

Annual Report 2011

Inter-American Development Bank



The Year in Review



Financial Summary 2007–2011

Ordinary Capital

(In millions of U.S. dollars)

	2011	2010	2009	2008	2007
Operational Highlights					
Loans and Guarantees Approved ^{1,2}	\$10,400	\$12,136	\$15,278	\$11,085	\$ 8,577
Gross Loan Disbursements ³	7,898	10,341	11,424	7,149	6,725
Loan Repayments	4,601	5,598	4,542	4,740	5,265
Balance Sheet Data					
Cash and Investments–Net, After Swaps	\$13,882	\$16,585	\$20,204	\$16,371	\$16,301
Loans Outstanding	66,130	63,007	58,049	51,173	47,954
Undisbursed Portion of Approved Loans	23,994	22,357	21,555	19,820	16,428
Total Assets	89,432	87,217	84,006	72,510	69,907
Borrowings Outstanding, After Swaps	58,015	57,874	57,697	47,779	45,036
Equity	19,794	20,960	20,674	19,444	20,353
Income Statement Data					
Loan Income, After Swaps	\$ 1,742	\$ 1,830	\$ 2,002	\$ 2,355	\$ 2,436
Investment Income (Loss)	108	624	831	(973)	487
Borrowing Expenses, After Swaps	462	550	951	1,764	2,135
Operating Income (Loss)	836	1,252	1,294	(972)	283
Ratio					
Total Equity ⁴ to Loans Ratio	31.3%	33.4%	34.2%	35.3%	40.2%

Fund for Special Operations

(In millions of U.S. dollars)

	2011	2010	2009	2008	2007
Operational Highlights					
Loans Approved	\$ 181	\$ 297	\$ 228	\$ 138	\$ 152
Gross Loan Disbursements	368	398	414	415	393
Loan Repayments	195	214	220	229	275
Balance Sheet Data					
Cash and Investments	\$ 1,212	\$ 1,413	\$ 1,410	\$ 1,355	\$ 1,565
Loans Outstanding, Net ⁵	4,162	4,004	4,317	4,101	3,966
Undisbursed Portion of Approved Loans	846	1,038	1,290	1,502	1,783
Total Assets	6,025	6,112	6,449	6,289	6,305
Fund Balance	5,429	5,346	5,907	5,786	5,878
Income Statement Data					
Loan Income	\$ 68	\$ 74	\$ 83	\$ 91	\$ 90
Technical Cooperation Expense	(9)	24	23	33	23
Debt Relief Expense	—	484	(3)	—	—
General Reserve Transfers	44	364	122	50	50
Net Income (Loss)	20	(792)	(14)	(72)	9

¹ Excludes guarantees issued under the Trade Finance Facilitation Program.

² In 2009, includes \$800 million of loan approvals cancelled during the year.

³ Loan disbursements are presented after swaps.

⁴ “Total Equity” is defined as paid-in capital stock, retained earnings, and the allowances for loan and guarantee losses, minus borrowing countries’ local currency cash balances, net receivable from members (but not net payable to members), and the cumulative effects of net fair value adjustments on non-trading portfolios.

⁵ In 2007 and 2008, net of allowance for debt relief.

Letter of Transmittal

As required by 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 2011. The Annual Report consists of a printed volume entitled “The Year in Review,” containing a review of the Bank’s operations in 2011 (loans, guarantees, and grants). The electronic version of the Annual Report at www.iadb.org/ar/2011 contains, in addition, the full set of the financial statements of the Bank’s resources.

February 28, 2012

On the cover: Guatemala—The human capital investment program Mi Familia Progresá (MiFaPro) aims at reducing child malnutrition and primary school drop-out rates in largely indigenous rural communities.



A Partner for Latin America and the Caribbean

Annual Report 2011 The Year in Review

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.

By the end of 2011, the IDB had approved \$207 billion in loans and guarantees to finance projects with investments totaling over \$438 billion, as well as \$4.8 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, Austria, Bahamas, Barbados, Belgium, Belize, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Croatia, Denmark, Dominican Republic, Ecuador, El Salvador, Finland, France, Germany, Guatemala, Guyana, Haiti, Honduras, Israel, Italy, Jamaica, Japan, Republic of Korea, Mexico, Netherlands, Nicaragua, Norway, Panama, Paraguay, Peru, Portugal, Slovenia, Spain, Suriname, Sweden, Switzerland, Trinidad and Tobago, United Kingdom, United States, Uruguay, Venezuela.

