED OPERATIONS[1] (ABOVE $2 MILLION), 2009 (*continued*)
(In millions of U.S. dollars)

Country	Project	Fund	Amount
Jamaica	Liquidity Program for Growth Sustainability	OC	300.0
	TransJamaican Highway Project	OC	70.0
	Citizen Security and Justice Program II	OC	21.0
	Road Improvement Program	OC	10.0
Mexico	Direct Farm Support Program	OC	750.0
	Strengthening the Oportunidades Human Development Program – Second Project	OC	600.0
	Second Global Credit Program for the Development of Mortgage Markets	OC	500.0
	Program to Support Mexico's Climate Change Agenda – Second Operation	OC	400.0
	Promote the Development of SME Suppliers and Contractors for the National Oil Industry	OC	301.0
	Strengthening the Oportunidades Human Development Program	OC	200.0
	Complementary Loan Training and Employment Support Program – Phase II	OC	150.0
	Skills-Based Human Resources Development Program (PROFORHCOM) II	OC	100.0
	Eurus Wind Project	OC	50.0
	BBVA Bancomer Green Facility[2]	OC	40.0
	La Ventosa Wind Project	OC	21.9
	Puerta de Hierro Medical Center	OC	8.0
	Puerta de Hierro Medical Center	OC	4.0
	Linking Public and Private Resources to Improve Worker Preparation and Training	MIF	2.0
	Mi Tienda: Rural Supply Network	OC	2.0
Nicaragua	Supplemental Road Infrastructure for Competitiveness Program	FSO	21.8
	Supplemental Road Infrastructure for Competitiveness Program	OC	21.8
	Support for Improved Fiscal Management and Reform of Social Expenditure II	FSO	20.3
	Support for Improved Fiscal Management and Reform of Social Expenditure II	OC	20.3
	Electricity Sector Support Program – Third Loan	FSO	10.0
	Electricity Sector Support Program – Third Loan	OC	10.0
	Global Multisector Credit Program	FSO	10.0
	Global Multisector Credit Program	OC	10.0
	Urban Welfare Program for Children in Extreme Poverty – Phase I	FSO	7.5
	Urban Welfare Program for Children in Extreme Poverty – Phase I	OC	7.5
	Agricorp	OC	7.0
	Stormwater Drainage and Development Management Program in Subwatershed III of Managua	FSO	6.5
	Stormwater Drainage and Development Management Program in Subwatershed III of Managua	OC	6.5
	Foreign Trade Support Program	FSO	5.0
	Foreign Trade Support Program	OC	5.0
	Agricorp	OC	2.5
Panama	Liquidity Program for Growth Sustainability	OC	500.0
	Energy Sector Consolidation Support Program I	OC	100.0
	Pando-Monte Lirio Hydroelectric Power Project	OC	40.0
	Panama City and Bay Sanitation Project – Supplemental Financing	OC	30.0
	Banco General Green Facility	OC	20.0
	BBVA Panama Lending Facility	OC	15.0
Paraguay	Public Management Modernization Program	OC	100.0
	Second Program to Provide Financing to Agencia Financiera de Desarrollo	OC	40.0
	National Rural Roads Program – Phase II	OC	37.6
	National Rural Roads Program – Phase II	OC	22.4
	Water and Sanitation Program for Rural and Indigenous Communities (PAySRI)	OC	12.0
	Second Program to Provide Financing to Agencia Financiera de Desarrollo	FSO	10.0
	National Rural Roads Program – Phase II	FSO	5.6
	Project Preparation and Executing Facility: National Rural Roads Program – Phase II	OC	5.0
Peru	Development of a New Sustainable Energy Matrix Program I	OC	150.0
	Highway Transport Sector Program	OC	150.0
	Social Sector Reform Program I	OC	50.0
	Maple Ethanol Project	OC	25.0
	Agricultural Competitiveness Program I	OC	20.0
	Sanitation Sector Reform Program III	OC	20.0
	Mibanco – Crecer Mi Negocio	OC	10.0
	Water Resources Management Modernization Program	OC	10.0
	Water Resources Reform Program II	OC	10.0
	Strengthening Female Entrepreneurship in Peru	MIF	3.0
	Support for Implementation of the Sanitation Sector Reform Program	OC	2.0
Suriname	Second Low-Income Shelter Program	OC	15.0

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TABLE III • STATEMENT OF APPROVED OPERATIONS[1] (ABOVE $2 MILLION), 2009 *(continued)*

(In millions of U.S. dollars)

Country	Project	Fund	Amount
Trinidad and Tobago	Support for a Seamless Education System Program	OC	48.8
Uruguay	Modernizing the Tax System and Enhancing the Quality of Public Expenditure II	OC	285.0
	Supplemental Financing for the Port of Montevideo Modernization Program	OC	20.0
	Program to Support Agricultural Public Management	OC	10.5
	Consolidation and Expansion of Educational Connectivity	OC	6.0
	Program to Strengthen the Financial Services Superintendency (SSF)	OC	4.0
Venezuela	Manuel Piar (Tocoma) Dam – Supplemental Financing	OC	800.0
	Comprehensive Institutional Development of CORPOELEC	OC	200.0
Regional	PRODEV Complementary Expenses (Subaccount C)[5]	OC	2.0
	Regional Sugar and Bioenergy Program[2]	OC	75.0
	Crecera Regional Trade Finance Fund[2,6]	OC	15.0
	Microfinance Growth Facility (MiGroF)	MIF	10.0
	Global Partnerships Social Investment Fund	OC	5.0
	Regional Training Program for Socially Inclusive Local Economic Development	MIF	3.4
	DevCap 2007 Caribbean SME Fund	MIF	3.0
	Support for Prevention and Control of the A(H1N1) Flu Epidemic and Other Infectious Diseases	OC	3.0
	Improving the Quality of SME Software in Latin America and the Caribbean	MIF	2.3

Key: OC, Ordinary Capital; FSO, Fund for Special Operations; MIF, Multilateral Investment Fund; GRF, IDB Grant Facility.

[1] Does not include authorized lines of credit under the Trade Finance Facilitation Program (TFFP).
[2] Complemented by a "B" loan syndication.
[3] Increase in operation approved in 2007.
[4] Increase in operation approved in 2008.
[5] Increase in operation approved in 2005.
[6] Increase in operation approved in 2004.

TABLE IV • GRANT FINANCING BY COUNTRY[1]

(In thousands of U.S. dollars)

Country	2009	1961–2009
Argentina	$ 3,685	$ 83,727
Bahamas	2,922	22,618
Barbados	2,308	24,154
Belize	3,200	11,919
Bolivia	84,518	177,100
Brazil	26,232	212,088
Chile	2,643	25,938
Colombia	8,038	96,531
Costa Rica	1,889	60,588
Dominican Republic	6,195	67,709
Ecuador	9,095	97,361
El Salvador	3,100	74,007
Guatemala	56,374	141,677
Guyana	4,095	67,378
Haiti	153,730	321,519
Honduras	1,577	84,383
Jamaica	3,477	47,737
Mexico	10,416	57,711
Nicaragua	4,396	93,038
Panama	3,946	54,287
Paraguay	8,334	85,004
Peru	8,160	115,135
Suriname	1,428	37,370
Trinidad and Tobago	1,409	22,652
Uruguay	699	44,606
Venezuela	149	13,256
Regional	68,163	991,076
TOTAL	**$480,179**	**$3,130,570**

[1] Includes financing by investment grants, the Global Environment Facility and IDB Grant Facility. Does not include Reimbursable Small Projects and MIF.

TABLE V • COFINANCING IN 2009[1]

(In millions of U.S. dollars)

Cofinancier	Amount
ACCIÓN International	$ 0.02
AECID	0.21
Alibaba.com	0.92
Andean Development Corporation (CAF)	340.02
AVIATUR	0.18
AVINA	0.01
Banco Internacional del Perú S.A.A. (INTERBANK)	0.01
Banco de Seguros del Estado	0.01
Bill and Melinda Gates Foundation & Sabin	2.50
BNDES	783.00
Brazilian Micro and Small Business Support Service (SEBRAE)	0.07
CABEI	20.40
Canadian International Development Agency (CIDA)	39.90
CEMEX	0.01
CENTRAR	0.04
Compañía Minera Barrick Chile Ltda.	0.01
Construtora Norberto Odebrecht S.A.	0.03
Deutsche Bank	0.01
ECOPETROL	0.03
Edpyme Confianza S.A.	0.01
European Investment Bank (EIB)	565.20
European Union (EU)	1.94
EZ-MOVIL	0.01
FEMSA Foundation	5.07
FERN Software	0.02
FMO	0.04
French Development Agency (FDA)	37.50
FUNDATEL	0.01
Global Alliance for Improved Nutrition (GAIN)	0.07
GTZ (German International Aid Agency)	0.15
GTZ/AFI	0.01
Incofin CVSO	0.02
Inter-American Investment Corporation (IIC)	0.02
International Finance Corporation (IFC)	300.00
Japan Bank for International Cooperation (JBIC)	1,000.00
JICA	50.00
Kellogg Foundation	0.10
MAPFRE	0.01
Monterrey Institute of Technology and Higher Education (ITESM)	4.50
Netherlands—NLC	0.20
O Boticário Franchising S.A.	0.01
OPEC Fund (OFID)	69.00
P&G PN	0.01
Proparco	20.00
PTFSA	0.10
responsAbility	0.02
Superintendencia de Banca, Seguros y AFP (SBS)	0.10
SUPERPEN	0.02
TCS Uruguay S.A.	0.01
U.K. Department for International Development (DFID)	0.30
World Bank	150.00
World Savings Banks Institute (WSBI)	0.01
WRAP	0.01
TOTAL COFINANCING IN 2009	**$3,391.80**

[1] This list represents funds committed by donors during 2009. Includes Parallel and joint Cofinancing.

TABLE VI • ACTIVE FUNDS IN ADMINISTRATION, 2009

Country/Institution	Name	Cumulative contributions[1] (US$ millions equivalent)
Austria	Multidonor AquaFund	1.0
Austria, Canada, Norway and United Kingdom	Multidonor Gender and Diversity Fund	5.2
Canada	IDB-Canada Trade Fund	4.7
Chile	Chilean Trust Fund for Learning from International Best Practices	0.5
	Chilean Trust Fund for Supporting Technological Innovation in Central America	0.8
China	Institutional Capacity Strengthening Thematic Fund	75.0
Denmark	Danish Trust Fund for Consulting Services	2.8
Finland	Knowledge Economy Fund	2.6
	Finnish Technical Assistance Program	3.7
France	French Technical Cooperation Fund for Consultancy and Training Activities	19.5
Gates Foundation	Mesomerican Health Facility	10.6
Italy	Italian Consulting Firms and Specialized Institutions Trust Fund	14.6
	Italian Trust Fund for MIF Project Preparation	3.2
	Italian Trust Fund for Microenterprise Development	8.8
	Italian Trust Fund for Information and Communication Technology for Development	7.0
	Italian Trust Fund for Regional Competitiveness	6.0
Japan	Japan Special Fund	240.6
	IDB Graduate Scholarship Program	38.0
	Japanese Trust Fund for Consultancy Services	43.8
Japan, Republic of Korea, Spain and Canada	Multidonor Disaster Prevention Trust Fund	9.0
Korea, Republic of	Knowledge Partnership Korea Fund for Technology and Innovation	41.5
	Korea Poverty Reduction Fund	39.1
Netherlands	IDB-Netherlands Water Partnership Program (INWAP)	9.9
Norway	Anticorruption Activities Fund	4.9
	Norwegian Consulting Services Trust Fund	1.0
Portugal	Portuguese Technical Cooperation Fund	2.3
Spain	Spanish Cooperation Fund for Water and Sanitation	496.5
	Spanish Trust Fund for the Social Entrepreneurship Program	5.0
	Spanish General Cooperation Fund	41.8
Sweden	Swedish Trust Fund for Consulting Services	3.1
Switzerland	Swiss Technical Cooperation Fund for Consulting Services and Training Activities	5.2
United Kingdom	Markets and Governance for Poverty Reduction Trust Fund	6.8
United Kingdom, Spain, Italy and Germany	Sustainable Energy and Climate Change Initiative Multidonor Trust Fund	25.9
United Kingdom and Switzerland	Aid for Trade	1.0
United States	Social Progress Trust Fund	525.0
Regional	Indigenous Peoples' Fund	19.5
	Regional Fund for Agricultural Technology (FONTAGRO)	57.6
World Bank	IDB/Global Environment Facility Trust Fund	50.3

[1] Amounts reflect historical exchange rates and do not reflect balance currently available.

Learning from Business Alliances

Making up a large share of the economies of countries in Central America, small and medium-sized businesses, including tourism enterprises like hotels, are made stronger through a MIF business alliance program.

FINANCIAL HIGHLIGHTS

Ordinary Capital

During 2009, the Bank approved 148 loans for $15.3 billion[1] from the Ordinary Capital resources, including four loans for $1.6 billion[1] under the emergency lending and liquidity programs, compared to 131 loans for $11.1 billion, including two loans for $900 million under the liquidity program in 2008. The substantial increase in loan approvals is largely driven by an increase in demand for the Bank's loans as a result of the current financial crisis. Also, disbursements totaled $11.4 billion, higher than the $7.1 billion disbursed in 2008. Undisbursed loans increased to $21.6 billion at year-end 2009 from $19.8 billion at year-end 2008.

In 2009, the Bank's portfolio of non-sovereign-guaranteed loans increased by $0.5 billion to $2.9 billion at year-end, compared to $2.4 billion at December 31, 2008. At the end of 2009, non-sovereign-guaranteed operations accounted for 6.4 percent of outstanding loans and guarantees, not including emergency lending and liquidity program loans, compared to 6.3 percent at the end of the prior year.

The non-sovereign guarantee exposure decreased $36 million to $834 million compared to $870 million the previous year. The Bank approved one non-trade-related guarantee without a sovereign counter-guarantee for $10 million in 2009, similar to 2008. Also, under the Trade Finance Facilitation Program, the Bank issued 105 guarantees for a total of $187 million, compared to 136 guarantees for a total of $203 million issued in 2008.

Since the Bank's inception, there have been no write-offs in the sovereign-guaranteed loan portfolio, which, as of December 31, 2009, represented 95 percent of the $58 billion in loans outstanding. As of that date, all loans in the portfolio were performing. Non-sovereign guaranteed loans with outstanding balances of $110 million were classified as impaired at December 31, 2009. Allowances for loan and guarantee losses amounted to $148 million, compared to $169 million in 2008.

The Bank issued bonds in 2009 for a total face amount of $17.9 billion equivalent (2008—$11.1 billion) and proceeds of $16.2 billion equivalent (2008—$10.7 billion) with an average life of 4.6 years (2008—4.8 years). The increase in borrowings was mostly due to net loan disbursements (disbursements net of collections) of $6.9 billion, as a result of the increase in demand for the Bank's loans. Borrowings raised in any given year are used for general operations, including loan disbursements and refinancing of maturing debt.

During the year, the Bank launched five strategic benchmark global U.S. dollars bond issues, including its first ever floating rate benchmark bonds, with two-, three-, five- and ten-year maturities for a combined amount of $9.5 billion. The Bank transacted other bonds denominated in Australian dollars, Indonesian rupiah, New Zealand dollars, South African rand, Swiss francs, Turkish liras, United States dollars, and certain borrowing member country currencies, as noted below.