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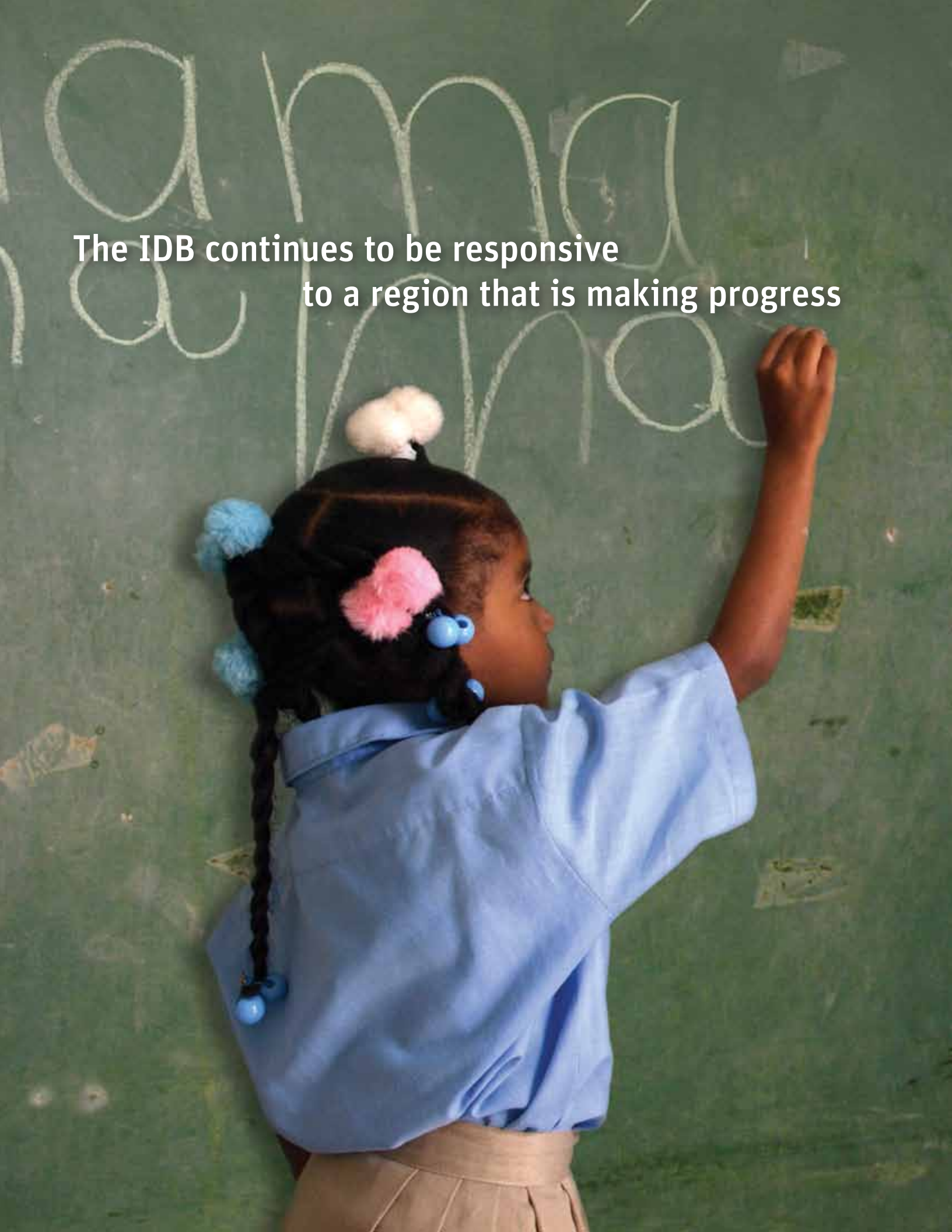
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Management's Discussion and Analysis: Ordinary Capital

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**The IDB continues to be responsive
to a region that is making progress**



Message from the President

Two thousand eleven was a year that stood out in many different ways. On the political front, in response to mass demonstrations demanding immediate democratic changes, we saw regimes fall that had held power for decades.

On the economic front, given the problems caused by high levels of indebtedness in several Mediterranean countries of Europe, we are facing the possibility of continued volatility.

On the social front, in the context of unyielding unemployment rates in the developed economies, we have seen millions of people in the streets peacefully expressing their disaffection.

In the midst of this complex situation, the region of Latin America and the Caribbean, as a whole, grew at a healthy rate of 4.3 percent in 2011 and now accounts for close to 9 percent of the world's economy. This progress has been accompanied by appreciable declines in unemployment and poverty levels.

In contrast with previous times, today we are described as a stable region where new opportunities arise each day for investment and productive undertakings. Other parts of the world want to learn more about our experiences, whether in transitioning to democracy, in managing public debt, or in designing and implementing innovative interventions in the social sectors.

The region is on the right path. We have stronger economies with solid foreign exchange positions, low levels of indebtedness, and a sound and well-regulated financial sector. We also have democratic governments that are increasingly effective in reducing structural poverty, expanding the coverage of public services, and building infrastructure.

This does not mean that we are immune from what is going on in the rest of the world. As in other parts of the globe we are now in a period of uncertainty, facing complex scenarios and dependent, in part, on Europe's ability to minimize the instability of financial markets. While there is room for optimism about the agreements in the eurozone, which should delimit fiscal imbalances and support the euro, it is also true that continued effort is needed to return to a path of growth and fiscal stability.

On this side of the Atlantic, too, it is hoped that the political difficulties affecting efforts to gradually reduce the public debt in the United States will be surmounted. A strengthened fiscal position will facilitate a return to faster growth and an accelerated reduction in unemployment.

China may also register a more moderate expansion than in recent years. Nevertheless, the main global trends continue to show a gradual shift of economic power toward the Pacific.

We are experiencing what may be the decade of Latin America and the Caribbean—a period of sustained and inclusive growth for the region. That said, there is much that remains to be done. There are risks that must be confronted, if the region is to build on its achievements and keep moving forward. Our worst enemy is complacency.

To think we can drop our guard and diminish our drive to reform would be an unforgiveable error. We continue to be the region with the worst income distribution indices in the world. There are 174 million people living in poverty, 73 million of whom are destitute, which means that one out of every seven of our fellow citizens cannot guarantee his or her own daily food security.

Correcting the social disparities that affect us is a challenge that will require concerted effort for a long time.

The Inter-American Development Bank needs to be responsive, technically and financially, to a region that is making progress. Continuing to be the leading development partner of Latin America and the Caribbean at the region's intersection with the world requires an ongoing commitment to relevant, efficient, and effective interventions.

During 2011, we made significant headway in implementing the Ninth General Capital Increase. We are pleased to report that the Bank fulfilled all commitments slated for completion by the end of the year. The strategic and management framework driven by the capital increase is fully operational.

This required enormous commitment and dedication by the Board of Executive Directors and Management. The many days of work and deliberation have resulted in significant advances. Strategies were approved for the IDB-9 priority sectors, and guidelines established for their implementation. The Private Sector Development Strategy and business plan for non-sovereign guaranteed operations were approved. The methodology for conducting macroeconomic sustainability analyses was developed, including a procedure for incorporating them into the annual programming exercises. We revised and implemented the new Development Effectiveness Matrix, and strengthened our capacity to evaluate operations. Implementation of the income management model and results-based budgeting continued. In the area of governance, the Access to Information Policy came into force, the Bank's ethics, conduct, and grievance systems were revised, and the Human Capital Strategy was approved.

With these important transitional achievements in place, the Bank prudently managed the financing of operations consistent with the Long-term Financial Projections. As a result, we approved 167 projects for \$10.9 billion, including financing through the FSO and the IDB Grant Facility. The program included 142 investment projects for \$9.2 billion. Of these, 46 were non-sovereign guaranteed projects and guarantees for \$1.5 billion. Seven projects for \$241 million were approved through the grant facility for Haiti. The volume of project approvals was considerably higher than the average of \$6.1 billion for the period 2002-2006, and

approaches the \$11.9 billion achieved between 2007 and 2011. The Bank disbursed \$8.4 billion, \$175 million under the IDB Grant Facility. As a result, the net flow of operations to the region was positive at \$3.6 billion, with a cash flow of \$1.2 billion.