Bonds denominated in borrowing member country currencies totaled $303 million (2008—$175 million), comprised of Brazilian reais $246 million, Costa Rican colones $15 million and Mexican pesos $42 million (2008—Brazilian reais $127 million and Chilean pesos $48 million). Bonds denominated in currencies from borrowing member countries are issued on the basis of cost-effectiveness for the Bank, and their issuance contributes, in part, to the development of local capital markets and expands the effective foreign demand for local currencies.

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[1] Includes $800 million (two operations) of loan approvals under the Liquidity Program cancelled during the year.

Figure 5. Borrowings Issued in 2009, before Swaps

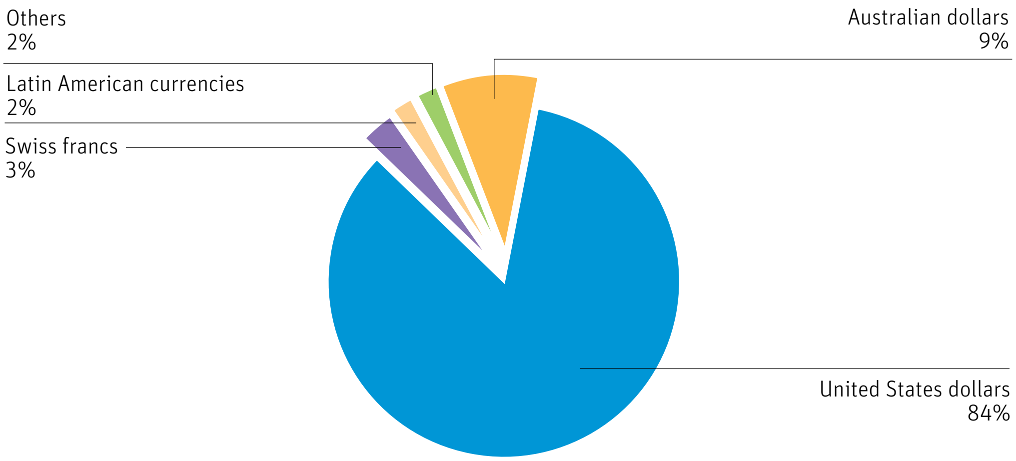

Figure 5 shows the Bank's debt issues during 2009 by currency. Except for $698 million, all the new fixed rate borrowings were initially swapped into United States dollars at floating rates, with conversion to fixed rate as well as euro and Japanese yen funding being carried out subsequently in accordance with funding requirements. Tables VII and VIII provide more details on these borrowings, as well as outstanding borrowings by currency, before swaps and mark-to-market adjustments, as of December 31, 2009.

The Bank continued to be rated triple-A or AAA/Aaa by the major rating agencies in 2009, as it has been since it was first rated.

Operating Income for 2009 was $1,294 million, compared to an Operating Loss of $972 million in 2008. This income increase of $2,266 million was substantially due to higher net interest income of $2,250 million, resulting mainly from an increase in net investment income on the Bank's trading investments portfolio of approximately $2,142 million in 2009. For further discussion on investment results, see Performance and Exposure of Liquid Investments Portfolio under Significant Developments in 2009, below.

During the first half of 2009, the Board of Executive Directors maintained the same level of loan charges as in the second half of 2008, at a 0.30 percent lending spread, a 0.25 percent credit commission, and no supervision and inspection fee. In order to further strengthen the Bank's capitalization and maintain the financial strength of the institution, the lending spread was increased to 0.95 percent for the second half of 2009 and the first half of 2010.

The Total Equity-to-Loans Ratio (TELR) is the Bank's measure of risk-based capital adequacy. In 2009, the TELR decreased to 34.2 percent from 35.3 percent in 2008, as a result of an increase in loans outstanding and net guarantee exposure of $6,840 million, partially offset by an increase in the equity used in TELR of $1,759 million, reflecting mostly Operating Income of $1,294 million, and the effect of the increase in the funded status of the Bank's pension and postretirement benefit plans of $506 million. Despite the decrease, the TELR has held within the policy range of 32 percent to 38 percent.

Fund for Special Operations

In 2009, the Bank approved 24 parallel loans (2008—19 parallel loans) for a total of $716 million, comprised of $228 million and $488 million from the resources of the Fund for Special Op-

TABLE VII • BORROWINGS,[1] FISCAL YEAR 2009
(Amounts in millions)

Type	Issue	Amount	Amount (US$ equiv.)
Australian dollars	5.38%, due 2014	1,000	$ 788
	6.00%, due 2016	300	280
	0.50%, due 2019	55	36
	6.50%, due 2019	575	485
Brazilian reais	5.05%, due 2012	8	3
	6.02%, due 2012	7	3
	7.25%, due 2012	11	5
	9.00%, due 2012	325	176
	9.50%, due 2014[2]	75	43
	0.50%, due 2015	27	16
Costa Rican colones	0.00%, due 2010[3]	8,513	15
Indonesian rupiah	6.70%, due 2011	471,705	50
	10.00%, due 2011	600,000	59
	6.75%, due 2013	110,000	11
	6.25%, due 2014	52,000	6
	6.67%, due 2014	130,000	14
Mexican pesos	6.42%, due 2013	40	3
	8.00%, due 2016[2]	500	39
New Turkish liras	8.45%, due 2013	8	5
	0.50%, due 2014	17	11
	0.50%, due 2014	152	103
	8.00%, due 2019	9	5
New Zealand dollars	6.25%, due 2017	100	65
South African rand	7.02%, due 2010	480	48
	5.76%, due 2010	100	10
	6.30%, due 2012	110	12
	6.31%, due 2012	19	2
Swiss francs	2.13%, due 2016	150	132
	2.75%, due 2019	400	356
	2.45%, due 2019	100	94
United States dollars	Adjustable, due 2010[4]	1,250	1,250
	0.70%, due 2010	100	100
	1.05%, due 2010	100	100
	Adjustable, due 2011[5,6]	50	50
	Adjustable, due 2011[7]	1,000	1,000
	1.18%, due 2011	18	18
	1.50%, due 2011	1,000	1,000
	Adjustable, due 2012[7]	800	800
	1.75%, due 2012	2,250	2,250
	Adjustable, due 2014[8]	2,000	2,000

(*continued on next page*)

TABLE VII • BORROWINGS,[1] FISCAL YEAR 2009 *(continued)*
(Amounts in millions)

Type	Issue	Amount	Amount (US$ equiv.)
	3.00%, due 2014	2,500	2,500
	0.00%, due 2016[3,6]	25	25
	3.88%, due 2019	1,750	1,748
	0.00%, due 2039[3]	50	50
	0.00%, due 2039[3]	52	52
	0.00%, due 2039[3]	56	56
	0.00%, due 2039[3]	59	59
	0.00%, due 2039[3]	142	142
	0.00%, due 2039[3]	144	144
	0.00%, due 2039[3]	154	154
	0.00%, due 2039[3]	170	170
	0.00%, due 2039[3]	173	173
	0.00%, due 2039[3]	177	177
	0.00%, due 2039[3]	178	178
	0.00%, due 2039[3]	221	221
	0.00%, due 2039[3]	345	345
	5.00%, due 2039[9]	30	30
	5.14%, due 2039[9]	30	30
	5.15%, due 2039[9]	26	26
	5.17%, due 2039[9]	30	30
	5.25%, due 2039[9]	52	52
	5.30%, due 2039[9]	30	30
	5.38%, due 2039[9]	26	26
	5.42%, due 2039[9]	25	25
TOTAL BORROWINGS			**$ 17,886**

[1] Medium- and long-term borrowings at face value, before swaps.
[2] Bond negotiated in December 2009, but settled in January 2010.
[3] Zero-coupon borrowings with call options by the issuer, in accordance with a timetable.
[4] Three-month USD LIBOR, minus 0.03%.
[5] Three-month USD LIBOR, minus 0.30%.
[6] Redemption at maturity linked to the performance of the S&P500 index.
[7] Three-month USD LIBOR, plus 0.20%.
[8] Three-month USD LIBOR, plus 0.45%.
[9] The issuer has multiple call options.

erations (FSO) and the Ordinary Capital, respectively (2008—total of $433 million, composed of $138 million from the FSO and $295 million from the Ordinary Capital). As of December 31, 2009, outstanding loans amounted to $4.3 billion (2008—$4.1 billion, net of the allowance for debt relief) and were substantially fully performing. FSO operations generated Income before technical cooperation, debt relief and Board of Governors approved transfers of $128 million compared to $11 million in 2008.

The Board of Governors approved transfers of $122 million (2008—$50 million) from the FSO to the IDB Grant Facility (GRF) to provide grant resources to Haiti. In 2009, Haiti reached

Completion Point under the Enhanced Heavily Indebted Poor Countries Initiative; the FSO delivered debt relief under the Enhanced HIPC Initiative and the Multilateral Debt Relief Initiative of $419 million, culminating the Bank's participation in these two initiatives.

Significant Developments in 2009

Financial Crisis

During 2009 many market indices and economic indicators started to show signs of improvement. However, the strength of the recovery in economic and financial market conditions is uncertain. And so, while the market pricing for structured securities has improved versus year-end 2008, levels are still depressed.

The limited liquidity and high volatility in the markets has continued to affect the Bank's ability to mitigate its credit risk by selling or hedging its exposures. Valuations continue to be impacted by market factors, such as rating agency actions, and the prices at which actual transactions occur. The Bank continues to maximize, where possible, the use of market inputs in the valuation of its investments, including external pricing services, independent dealer prices, and observable market yield curves.

The Bank continues to closely monitor the asset quality of its investments portfolio, analyzing and assessing the fundamental value of its securities, with a particular focus on its asset–backed and mortgage–backed securities. Furthermore, the Bank has taken significant steps to improve its risk management framework, including a revision of its investment guidelines, with an aim to avoid concentration risks of the kind that led to mark-to-market losses in specific asset classes that were particularly affected by the financial crisis.

Performance and Exposure of Liquid Investments Portfolio

The liquid investments portfolio started to recover from the financial crisis in the second quarter of 2009, as financial market conditions showed signs of improvement. During the year, the Bank recognized $528 million of mark-to-market gains in its trading investments portfolio (2008 – losses of $1.6 billion), including $146 million (2008 – losses of $9 million) mainly resulting from loss reversals recognized from repayments at par of $753 million (2008 - $753 million) of securities previously marked down. These investment gains were substantially related to the $3.9 billion asset-backed and mortgage-backed securities portion of the portfolio. Although liquidity for this portion of the portfolio remains limited and valua-

TABLE VIII • OUTSTANDING BORROWINGS[1] BY CURRENCY AS OF DECEMBER 31, 2009
(In millions of U.S. dollars)

Currency	Amount
Australian dollars	$ 6,761
Brazilian reais	504
British pounds sterling	979
Canadian dollars	4,416
Chilean pesos	59
Colombian pesos	75
Costa Rican colones	62
Euro	3,039
Hong Kong dollars	97
Icelandic krónur	14
Indian rupees	30
Indonesian rupiah	379
Japanese yen	1,343
Mexican pesos	1,140
New Turkish liras	306
New Zealand dollars	2,557
Peruvian new soles	112
Russian rubles	38
South African rand	831
Swiss francs	628
United States dollars	34,271
TOTAL	**$57,641**

[1] Medium- and long-term borrowings net of unamortized discounts (before swaps and mark-to-market adjustments).

TABLE IX • TRADING INVESTMENTS PORTFOLIO AS OF DECEMBER 31, 2009 AND 2008
(In millions of U.S. dollars)

	2009		2008	
Security Class	**Fair Value[1]**	**Unrealized Gains (Losses)[2]**	**Fair Value[1]**	**Unrealized Gains (Losses)[2]**
Obligations of the United States government and its corporations and agencies	$ 819	$ –	$ 1,157	$ 5
U.S. government-sponsored enterprises	540	3	1,539	4
Obligations of non-U.S. governments and agencies	6,574	17	771	2
Bank obligations	4,458	57	4,796	(99)
Corporate securities	49	7	199	(2)
Mortgage-backed securities	2,337	195	2,492	(1,079)
Asset-backed securities	1,558	103	1,715	(427)
Total trading investments	**$16,335**	**$ 382**	**$12,669**	**$(1,596)**

[1] Includes accrued interest of $31 million and $56 million, in 2009 and 2008 respectively, presented in the Balance Sheet under Accrued interest and other charges on investments.

[2] Represents unrealized gains and losses included in Income from investments for the corresponding year.

tions continue to be highly discounted, as of December 31, 2009, 56.1 percent is still rated AAA, 85.4 percent is rated investment grade (compared to 85.4 percent and 97.5 percent, respectively, in 2008), and except for a de minimis amount of principal losses during 2009 and an asset-backed commercial paper position with a fair value of $14 million which is in default since 2007, the portfolio continues to perform. The Bank realized losses of $32 million in 2009, relative to purchase price, compared to $71 million in 2008. The exposure of the whole investment portfolio amounted to $20.0 billion at December 31, 2009 compared to $16.2 billion at December 31, 2008. The quality of the overall portfolio continues to be high, as 75.3 percent of the credit exposure is rated AAA and AA, 13.3 percent carry the highest short-term ratings (A1+), 7.2 percent is rated A, and 4.2 percent is rated below A/A1+. Table IX shows a breakdown of the Bank's trading investments portfolio as of December 31, 2009 and 2008 by major security class together with unrealized gains and losses included in Income (loss) from Investments on securities held at the end of the respective year.

The investment portfolios of the FSO, the Intermediate Financing Facility Account, and other funds under the Bank's administration of approximately $2.8 billion at December 31, 2009, which included asset-backed and mortgage-backed securities of $425 million, generated net mark-to-market gains of $90 million during the year (2008 – net losses of $134 million).

Conversion of Single Currency Facility (SCF) and Currency Pooling System (CPS) Adjustable Rate Loans to LIBOR-Based Loans

As part of the Bank's effort to continue developing flexible, market-based products that enable borrowers to better manage their debt with the Bank, in January 2009, the Board of Executive Directors approved (i) an offer to borrowers to convert on specific dates, in 2009 and 2010, outstanding and undisbursed loan balances under the SCF- and CPS-adjustable rate products to

TABLE X • STATEMENT OF LOANS OUTSTANDING AS OF DECEMBER 31, 2009
(In millions of U.S. dollars)

Member in whose territory loans have been made	Ordinary Capital: Sovereign-guaranteed	Ordinary Capital: Non-sovereign-guaranteed	Ordinary Capital: Subtotal	Fund for Special Operations[1]	Total
Argentina	$ 9,530	$ 90	$ 9,620	$ 80	$ 9,700
Bahamas	106	—	106	—	106
Barbados	153	—	153	7	160
Belize	103	—	103	—	103
Bolivia	124	67	191	392	583
Brazil	13,544	1,342	14,886	195	15,081
Chile	632	14	646	—	646
Colombia	6,152	125	6,277	80	6,357
Costa Rica	255	178	433	37	470
Dominican Republic	1,398	—	1,398	298	1,696
Ecuador	1,608	99	1,707	437	2,144
El Salvador	1,610	50	1,660	386	2,046
Guatemala	1,451	69	1,520	310	1,830
Guyana	7	—	7	252	259
Haiti	—	—	—	447	447
Honduras	54	—	54	396	450
Jamaica	707	12	719	28	747
Mexico	7,089	—	7,089	7	7,096
Nicaragua	102	81	183	576	759
Panama	1,040	—	1,040	19	1,059
Paraguay	717	75	792	271	1,063
Peru	4,046	—	4,046	28	4,074
Suriname	68	536	604	1	605
Trinidad and Tobago	376	6	382	6	388
Uruguay	2,370	—	2,370	10	2,380
Venezuela	1,470	—	1,470	—	1,470
Regional	354	139	493	54	547
Inter—American Investment Corporation	100	—	100	—	100
TOTAL	**$55,166**	**$2,883**	**$58,049**	**$4,317**	**$62,366**

[1] Excludes loan participations sold to the Social Progress Trust Fund for a total of $31 million, including $3 million to Costa Rica, $5 million to the Dominican Republic, $6 million to Ecuador, $10 million to El Salvador, $4 million to Guatemala, $2 million to Panama, and $1 million to Paraguay.