Looking ahead, and following the roadmap of the capital increase, the Bank faces an intensive work agenda in a complex global context.

The challenge of productivity is a key issue for the region. We are still encountering too many bottlenecks that act as a drag on private initiative and our prospects for progress.

In this regard, no area is more important than education. We are overcoming the challenge of coverage, particularly in primary and secondary education, but the crucial issue of quality remains pending. Graduating thousands of students will be of little avail if they do not have the skills to survive in an increasingly globalized world economy. Continued progress will require a commitment from governments, parents, and civil society. The effort should also be directed towards eliminating the gaps in a region where the poor receive a poor education, while the children of higher-income families receive higher-quality education, thereby perpetuating inequality.

We continue to lag far behind in infrastructure. Although investments in this sector have increased in recent years, they are still not enough to bring us up to par with other emerging economies. Apart from this, climate change has made it evident that we have cities, ports, bridges, and highways in particularly vulnerable locations, which compels us not just to adopt stricter standards, but also to do much more in terms of resources.

A great deal also needs to be done in science and technology. Regional spending on research and development is very low compared to other regions. Despite the fact that the model for government support has changed, we still need to understand that properly targeted investments in this field can bring very high returns.

In social policy, we must enhance our ability to innovate. Conditional cash transfer programs have been key to lifting millions out of poverty, but there is a limit to their effectiveness.



President Luis Alberto Moreno visits with a young beneficiary of Uruguay's Plan Ceibal, which uses technology to consolidate improvements in primary and secondary education as part of a national development strategy that emphasizes social inclusion.

We must look at areas such as the informal workforce and the creation of more and better jobs as ways of overcoming disparities. It is also time to think about the middle class that has grown so much in recent years, which must be nurtured and not slowed by excessive tax burdens. One lesson from Europe that we should take into account is that sustainable social security systems are imperative. Health care coverage needs to be increased and the quality of services improved, but the burden of financing should not rest exclusively on public budgets. As for pensions, individual savings systems are the best solution, applying, in the case of the very poor, principles of solidarity to ensure that our elders can age with dignity.

Efforts to combat violence, crime, and corruption must be redoubled. We also have much to do in promoting sustainable development, in light of climate change. Regardless of the difficulties in reaching global consensus, we can show the rest of the world that the people of Latin America and the Caribbean are capable of squarely addressing issues of citizen security, governance and sustainability.

Latin America and the Caribbean cannot remain complacent with the progress made in the past few years. Neither can the Bank. We are optimistic, but also realistic, and know that the road ahead will not be easy. In 2012, the IDB renews its commitment to work to ensure that the people of Latin America and the Caribbean attain, sooner rather than later, a much higher standard of living—the standard of living that they want, and that they deserve.

A stylized, handwritten signature in black ink, consisting of a large loop followed by a series of connected strokes.

Luis Alberto Moreno

President
Inter-American Development Bank

The Board of Executive Directors

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.

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 meetings of the Board of Executive Directors and its standing committees are public documents.



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Infrastructure improves the
quality of everyday life





I. The Bank in 2011

Projects: Approvals, Disbursements, Net Flows, and Active Portfolio

This was a year of transition, when the Bank managed the sources of financing for operations carefully and prudently consistent with the Long-term Financial Projections (LTFP), awaiting the successful and timely conclusion of the subscription process for the Ninth General Capital Increase (IDB-9).

Against that background, in 2011 the Bank approved a program of 167 projects with a total of \$10.9 billion in funding. This program included 142 investment projects for \$9.2 billion, 46 of them non-sovereign guaranteed operations and guarantees totaling \$1.5 billion, and seven operations totaling \$241 million approved under the IDB Grant Facility. In addition, 25 policy-based loans were approved for \$1.7 billion. Of that amount, \$1.6 billion was from the Ordinary Capital (OC), \$62 million from the Fund for Special Operations (FSO), and \$35 million from the IDB Grant Facility for Haiti.

On average, approvals have increased around 100 percent in the last five years, in relation to the results for the preceding five-year period, increasing from average annual approvals of \$6.1 billion for the period 2002-2006, to \$11.9 billion for the period 2007-2011. These results demonstrate the Bank's firm commitment to increase lending to the region.

By country group, 48 percent of all approved resources went to Group A countries, 12 percent to Group B, 14 percent to Group C, 21 percent to Group D, and regional projects accounted for the remaining five percent (See box this page for Country Groups.)

In 2011, the Bank remained a leading source of multilateral financing for Latin America and the Caribbean, particularly in terms of support to the Group C and D countries.

Approvals by sector. In 2011, 62 percent of approved financing was focused on infrastructure and environment sector programs, 29 percent on strengthening of institutional capacity and finance, 9 percent on social sector programs, and 1 percent on integration and trade sector programs. In terms of the number of projects, 43 percent of the new operations were approved for the infrastructure and environment sectors, 37 percent for institutional strengthening and finance, 13 percent for the social sectors, and 7 percent for integration and trade (Figure 1).

Disbursements. In 2011, the Bank disbursed a total of \$8.4 billion, of which \$175 million correspond to the IDB Grant Facility for Haiti. Although lower than the levels of 2009 and 2010, this figure maintained the rising trend in disbursements observed before the crisis.

Net cash flow. In 2011, the net loan flow to the region was positive at \$3.6 billion. In addition, the net cash flow to the region was positive at \$1.2 billion. The latter figure is based on the resources disbursed, less scheduled payments of principal (\$4.5 billion), prepayments (\$287 million), payments of interest and fees (\$2.3 billion), and \$147 million in conversions under the Local Currency

IDB Country Groups

The seven Group A and B countries are defined as those with relatively large economies, with GDP of more than \$127 billion. The 19 C and D countries are smaller, more vulnerable countries, with GDP of less than \$55 billion.