USD LIBOR-based or fixed-base cost rate or any combination thereof; and (ii) the discontinuation of the SCF-adjustable rate product effective June 30, 2009; the CPS-adjustable rate product was discontinued in 2003.

As a result of the first tranche, conversions of outstanding loan balances of $26.3 billion were carried out at market rates with an effective date of August 1, 2009, as follows: $1.6 billion of CPS converted to USD LIBOR-based rate, $5.4 billion of CPS to USD fixed-base cost rate, $1.2 billion of SCF to USD LIBOR-based rate, and $18.1 billion of SCF to fixed-base cost rate. In addition, the Bank executed interest rate and currency swaps for a total notional amount of approximately $9.7 billion. The execution was carried out on a competitive basis with various swap counterparties, allowing the Bank to diversify its swap exposure.

Changes in Capital Stock

The People's Republic of China became the 48th member of the Bank and subscribed to eight shares of paid-in capital and 176 shares of callable capital. In addition, in order to expand the Ordinary Capital's short-term lending envelope, the Bank accepted an offer from Canada to increase its callable capital by $4 billion, on a temporary basis. This resulted in an increase in borrowing capacity (and thus lending capacity) by the same amount.

Funded Status of the Bank's Pension and Postretirement Benefit Plans (the Plans)

At December 31, 2009, the Ordinary Capital's Balance Sheet shows net postretirement benefit assets of $105 million compared to postretirement benefit liabilities of $410 million at December 31, 2008. The increase in the funded status of the Plans of $515 million reflects an increase in the plans' assets of $558 million, mostly resulting from a recovery of previous mark-to-market losses. At December 31, 2009, the pension plans and postretirement benefit plan assets represented 107 percent and 94 percent, respectively, of the benefit obligations, compared with 91 percent and 82 percent, respectively, at the end of the prior year. For further information refer to Note Q of the Ordinary Capital's financial statements.

Copies of the basic financial statements of the Ordinary Capital, the FSO, the IFF and the GRF appear on pages 62–69. The full set of financial statements, including the Management's Discussion and Analysis, the external auditors' opinions and the financial statements and related notes, are presented in the *IDB Annual Report: Financial Statements and General Appendices*.

TABLE XI • SUBSCRIPTIONS TO CAPITAL STOCK, CONTRIBUTION QUOTAS AND VOTING POWER AS OF DECEMBER 31, 2009

(In millions of U.S. dollars)

	Ordinary Capital Subscribed Capital Stock			Percent of Total Number of Votes[1,2]	FSO Contribution Quotas
Member Countries	Paid-in	Callable	Total		
Regional developing members					
Argentina	$ 465.1	$ 10,393.8	$ 10,858.9	10.751	$ 505.4
Bahamas	11.6	198.3	209.9	0.209	10.6
Barbados	5.6	124.3	129.9	0.130	1.8
Belize	7.2	103.5	110.7	0.111	7.6
Bolivia	37.3	834.4	871.7	0.865	48.7
Brazil	465.1	10,393.8	10,858.9	10.751	544.4
Chile	127.7	2,853.9	2,981.6	2.953	157.7
Colombia	127.7	2,853.9	2,981.6	2.953	153.7
Costa Rica	18.7	417.1	435.7	0.433	23.4
Dominican Republic	24.9	556.8	581.7	0.577	33.9
Ecuador	24.9	556.8	581.7	0.577	30.3
El Salvador	18.7	417.1	435.7	0.433	21.4
Guatemala	24.9	556.8	581.7	0.577	32.8
Guyana	7.8	153.8	161.6	0.162	8.3
Haiti	18.7	417.1	435.7	0.433	21.8
Honduras	18.7	417.1	435.7	0.433	26.5
Jamaica	24.9	556.8	581.7	0.577	28.8
Mexico	299.0	6,681.3	6,980.3	6.912	329.0
Nicaragua	18.7	417.1	435.7	0.433	24.2
Panama	18.7	417.1	435.7	0.433	25.4
Paraguay	18.7	417.1	435.7	0.433	27.9
Peru	62.3	1,390.7	1,453.0	1.440	79.8
Suriname	5.7	82.9	88.6	0.089	6.3
Trinidad and Tobago	18.7	417.1	435.7	0.433	20.9
Uruguay	49.9	1,114.3	1,164.2	1.154	55.9
Venezuela	249.3	5,568.5	5,817.8	5.761	315.3
Total regional developing members	**2,170.5**	**48,311.4**	**50,481.1**	**50.015**	**2,541.8**
Canada[3]	**173.7**	**7,906.1**	**8,079.8**	**4.001**	**310.2**
United States	**1,303.0**	**29,006.7**	**30,309.7**	**30.006**	**4,839.0**
Nonregional members					
Austria	6.9	153.7	160.6	0.161	20.0
Belgium	14.2	316.8	331.0	0.329	42.5
China	0.1	2.1	2.2	0.004	125.0
Croatia	2.1	46.4	48.5	0.050	5.9
Denmark	7.3	163.4	170.8	0.171	20.0
Finland	6.9	153.7	160.6	0.161	19.0
France	82.3	1,831.4	1,913.7	1.896	221.1
Germany	82.3	1,831.4	1,913.7	1.896	230.0
Israel	6.8	151.5	158.3	0.158	18.0
Italy	82.3	1,831.4	1,913.7	1.896	215.7
Japan	217.1	4,833.2	5,050.3	5.001	591.9
Korea, Republic of	0.1	2.1	2.2	0.004	-
Netherlands	14.6	325.6	340.3	0.338	36.9
Norway	7.3	163.4	170.8	0.171	20.0
Portugal	2.3	51.7	54.0	0.055	7.8
Slovenia	1.3	28.1	29.4	0.031	3.4
Spain	82.3	1,831.4	1,913.7	1.896	215.8
Sweden	14.1	314.8	328.9	0.327	40.1
Switzerland	20.4	454.2	474.7	0.471	63.1
United Kingdom	41.8	929.9	971.7	0.964	175.3
Total nonregional members	**692.5**	**15,416.5**	**16,109.0**	**15.979**	**2,071.5**
GRAND TOTAL	**$ 4,339**	**$ 100,641**	**$ 104,980**	**100.00**	**$ 9,762**

[1] Data are rounded; detail may not sum exactly to subtotals and grand total because of rounding.

[2] Each member country's voting power is the same in making decisions concerning the operations of the Ordinary Capital and the FSO. Except where otherwise expressly provided in the Agreement Establishing the Bank, all matters are decided by a majority of the total voting power of the member countries.

[3] Ordinary Capital's subscribed capital stock includes 334,887 nonvoting temporary callable shares with a par value of $4,039.9 million. These shares are excluded from the calculation of the voting power.