Group A

Argentina
Brazil
Mexico
Venezuela

Group B

Chile
Colombia
Peru

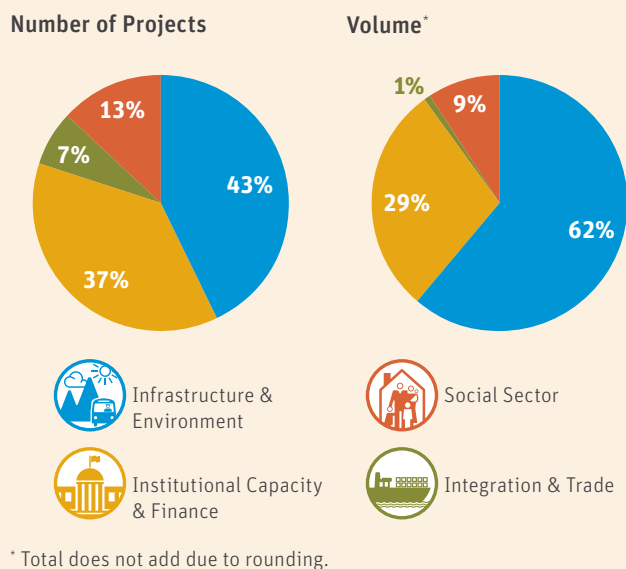
Group C

Barbados
Bahamas
Costa Rica
Jamaica
Panama
Suriname
Trinidad
& Tobago
Uruguay

Group D

Belize
Bolivia
Dominican Republic
Ecuador
El Salvador
Guatemala
Guyana
Haiti
Honduras
Nicaragua
Paraguay

Figure 1. 2011 Approvals by Sector



Facility. If disbursements for technical cooperation operations are included, the net inflow to the region was \$1.4 billion.

Active portfolio. At year-end 2011 the Bank's active portfolio of sovereign-guaranteed projects in execution comprised 591 operations with an undisbursed balance of \$22.6 billion. Of total undisbursed resources, 63 percent corresponded to the infrastructure and environment sector, 21 percent to institutional capacity and finance programs, and 16 percent to social sector programs.

In terms of performance, 64 percent of the active portfolio of sovereign-guaranteed (SG) projects were rated "satisfactory," 23 percent were on the watch list ("alert" status), and 13 percent were "problem projects." Projects classified as on "problem" or "alert" status were monitored throughout the year to identify and implement actions necessary to improve execution. The most common reasons for classifying a project in the "problem" category included: (a) delays in competitive bidding processes; (b) defects in project design; (c) optimistic projections for annual planning figures; (d) lack of clarity on Bank administrative processes or procedures on the part of the executing agency.

Over the course of the year, the Bank engaged in a sustained effort to support project execution. The most significant innovation in this regard was the mandatory deployment of the Project Risk Management methodology for sovereign guaranteed loans. A training program was designed and implemented for operational staff. In total, 751 staff members and consultants received training in 53 specialized clinics and 8 informational sessions, imparted between March and July.

As of July 2011, the application of the new procedures had become mandatory for all SG operations, grants to Haiti, and investment grants over \$3 million. The new procedures for identifying and managing project risks have been integrated with other existing Bank systems, such as the Progress Monitoring Report (PMR) and the supervision plan. As of 2012, the new risk information will enable Bank staff to focus greater effort and resources on projects with more risk.

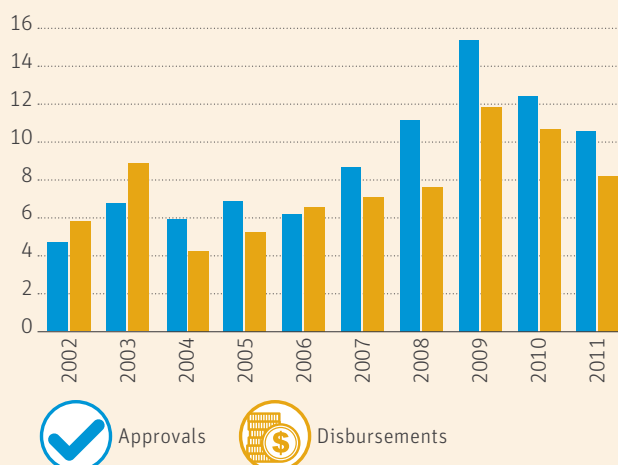
Additionally, in March 2011 the Bank instituted the first annual PMR review cycle. The Office of Strategic Planning and Development Effectiveness (SPD) reviewed 580 PMRs from sovereign guaranteed projects to enhance their content so as to improve the monitoring of operations. Also launched in 2011 was a new, easier to navigate version of the automated PMR system featuring faster response times, a portal with notices, and other functionality to gather and facilitate analysis of data. One of the new features is the ability to identify outcome and output indicators included in the IDB-9 Results Framework, which facilitates data aggregation to measure progress toward the targets set. Pursuant to the new Access to Information Policy, PMRs are posted to the Bank's website.

Introduction of the Flexible Financing Facility

In recent years, the Bank has been committed to developing and providing flexible market-based financial products to IDB borrowers to further enhance their asset-liability management strategies. In line with this strategy, in 2011 the Bank approved the Flexible Financing Facility (FFF) which took effect on January 1, 2012, and as of that date became the only financial product platform for approval of all new Ordinary Capital Sovereign Guaranteed loans.

Figure 2. Approvals and Disbursements 2002-2011

(In billions of U.S. dollars)





Uruguay—a \$28 million loan approved in 2011 seeks to improve rural productivity in quantity and quality, with particular attention to issues of climate change and sustainability.

Through built-in options in FFF loans, borrowers have the ability to tailor financial terms at approval or during the life of the loan, subject to market availability and operational considerations. The FFF platform enables borrowers to: (i) manage currency, interest rate and other types of exposures; (ii) address project changing needs by customizing loan repayment terms to better manage liquidity risks; (iii) manage loans under discontinued financial products; and, (iv) execute hedges with the Bank at a loan portfolio level.

A broad communication strategy was implemented to promote the FFF product. Internet-based and targeted marketing materials were developed to ensure staff and borrower awareness and understanding of the FFF, including: (i) the development of a new Internet portal to disseminate information on the FFF in three languages; (ii) the development of easy-to-download marketing brochures in three languages that can be accessed by borrowers and

staff alike, and (iii) development of operational procedures that borrowers can access to facilitate understanding of new features under the FFF and how to make use of them.

In addition, FFF implementation has drawn upon broad marketing efforts and a Bank wide resource mobilization strategy. Significant, targeted and effective dissemination and outreach efforts at all levels of the Bank have been key to reaching as many staff as possible within a short period and with maximum resource efficiency. In 2012, the Bank will raise awareness of the FFF with officials at the highest levels of government. To actively disseminate the FFF, the information will be communicated to all public debt offices in the region.