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in millions of United States dollars

	December 31, 2009		December 31, 2008	
ASSETS				
Cash and investments				
Cash—Notes C and T	$ 242		$ 301	
Investments—Notes D, K, and T				
Trading—Appendix I-1	16,304		12,613	
Held-to-maturity—Appendix I-2	3,810	$20,356	3,621	$16,535
Loans outstanding—Notes E and T, Appendixes I-3 and I-4	58,049		51,173	
Allowance for loan losses	(116)	57,933	(136)	51,037
Accrued interest and other charges				
On investments	64		92	
On loans	496		564	
On swaps, net	335	895	43	699
Receivable from members—Note F				
Non-negotiable, non-interest-bearing obligations:				
Demand notes	95		356	
Term notes	252		—	
Amounts required to maintain value of currency holdings	54	401	79	435
Currency and interest rate swaps—Notes J, K and T				
Investments—trading—Appendix I-1	—		2	
Loans	248		43	
Borrowings—Appendix I-5	3,647	3,895	3,415	3,460
Other assets				
Postretirement benefit assets—Note Q	173		—	
Property, net—Note G	306		303	
Unamortized borrowing issue costs	9		11	
Miscellaneous	38	526	30	344
Total assets		$84,006		$72,510
LIABILITIES AND EQUITY				
Liabilities				
Borrowings—Notes H, I, K and T, Appendix I-5				
Short-term	$ 1,908		$ 3,067	
Medium- and long-term:				
Measured at fair value	45,493		34,350	
Measured at amortized cost	12,906	$60,307	11,977	$49,394
Currency and interest rate swaps—Notes J, K and T				
Investments—trading—Appendix I-1	11		10	
Loans	171		107	
Borrowings—Appendix I-5	1,037	1,219	1,800	1,917
Payable for investment securities purchased		140		156
Payable for cash collateral received		1		—
Postretirement benefit liabilities—Note Q		68		410
Amounts payable to maintain value of currency holdings—Note F		556		383
Accrued interest on borrowings		622		559
Accounts payable and accrued expenses		419		247
Total liabilities		63,332		53,066
Equity				
Capital stock—Note M, Appendixes I-6 and I-7				
Subscribed 8,702,335 shares (2008—8,367,264 shares)	104,980		100,938	
Less callable portion	(100,641)		(96,599)	
Paid-in capital stock	4,339		4,339	
Retained earnings—Note N	15,441		14,647	
Accumulated other comprehensive income—Note O	894	20,674	458	19,444
Total liabilities and equity		$84,006		$72,510

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF INCOME AND RETAINED EARNINGS

Expressed in millions of United States dollars

	Years ended December 31,		
	2009	**2008**	**2007**
Income (loss)			
Loans			
Interest, after swaps—Notes E and J	**$ 1,934**	$ 2,301	$ 2,404
Other loan income	**68**	54	32
	2,002	2,355	2,436
Investments—Note J			
Interest	**303**	632	778
Net gains (losses)	**528**	(1,605)	(291)
Other	**15**	11	19
Total income	**2,848**	1,393	2,942
Expenses			
Borrowing expenses			
Interest, after swaps—Notes H, I, J and K	**929**	1,740	2,074
Borrowing issue costs	**24**	28	49
Debt repurchase costs (income)	**(2)**	(4)	12
	951	1,764	2,135
Provision (credit) for loan and guarantee losses—Note E	**(21)**	93	(13)
Administrative expenses—Note B	**530**	439	500
Special programs	**94**	69	37
Total expenses	**1,554**	2,365	2,659
Income (loss) before net unrealized gains (losses) on non-trading derivatives and borrowings measured at fair value	**1,294**	(972)	283
Net unrealized gains (losses) on non-trading derivatives and borrowings measured at fair value—Notes I, J, K and P	**(500)**	950	(149)
Net income (loss)	**794**	(22)	134
Retained earnings, beginning of year	**14,647**	14,576	14,442
Cumulative effect of fair value option	**—**	93	—
Retained earnings, end of year	**$15,441**	$14,647	$14,576

STATEMENT OF COMPREHENSIVE INCOME

Expressed in millions of United States dollars

	Years ended December 31,		
	2009	**2008**	**2007**
Net income (loss)	**$ 794**	$ (22)	$134
Other comprehensive income (loss)—Note O			
Translation adjustments	**(72)**	396	280
Recognition of changes in Postretirement benefit assets/liabilities—Note Q	**506**	(1,371)	130
Reclassification to income—cash flow hedges	**2**	(4)	1
Total other comprehensive income (loss)	**436**	(979)	411
Comprehensive income (loss)	**$ 1,230**	$(1,001)	$545

STATEMENT OF CASH FLOWS

Expressed in millions of United States dollars

	Years ended December 31,		
	2009	2008	2007
Cash flows from lending and investing activities			
Lending:			
Loan disbursements (net of participations)	**$(11,424)**	$(7,149)	$(6,725)
Loan collections (net of participations)	**4,542**	4,740	5,265
Net cash used in lending activities	**(6,882)**	(2,409)	(1,460)
Gross purchases of held-to-maturity investments	**(4,232)**	(3,287)	(2,378)
Gross proceeds from maturities of held-to-maturity investments	**4,253**	3,299	2,459
Purchase of property	**(21)**	(22)	(14)
Miscellaneous assets and liabilities	**(8)**	(4)	(7)
Net cash used in lending and investing activities	**(6,890)**	(2,423)	(1,400)
Cash flows from financing activities			
Medium- and long-term borrowings:			
Proceeds from issuance	**16,181**	10,793	5,440
Repayments	**(6,086)**	(8,321)	(6,595)
Short-term borrowings:			
Proceeds from issuance	**2,571**	11,588	5,941
Repayments	**(3,752)**	(10,707)	(4,390)
Cash collateral received	**1**	—	—
Collections of receivable from members	**3**	5	5
Net cash provided by financing activities	**8,918**	3,358	401
Cash flows from operating activities			
Gross purchases of trading investments	**(33,542)**	(14,210)	(10,639)
Gross proceeds from sale or maturity of trading investments	**30,475**	12,259	10,761
Loan income collections, after swaps	**2,152**	2,412	2,434
Interest and other costs of borrowings, after swaps	**(1,009)**	(1,415)	(1,953)
Income from investments	**305**	568	741
Other income	**15**	11	19
Administrative expenses	**(446)**	(431)	(433)
Special programs	**(38)**	(20)	(13)
Net cash provided by (used in) operating activities	**(2,088)**	(826)	917
Effect of exchange rate fluctuations on cash	**1**	(8)	6
Net increase (decrease) in Cash	**(59)**	101	(76)
Cash, beginning of year	**301**	200	276
Cash, end of year	**$ 242**	$ 301	$ 200

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in millions of United States dollars

	December 31,			
	2009		2008	
ASSETS				
Cash and investments				
Cash—Note C	**$ 369**		$ 365	
Investments—Notes D, E and Appendix II-1	**1,041**	**$1,410**	990	$1,355
Loans outstanding—Note F and Appendix II-2	**4,317**		4,524	
Allowance for debt relief	**—**	**4,317**	(423)	4,101
Accrued interest and other charges on loans		**20**		23
Receivable from members—Note G				
Non-negotiable, non-interest-bearing obligations:				
Demand notes	**458**		527	
Term notes	**146**		—	
Amounts required to maintain value of currency holdings	**98**	**702**	283	810
Total assets		**$6,449**		$6,289
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses	**$ 4**		$ 5	
Undisbursed technical cooperation projects and other financings—Note H	**89**		91	
Due to IDB Grant Facility	**154**		73	
Amounts payable to maintain value of currency holdings—Note G	**295**	**$ 542**	334	$ 503
Fund balance				
Contribution quotas authorized and subscribed—Note I and Appendix II-3	**9,762**		9,636	
General reserve (deficit)—Note J	**(3,966)**		(3,952)	
Accumulated translation adjustments—Note K	**111**	**5,907**	102	5,786
Total liabilities and fund balance		**$6,449**		$6,289