For additional information on financial aspects of the Bank's activities in 2011, see the Basic Financial Statements in Chapter V and the Management's Discussion and Analysis and Financial Statements on-line at <http://www.iadb.org/ar/2011/>.



Dominican Republic—Bank resources have provided life skills training and job placement support for more than 57,000 at-risk youth in the country. A 2011 loan is expected to benefit an additional 24,000, with a job insertion rate of 80 percent.

TABLE I. 2011 APPROVALS BY SECTOR GROUP¹

(In millions of U.S. dollars)

Sector	Number of Projects	Amount	%
Agriculture and rural development	11	\$ 565	5
Energy	22	1,585	15
Environmental protection and natural disasters	8	410	4
Tourism	3	115	1
Transportation	11	2,249	21
Water and sanitation	16	1,788	16
Subtotal Infrastructure & Environment	71	6,711	62
Capital markets	22	707	6
Industry	2	252	2
Microenterprises	2	52	0
Multisector credit and preinvestment	2	55	1
Private sector development	2	31	0
Reform / Modernization of the State	24	1,226	11
Urban development and housing	8	841	8
Subtotal Institutional Capacity & Finance	62	3,163	29
Integration and trade	13	94	1
Subtotal Integration & Trade	13	94	1
Education	5	465	4
Health	5	128	1
Science and technology	—	—	—
Social investment	11	350	3
Subtotal Social Sector	21	943	9
Total	167	\$ 10,911	

¹ Totals may not add due to rounding.

TABLE II. YEARLY (2011) AND CUMULATIVE (1961–2011) APPROVALS AND DISBURSEMENTS^{1,2}
(In millions of U.S. dollars)

Country	TOTAL COST OF PROJECTS				APPROVALS ⁴				DISBURSEMENTS			
	Total Amount		Total Amount		Total Amount		Total Amount		Total Amount		Total Amount	
	2011	1961–2011	2011	1961–2011	2011	1961–2011	2011	1961–2011	2011	1961–2011	2011	1961–2011
Argentina	\$ 1,682.7	\$ 57,129.3	\$ 1,312.7	\$ 31,434.1	\$ 30,740.0	\$ 644.9	\$ 49.2	\$ 1,268.5	\$ 27,265.7	\$ 26,571.6	\$ 644.9	\$ 49.2
Bahamas	131.0	920.5	131.0	622.4	620.4	—	2.0	57.0	477.3	475.3	—	2.0
Barbados	70.0	997.9	70.0	696.4	635.7	41.7	19.0	77.8	536.7	476.0	41.7	19.0
Belize	10.8	253.8	10.0	183.7	183.7	—	—	10.2	139.4	139.4	—	—
Bolivia	290.3	7,062.0	259.1	4,646.1	1,961.9	2,612.0	72.2	176.9	3,966.3	1,549.3	2,344.8	72.2
Brazil	4,656.5	117,877.2	2,188.0	42,004.6	40,314.4	1,555.9	134.3	757.8	35,418.6	33,728.4	1,555.9	134.3
Chile	96.1	15,325.8	91.8	6,472.2	6,221.1	206.3	44.8	50.8	6,172.4	5,921.3	206.3	44.8
Colombia	785.2	31,955.4	785.2	18,184.7	17,330.6	767.6	86.5	692.4	16,863.5	16,029.4	767.6	66.5
Costa Rica	187.8	6,292.3	132.4	3,642.1	3,133.7	371.2	137.2	174.2	2,920.0	2,411.6	371.2	137.2
Dominican Republic	608.9	6,374.1	464.8	4,668.9	3,826.5	753.4	89.0	354.5	4,069.1	3,226.7	753.4	89.0
Ecuador	609.5	11,054.2	568.8	6,837.3	5,744.5	998.1	94.7	452.2	5,705.2	4,619.5	991.0	94.7
El Salvador	274.3	6,500.6	263.1	4,562.9	3,609.9	806.2	146.8	203.8	4,137.7	3,184.8	806.1	146.8
Guatemala	55.5	6,072.6	50.3	4,450.5	3,651.3	729.5	69.7	219.0	3,849.8	3,072.0	708.1	69.7
Guyana	17.8	1,433.0	17.0	1,232.9	209.2	1,016.8	6.9	51.6	1,096.4	166.3	923.2	6.9
Haiti	—	1,774.4	241.0	2,018.3	—	1,154.3	864.0	174.8	1,537.7	—	1,154.3	383.4
Honduras	185.2	5,560.1	172.0	3,728.3	1,200.5	2,462.7	65.1	286.0	3,161.9	856.7	2,240.0	65.2
Jamaica	328.0	4,209.4	328.0	3,244.9	2,871.8	174.2	198.9	131.4	2,862.6	2,489.6	174.1	198.9
Mexico	3,009.7	63,266.2	1,638.3	30,093.4	29,376.9	559.0	157.5	1,567.5	27,178.0	26,531.5	559.0	87.5
Nicaragua	171.8	4,679.7	107.0	3,167.0	651.8	2,447.2	68.0	173.0	2,802.6	472.0	2,263.4	67.2
Panama	258.8	12,775.8	228.2	4,054.3	3,716.7	296.2	41.4	228.8	3,089.4	2,751.8	296.2	41.4
Paraguay	294.4	4,055.4	170.0	3,000.4	2,298.1	690.0	12.3	91.4	2,424.6	1,773.1	639.2	12.3
Peru	1,594.4	22,851.0	450.0	10,241.9	9,580.0	440.8	221.1	242.4	9,584.0	8,922.1	440.8	221.1
Suriname	80.0	411.3	80.0	292.5	286.1	6.4	—	82.8	221.0	216.2	4.8	—
Trinidad and Tobago	290.0	2,214.2	290.0	1,657.1	1,601.3	30.6	25.2	241.9	1,467.6	1,411.8	30.6	25.2
Uruguay	353.4	7,024.9	317.6	5,537.4	5,391.4	104.2	41.8	177.2	4,913.7	4,767.7	104.2	41.8
Venezuela	145.0	19,131.0	120.0	7,229.0	7,054.7	101.4	72.9	381.7	5,862.0	5,687.7	101.4	72.9
Regional	1,699.6	21,093.9	425.0	4,076.5	3,828.9	233.6	14.0	119.0	3,066.5	2,818.9	233.6	14.0
TOTAL	\$17,886.7	\$438,296.0	\$10,911.3	\$207,979.8	\$186,041.1	\$19,204.2	\$2,734.5	\$8,444.6	\$180,789.7	\$160,270.7	\$18,355.8	\$2,163.2

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 guaranties, as applicable.