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF INCOME AND GENERAL RESERVE (DEFICIT)

Expressed in millions of United States dollars

	Years ended December 31,		
	2009	**2008**	**2007**
Income (loss)			
Loans			
Interest	**$ 75**	$ 80	$ 79
Other loan income	**8**	11	11
	83	91	90
Investments—Note D	**57**	(18)	56
Total income	**140**	73	146
Expenses			
Administrative expenses—Note L	**12**	62	64
Total expenses	**12**	62	64
Income before technical cooperation, debt relief, and Board of Governors approved transfers	**128**	11	82
Technical cooperation expense	**23**	33	23
Debt relief expense	**(3)**	—	—
Board of Governors approved transfers to IDB Grant Facility—Note J	**122**	50	50
Net income (loss)	**(14)**	(72)	9
General reserve (deficit), beginning of year	**(3,952)**	(3,880)	(3,889)
General reserve (deficit), end of year	**$(3,966)**	$(3,952)	$(3,880)

STATEMENT OF COMPREHENSIVE INCOME

Expressed in millions of United States dollars

	Years ended December 31,		
	2009	**2008**	**2007**
Net income (loss)	**$(14)**	$(72)	$ 9
Translation adjustments—Note K	**9**	(16)	34
Comprehensive income (loss)	**$ (5)**	$(88)	$43

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS

Expressed in millions of United States dollars

	Years ended December 31,		
	2009	**2008**	**2007**
Cash flows from lending activities			
Loan disbursements	**$(414)**	$(415)	$(393)
Loan collections	**220**	229	275
Loan participations, net	**(2)**	(5)	(2)
Net cash used in lending activities	**(196)**	(191)	(120)
Cash flows from financing activities			
Collections of receivable from members	**49**	22	28
Contribution quotas from members	**125**	—	—
Return of contribution quotas to members	**—**	(1)	—
Net cash provided by financing activities	**174**	21	28
Cash flows from operating activities			
Gross purchases of investments	**(886)**	(586)	(572)
Gross proceeds from sale or maturity of investments	**872**	730	625
Loan income collections	**80**	91	93
Income from investments	**31**	23	23
Administrative expenses	**(13)**	(63)	(65)
Technical cooperation and other financings	**(25)**	(27)	(23)
Cash transfers to the IDB Grant Facility	**(41)**	(15)	(12)
Net cash provided by operating activities	**18**	153	69
Effect of exchange rate fluctuations on cash	**8**	8	8
Net increase (decrease) in cash	**4**	(9)	(15)
Cash, beginning of year	**365**	374	389
Cash, end of year	**$ 369**	$ 365	$ 374

BALANCE SHEET

Expressed in millions of United States dollars

	December 31, 2009	December 31, 2008
ASSETS		
Cash	**$ 1**	$ 1
Investments—Notes C, D and Appendix III-1	**227**	250
Total assets	**$228**	$251
LIABILITIES		
Accounts payable and accrued expenses	**$ 7**	$ 3
FUND BALANCE		
Fund balance	**221**	248
Total liabilities and fund balance	**$228**	$251

STATEMENT OF CHANGES IN FUND BALANCE

Expressed in millions of United States dollars

	Years ended December 31, 2009	2008	2007
Additions			
Income from investments—Note C	**$ 12**	$ —	$ 14
Total additions	**12**	$ —	14
Deductions			
Loss from investments—Note C	**—**	7	—
Interest paid on behalf of Ordinary Capital borrowers	**39**	50	48
Total deductions	**39**	57	48
Change in fund balance	**(27)**	(57)	(34)
Fund balance, beginning of year	**248**	305	339
Fund balance, end of year	**$221**	$248	$305

STATEMENT OF CASH FLOWS

Expressed in millions of United States dollars

	Years ended December 31, 2009	2008	2007
Cash flows from operating activities			
Income from investments	**$ 1**	$ 3	$ 3
Interest paid on behalf of Ordinary Capital borrowers	**(35)**	(47)	(48)
Net decrease in investments	**34**	43	47
Net cash provided by (used in) operating activities and net increase (decrease) in cash	**—**	(1)	2
Cash, beginning of year	**1**	2	—
Cash, end of year	**$ 1**	$ 1	$ 2

IDB GRANT FACILITY
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in millions of United States dollars

	December 31, 2009	December 31, 2008
ASSETS		
Due from Fund for Special Operations	**$154**	$73
Total assets	**$154**	$73
LIABILITIES AND FUND BALANCE		
Liabilities:		
Undisbursed grants—Note C	**$154**	$73
Fund balance	**—**	—
Total liabilities and fund balance	**$154**	$73

STATEMENT OF CHANGES IN FUND BALANCE

Expressed in millions of United States dollars

	Years ended December 31, 2009	Years ended December 31, 2008	From June 29, 2007 (inception) to December 31, 2007
Additions			
Transfers from Fund for Special Operations	**$122**	$ 50	$ 50
Total additions	**122**	50	50
Deductions			
Grants	**122**	50	50
Change in fund balance	**—**	—	—
Fund balance, beginning of period	**—**	—	—
Fund balance, end of period	**$ —**	$ —	$ —

STATEMENT OF CASH FLOWS

Expressed in millions of United States dollars

	Years ended December 31, 2009	Years ended December 31, 2008	From June 29, 2007 (inception) to December 31, 2007
Cash flows from operating activities			
Cash transfers from Fund for Special Operations	**$ 41**	$ 15	$ 12
Grants disbursements	**(41)**	(15)	(12)
Net cash flows from operating activities	**—**	—	—
Cash, beginning of period	**—**	—	—
Cash, end of period	**$ —**	$ —	$ —

TABLE XII • CONSOLIDATED ADMINISTRATIVE EXPENSES

(In thousands of U.S. dollars)

Category	2007 Actual	2008 Actual	2009 Actual
Board of Governors	$ 2,930.6	$ 2,952.9	$ 4,046.0
Board of Executive Directors	18,047.4	19,340.5	19,172.2
Office of Evaluation and Oversight	6,691.4	8,194.8	7,171.7
Headquarters and Country Offices	438,965.6	437,217.7	482,762.3
Total Gross Administrative Expenses[1,2,3,4,5,6,7,8]	**466,635.0**	**467,705.9**	**513,152.2**
Reimbursement from Funds in Administration and IIC	(3,117.3)	(4,018.1)	(4,038.1)
MIF and INTAL Reimbursements, Administrative Income	(11,280.1)	(7,230.4)	(5,198.1)
Total Net Administrative Expenses	**452,237.5**	**456,457.4**	**503,916.0**
Capital Expenses	15,787.0	27,256.7	25,889.4
Total Net Administrative and Capital Expenses	**$ 468,024.6**	**$ 483,714.1**	**$ 529,805.4**

[1] Excludes depreciation of $20.6 million in 2007, $19.8 million in 2008 and $20.7 million in 2009.
[2] Excludes increase (decrease) in pre-paid post-retirement benefit costs of ($20.0 million), ($12.2 million) and $9.0 million in 2007, 2008 and 2009, respectively.
[3] Excludes $4.0 million of expenses related to prior years in 2009.
[4] Excludes amounts of $0.5 million for the Inter-American Culture and Development Foundation in 2007 and 2009.
[5] Excludes $55 million, $5 million and $11 million of realignment expenses in 2007, 2008 and 2009, respectively.
[6] Includes prepaid expenses of $3.7 million and $5.5 million in 2008 and 2009, respectively.
[7] Excludes $1.1 million of expenses in 2009 related to the IDB's 50th anniversary.
[8] Excludes $1.7 million of Capital Projects' expenditures not capitalized in 2009.