³ Includes loans and financings of the IDB Grant Facility.

⁴ Excludes lines of credit approved and guaranties issued under the Trade Finance Facilitation Program.

Private Sector and Non-Sovereign Guaranteed Operations

In 2011, the Bank approved 46 Non-Sovereign Guaranteed (NSG) operations for a total amount of \$1.5 billion, including eight loans for \$41.8 million under the Trade Finance Facilitation Program (TFFP). In addition, 15 new lines of financing were approved under the TFFP program for \$235 million. Additionally, the Inter-American Investment Corporation (IIC) approved a total of 71 projects for \$464.7 million.

In 2011, the **Structured and Corporate Financing Department (SCF)** articulated a new departmental vision that, in line with the IDB-9 priorities, focuses on three objectives for the next five years: improving the standards of living of 15 million people, supporting climate friendly investments of \$10 billion, and meeting the funding needs of 250,000 SMEs. SCF has since created a strategy framework that translates into priority action areas necessary to fulfill this vision.

SCF aggregate approvals in 2011 totaled 35 projects (loans and guarantees) amounting to \$1.4 billion, of which 36 percent were in Group C and D countries. Disbursements to year-end 2011 totaled \$597 million. Project approvals only translate into impact if they achieve financial closing. In 2011, SCF successfully closed 20 transactions for \$565 million in A loans, and \$397 million in B loans.

Under the Trade Finance Facilitation Program (TFFP), the Bank approved eight A loans amounting to \$41.8 million, and 15 new uncommitted credit lines and increases amounting to \$235 million. Under the same program, the Bank disbursed \$46.9 million in loans and issued \$621.2 million in guarantees.

The **Inter-American Investment Corporation (IIC)** approved 71 projects for a total of \$465 million, well above the projected amount of approvals for the year. In addition, the IIC disbursed \$400 million in loan and equity investments for 2011. This amount exceeded the projected disbursement target of \$350 million for the year. Furthermore, the IIC mobilized an additional \$463 million in B loan and equity disbursements.

Interest in the FINPYME Technical Assistance program was strong, with participation by more than 1,200 beneficiary firms, primarily in the ExportPlus program. FINPYME also conducted nearly 400 diagnostics of SMEs to help them improve their financial and organizational management.

The work of the **Multilateral Investment Fund (MIF)** in 2011 was focused on three main areas: Access to Finance, Access to Markets, and Access to Basic Services. The MIF increasingly sought ways to target the poor and to measure the impact of programs on final beneficiaries, either low-income households or small and medium-sized enterprises. In the

Nicaragua—through a \$40 million non-sovereign guaranteed loan to the company PENZA the IDB will help with development of what at the completion of the project will become a 72 MW geothermal power plant. The renewable geothermal resources will contribute to offsetting use of fossil fuel electricity sources and reduce carbon emissions.





El Salvador—The Market Solutions for Social Change Fund, an initiative of the Bank's Opportunities for the Majority sector, is helping the social enterprise VisionSpring provide eyeglasses to low-income people throughout the country.

Access to Markets area, the MIF carried out important initiatives to bring the poor into inclusive value chains.

During 2011, 74 projects were approved for a total of \$108.2 million—64 of the projects were technical cooperation grants, and ten combined investment operations and grants. MIF projects leveraged additional financial resources totaling over \$285 million. Nearly half of the projects and resources approved for national programs in 2011 benefited Group C and D countries (\$60.1 million, 58 percent of approved resources). At the end of 2011, the MIF had an active portfolio of 671 operations for an approved amount of \$710 million.

In 2011, seven projects were approved under the Social Entrepreneurship Program (SEP), with a total value of \$6.8 million, utilizing resources from the OC and the Spanish Fund for the Social Entrepreneurship Program. These projects combined long-term loans and technical cooperation components to improve the access of rural populations and small producers to financial services, health care, and value chain markets in coordination with private sector organizations and companies. Ninety percent of SEP resources were placed in C and D countries.

The **Opportunities for the Majority (OMJ)** initiative, focused on developing innovative market-based projects for low-income communities, has a total of 32 approved projects, with

commitments totaling \$190.2 million. In 2011, 11 projects were approved for a total of \$48.4 million—representing an approximate increase of 7 percent over the 2010 level of approvals. The new projects will benefit 15 countries. In order to increase the impact of its operations, OMJ, in coordination with the Syndications Unit of the Structured and Corporate Financing Department, raised \$6.5 million in B loans for its projects in 2011.

Grant Financing Operations

In July, after a thorough review of the Bank's Strategy for Knowledge and Capacity Building, the Working Group that in late 2010 had been assigned the task of recommending policy changes released its final operational document, the Operational Guidelines for Technical Cooperation Products. These guidelines provide an innovative approach to technical cooperation processing that is built around six concepts: (i) product taxonomy; (ii) strategic financing; (iii) programming; (iv) preparation, processing and approval; (v) execution; and (vi) monitoring and evaluation.

The new guidelines establish three categories of technical cooperation: (i) Operational Support, or those projects that contribute to the preparation, execution or evaluation of a loan or guarantee; (ii) Client Support, or those projects that are not

linked to a financial product, but are requested by a borrowing member country or a private sector client; and (iii) Research and Dissemination, or knowledge products and dissemination activities that originate in the Bank.

Grant financing approvals, including investment grants, reached a total of \$404 million in 2011. This reflects a reduction of 27 percent compared to 2010. This result is mainly due to the reduced availability of resources especially those from the Spanish Cooperation Fund for Water and Sanitation. If operations for technical assistance alone were considered, the level of approvals would be similar to previous years. In 2011, the average size of operations remained at approximately \$500,000 (excluding investment grant operations).

Disbursements of grants in 2011 amounted to \$238 million, 42 percent more than in 2010. In general, the quality of the grant financing portfolio has improved, as evidenced by a 15 percent decrease in operations with execution issues. At the end of 2011, the grant financing portfolio had 1,538 operations for an approved amount of \$1.6 billion, of which 30 percent had been disbursed.

In 2011, three new Special Programs/Grants were approved: *the Social Entrepreneurship Fund (SEF)*, *the CT/Intra Program*, and *the Small and Vulnerable Countries Program* with two windows; the Action Plan for C and D countries and Eligible FSO Countries.

Likewise, the Food Price Crises Fund was extended, and its scope modified from attending existing crises to preventing future crises, and its name was subsequently changed to the Food Security Fund. Progress was also made in 2011 on the preparation of two additional Special Programs/Grants and parallel multidonor funds: (i) Sustainable Emerging Cities and (ii) Citizen Security and Crime Prevention. Of these, the Emerging and Sustainable Cities Multidonor Fund was approved with a \$1.3 million contribution from Austria.

With respect to donor trust funds, the AusAID-MIF Partnership Trust Fund for the Reduction of Poverty in Latin America (AUS), the first donor trust fund from the Government of Australia, was approved in 2011. This fund will cofinance MIF operations that promote access to financial services, markets and basic services, and has received its first contribution of A\$5 million. The Government of Australia has pledged A\$5 million in additional contributions over the next three years.

The IDB also approved the proposal to create the multi-donor Regional Infrastructure Integration Fund (FIRII+), which will

accompany the existing FIRII Special Program/Grant from OC by adding a donor window. This Fund will complement FIRII's emphasis on the preparation of "hardware" projects (infrastructure investments) by financing "software" improvements to facilitate the advancement of regional trade logistics and supply chains. Mexico, Canada and the United States have each pledged contributions, and the fund is expected to reach \$20 million after contributions from all donors are taken into account.

The Bank also entered into two co-lending arrangements and one accreditation with the World Bank, whereby the IDB will act as an implementing agency of two funds. The first is the Strategic Climate Fund (SCF), which represents the second of the climate investment funds, complementing the Clean Technology Fund (CTF). The SCF serves as an overarching fund that will support targeted pilots with potential for scaled-up, transformational action aimed at specific climate change challenges. The second, the Guyana REDD+ Investment Fund (GRIF), with financing from Norway, will help borrowing member countries reduce greenhouse gas emissions resulting from deforestation. The IDB also gained accreditation for the Adaptation Fund (AF), which offers access to financing for the region's most vulnerable countries to address both current and anticipated climate change impacts. Partnership with the AF will lend continuity to the Bank's adaptation work and will address the increasing demand for adaptation-related initiatives throughout the region.

Cofinancing

To allow a higher capacity for financing by Donor Trust Funds and Special Programs/Grants from OC, the Bank has continued negotiating agreements with Donors for the cofinancing of specific projects. In 2011 the Bank reached a total of \$2 billion in parallel cofinancing, totaling 56 cofinancing contributions for 32 operations. In 2011 the Bank's major cofinanciers were the Japanese International Cooperation Agency (JICA), the Korean Import-Export Bank (K-EXIM), the European Investment Bank (EIB), the International Finance Corporation (IFC), Proparco, the World Bank, the Overseas Private Investment Corporation (OPIC), the Export-Import Bank of China, CIDA, KfW Bankengruppe, USAID, the European Commission, the *Caixa Econômica Federal* and FINNVERA of Finland.



Guyana—the Expansion of the Basic Nutrition Program focuses on preventing and treating anemia among pregnant women and children between six and 24 months, hospital certification and child-health interventions in 149 health posts.

TABLE III. GRANT FINANCING BY COUNTRY

(In thousands of U.S. dollars)

Country	2011	1961–2011
Argentina	\$ 1,334	\$ 90,405
Barbados	1,790	26,996
Bahamas	1,462	27,528
Belize	2,390	17,103
Bolivia	23,831	218,373
Brazil	4,799	258,335
Chile	7,041	40,437
Colombia	15,434	126,644
Costa Rica	7,048	98,148
Dominican Republic	2,975	108,288
Ecuador	6,201	135,050
El Salvador	9,431	109,074
Guatemala	15,002	164,529
Guyana	2,460	73,522
Haiti ¹	317,674	1,067,984
Honduras	33,093	151,514
Jamaica	7,542	60,341
Mexico	5,567	71,936
Nicaragua	11,652	122,489
Peru	5,531	145,241
Panama	8,209	96,138
Paraguay	66,657	231,309
Suriname	1,800	41,934
Trinidad and Tobago	4,222	27,740
Uruguay	3,267	58,426
Venezuela	2,308	16,329
Regional	76,290	1,186,900
Total	\$645,010	\$4,772,713

¹ Haiti figures include \$241 million in GRF approvals for 2011 and \$858 million cumulative between 1961 and 2011.

TABLE IV. COFINANCING IN 2011¹*(In millions of U.S. Dollars)*

Cofinancier	Amount
Accenture	\$ 0.25
Acción Social	0.03
Agencia Española de Cooperación Internacional para el Desarrollo (AECID)	0.21
Agronomes et Vétérinaires Sans Frontières	1.50
Andean Development Corporation	0.03
AusAID Australian Agency for International Development	1.60
Bank Im Bistum Essen eG (Germany)	3.00
Bank of Tokyo - Mitsubishi UFJ, LTD.	0.08
Barbados Tourism Authority	0.03
Blue Orchard Finance S.A.	0.03
Brightstar Corporation	0.10
Caixa Economica Federal	356.48
Camargo Correa	0.04
Canadian International Development Agency (CIDA)	31.28
Center for Development Enterprise (CDE)	0.22
Central American Bank for Economic Integration (CABEI)	9.03
CHTA/CAST	1.43
CITI Foundation	1.13
Clinton Bush Haiti Foundation	1.50
Coca Cola Company	0.25
CTO	0.60
Department for International Development, U.K. (DFID)	1.21
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	0.20
Dutch International Guarantees for Housing Foundation	8.00
Ecopetrol S.A.	0.01
European Commission	101.87
European Investment Bank	53.57
Export-Import Bank of China	100.00
Fédération Internationale de Football Association (FIFA)	0.25
FINNVERA	900.00
First Citizens Bank Limited	1.00
Fundación Carolina	0.01
Fundación Femsa AC	5.00
Goldman Sachs Foundation	0.09
Hivos	0.50
INCOFIN	2.03
Instituto Unibanco	0.20
Intel Corporation	0.05
Inter-American Investment Corporation (IIC)	0.02
Inter-American Investment Corporation (IIC, using funds from the Korean-IIC SME trust fund)	0.50
International Finance Corporation	62.73