TABLE XIII • INTER-AMERICAN DEVELOPMENT BANK STAFF SALARY STRUCTURE (WASHINGTON, D.C.) AS OF DECEMBER 31, 2009

(In U.S. dollars)

Grade	Representative Job Titles	Minimum	Maximum	Staff at Grade Level (%)	Average Salary/ Grade	Average Benefits[1]
13	Administrative Support	32,327	51,723	0.1%	35,964	14,745
12	Administrative Support	36,384	58,215	0.4%	47,895	19,637
11	Assistant	40,522	64,835	3.9%	49,477	20,285
10	Administrative Coordinator	46,514	74,422	6.6%	62,760	25,732
9	Senior Assistant/Analyst	57,223	85,835	3.5%	71,683	29,390
8	Senior Analyst/Senior Administrative Coordinator	64,588	96,882	3.7%	78,367	32,130
7	Associate	73,629	110,444	5.5%	83,717	34,324
6	Senior Associate	82,874	124,311	10.7%	91,079	37,342
5	Specialist	92,807	139,211	14.8%	103,493	42,432
4	Senior Specialist	101,865	162,984	18.8%	120,702	49,488
3	Lead Specialist	115,775	185,241	17.4%	144,702	59,328
2	Unit Chief/Principal Specialist	138,726	208,088	6.6%	175,396	71,913
1	Division Chief	159,319	231,012	3.6%	194,538	79,761
R	Country Representative	159,319	245,915	1.4%	197,539	80,991
E5	Sector Manager	196,732	245,915	1.4%	227,751	93,378
E4	Head of Independent Office	221,478	276,847	0.1%	264,583	108,479
E3	General Manager	251,601	314,501	1.1%	289,842	118,835
E2	Vice President	269,639	323,567	0.3%	310,579	127,337
E1	Executive Vice President	287,230	344,676	0.1%	344,676	141,317
P	President		406,943[2]	0.1%	406,943	166,847

[1] Includes annual leave, medical life and disability insurance, accrued termination benefits and other non-salary benefits.
[2] Does not include Executive Allowance of $72,830.

TABLE XIV • TEN YEARS OF IDB OPERATIONS, 2000–2009

(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CAPITAL										
Subscriptions (End of Year)										
Ordinary Capital	100,959	100,959	100,951	100,951	100,951	100,953	100,953	100,953	100,938	104,980
Fund for Special Operations	9,635	9,636	9,636	9,636	9,637	9,639	9,639	9,640	9,636	9,762
Other Funds[1]	2,651	2,728	2,769	2,938	3,026	3,078	2,772	3,274	3,422	4,162
Total	**113,245**	**113,323**	**113,356**	**113,525**	**113,614**	**113,670**	**113,364**	**113,867**	**113,996**	**118,904**
BORROWINGS[2]										
Outstanding (End of Year)	41,370	42,161	46,859	48,112	46,190	43,999	43,959	44,854	44,624	57,641
Gross Annual Borrowings	8,139	7,097	9,340	9,109	4,710	4,937	5,419	6,089	11,069	17,886
OPERATIONS										
Loans and Guarantees Approved (Cumulative)[3]										
Ordinary Capital[4]	89,959	93,518	100,834	110,436	116,799	117,804	124,580	135,006	148,991	162,533
Fund for Special Operations	14,924	15,328	15,774	16,652	17,391	17,486	18,257	18,525	18,519	18,870
Other Funds	1,724	1,719	1,736	1,769	1,747	1,743	1,751	1,772	1,755	1,768
Total	**106,607**	**110,565**	**118,344**	**128,857**	**135,937**	**137,033**	**144,588**	**155,303**	**169,265**	**183,171**
Loans and Guarantees Approved (Annual)[5]										
Ordinary Capital[4,8]	4,969	7,411	4,143	6,232	5,468	6,448	5,632	8,577	11,085	15,278
Fund for Special Operations	297	443	406	578	552	410	605	152	138	228
Other Funds	—	—	—	—	—	—	2	6	3	1
Total	**5,266**	**7,854**	**4,549**	**6,810**	**6,020**	**6,858**	**6,239**	**8,735**	**11,226**	**15,507**
Loan Disbursements (Annual)[5]										
Ordinary Capital[4]	6,683	6,037	5,522	8,416	3,768	4,899	6,088	6,725	7,149	11,424
Fund for Special Operations	386	422	313	486	463	424	398	393	415	414
Other Funds	—	—	2	—	1	5	3	6	44	13
Total	**7,069**	**6,459**	**5,837**	**8,902**	**4,232**	**5,328**	**6,489**	**7,124**	**7,608**	**11,851**
Loan Repayments (Annual)[5]										
Ordinary Capital	2,312	1,926	4,106	7,279	5,199	5,224	8,615	5,265	4,740	4,542
Fund for Special Operations	289	268	256	296	294	301	290	275	229	220
Other Funds	15	14	13	12	9	5	3	4	4	5
Total	**2,616**	**2,208**	**4,375**	**7,587**	**5,502**	**5,530**	**8,908**	**5,544**	**4,973**	**4,767**
Loans Outstanding										
Ordinary Capital	41,872	44,951	47,958	50,655	49,842	48,135	45,932	47,954	51,173	58,049
Fund for Special Operations	7,025	6,047	6,198	6,670	6,971	6,878	3,733	3,966	4,101	4,317
Other Funds	146	133	118	104	98	94	94	96	126	135
Total	**49,043**	**51,131**	**54,274**	**57,429**	**56,911**	**55,107**	**49,759**	**52,016**	**55,400**	**62,501**
Grant Financing Operations (Annual)[6]										
Ordinary Capital	—	—	—	—	—	12	34	37	68	94
Fund for Special Operations	36	39	36	30	36	36	28	34	43	33
IDB Grant Facility	—	—	—	—	—	—	—	50	50	122
Other Funds	34	46	45	47	39	57	53	92	109	283
Approved (Annual)	**70**	**85**	**81**	**77**	**75**	**105**	**115**	**213**	**270**	**532**
Multilateral Investment Fund Operations Approved (Annual)[7]	**100**	**90**	**99**	**69**	**116**	**114**	**125**	**135**	**178**	**119**
ADMINISTRATION										
Administrative Expenses Total – All Bank Funds	**342**	**355**	**376**	**386**	**404**	**473**	**507**	**564**	**501**	**542**

[1] Includes the Multilateral Investment Fund.
[2] Medium- and long-term borrowings net of unamortized discounts (before swaps and mark-to-market adjustments)
[3] Net of cancellations. Includes exchange adjustments.
[4] Net of non-sovereign-guaranteed loan participations.
[5] Based on original amounts in U.S. dollar equivalent.
[6] Includes Social Entrepreneurship Program financing, technical cooperations, special programs, project-specific and other grants. Excludes the Multilateral Investment Fund, which is presented separately.
[7] Includes technical cooperations, loans and equity investments. Also includes increases of already existing operations.
[8] In 2009, includes $800 million of loan approvals canceled during the year.

1946-2010

Philippe Dewez

Former IDB Representative in Haiti

Died in collapse of UN Headquarters in Port-au-Prince

The earthquake that struck Haiti on January 12, 2010, caused enormous loss of life and destruction on a catastrophic scale. The IDB has been a partner with the Government of Haiti since the country joined the Bank as a founding member more than 50 years ago and is its largest source of financing for development. In the months and years to come, providing grants for investment and technical cooperation, the IDB will work together with the people and Government of Haiti to rebuild.

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