(continued on next page)

TABLE IV. COFINANCING IN 2011¹ (CONTINUED)*(In millions of U.S. Dollars)*

Cofinancier	Amount
Itaú Unibanco	0.17
Japan International Cooperation Agency (JICA)	12.30
KfW Bankengruppe	27.32
Korea Institute for Public Finance	1.36
Korea KSP	0.30
Korean Export-Import Bank (K-EXIM)	27.26
Le Groupe Savoie	0.02
MasterCard Foundation	4.00
Microsoft Corporation	0.07
Ministry of Energy, Jamaica	0.16
Ministry of Finance, Costa Rica	0.15
Ministry of Finance, Paraguay	0.15
Ministry of Finance, Republic of Korea	0.43
Ministry of Public Administration and Security, Republic of Korea	0.36
Ministry of Tourism, Bahamas	0.16
Netherlands Development Organisation (SNV)	0.50
Nordic Development Fund	2.89
Office of the Mayor of Cali	0.23
Office of the Prime Minister, Barbados	0.16
OikoCredit	6.00
OPEC Fund for Intl. Development (OFID)	20.00
Overseas Private Investment Corporation (OPIC)	55.00
PepsiCo International	0.56
Personas-Alered S.A.	0.82
Petrobas	0.06
PricewaterhouseCoopers	2.00
Proparco	37.70
Quebec Housing Corporation	0.01
Quebec Ministry of Economic Development	0.02
responsAbility	0.03
Save the Children	0.14
SEBRAE	0.06
Secretaria de Hacienda y Crédito Público, Mexico	0.12
Sumitomo Mitsui Banking Corporation	0.04
The Nature Conservancy	5.00
Trilogy International Partners LLC	0.15
United Nations Environmental Programme	0.22
USAID	125.50
VDK Spaarbank (Belgium)	3.00
World Bank	30.00
TOTAL COFINANCING IN 2011	\$2,010.48

¹ This list represents funds committed by donors in 2011 and funds received for Bank-sponsored fora. Includes parallel and joint cofinancing.

TABLE V. ACTIVE FUNDS IN ADMINISTRATION, 2011

Country/Institution	Name	2011 Cumulative contributions (US\$ millions equivalent)
Australia	Australian Partnership Trust Fund	5.3
Austria, Switzerland, Pepsico	Multidonor AquaFund	6.7
Austria	Opportunities for the Majority	1.2
Austria, Canada, and Norway	Multidonor Gender and Diversity Fund	7.2
Austria, Finland, Germany, Italy, Japan, United Kingdom, and Spain	Sustainable Energy and Climate Change Initiative Multidonor Trust Fund	27.9
Austria	Emerging and Sustainable Cities Multidonor Fund	1.3
Canada	IDB-Canada Trade Fund	4.7
Canada, Japan, Republic of Korea, and Spain	Multidonor Disaster Prevention Trust Fund	11.9
Canada, United Kingdom, and Switzerland	Aid for Trade	11.8
Chile	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, Spain	Knowledge Economy Fund	5.2
Finland	Finnish Technical Assistance Program	6.3
France	French Technical Cooperation Fund for Consultancy and Training Activities	19.4
Gates Foundation, Carlos Slim Institute and Spain	Mesoamerican Health Facility	64.5
Italy	Italian Trust Fund for Consulting Firms and Specialized Institutions	15.1
Italy	Italian Trust Fund for MIF Project Preparation	3.3
Italy	Italian Trust Fund for Microenterprise Development	7.4
Italy	Italian Trust Fund for Information and Communication Technology for Development	6.9
Italy	Italian Trust Fund for Regional Competitiveness	6.0
Japan	Japan Special Fund	250.3
Japan	Japanese Trust Fund for Consultancy Services	43.8
Korea, Republic of	Knowledge Partnership Fund for Technology and Innovation	50.0
Korea, Republic of	Korean Poverty Reduction Fund	47.5
Netherlands	IDB-Netherlands Water Partnership Program (INWAP)	10.0
Norway	Anticorruption Activities Fund	4.9
Norway	Norwegian Trust Fund for Consulting Services	0.9
Portugal	Portuguese Technical Cooperation Fund	3.9
Regional	Indigenous Peoples' Fund	21.1
Regional	Regional Fund for Agricultural Technology (FONTAGRO)	81.8
Regional	Donor Resources for Haiti (DHR)	8.2
Spain	Spanish Cooperation Fund for Water and Sanitation	579.6
Spain	Spanish Trust Fund for the Social Entrepreneurship Program	10.0
Spain	Spanish General Cooperation Fund	53.3
Sweden	Swedish Trust Fund for Consulting Services	3.1
Switzerland	Swiss Technical Cooperation Fund for Consulting Services and Training Activities	5.7
World Bank (as trustee)	Haiti Reconstruction Fund (HRF)	36.5
World Bank (as trustee)	Clean Technology Fund (CTF)	175.9
World Bank (as trustee)	IDB/Global Environment Facility Trust Fund	99.5
World Bank (as trustee)	Strategic Climate Fund	3.9
World Bank (as trustee)	Guyana REDD+ Investment Fund	6.5
World Bank (as trustee)	Global Agriculture and Food Security Program Trust Fund	26.2

Knowledge Products

To promote the generation, application and dissemination of policy-relevant knowledge, improve the quality of loans and operations, increase the relevance of the Bank in the region, and contribute to the quality and depth of the country dialogue, 85 Economic and Sector Work products (ESW, formerly known as KCPs funded with administrative budget) and 38 Corporate Input Programs (CIPs) for \$23.4 million were developed for 2011. As an example, by the end of 2011, the Bank will have produced applicable knowledge for the region, among others, in the form of approximately 26 databases and datasets, more than 150 publications, 59 technical documents, 151 seminars, forums and policy dialogue events, and 15 capacity building activities, and other products.

The 2011 Spanish Cooperation Fund for Water and Sanitation in Latin America and the Caribbean program reflects the priority assigned to cross-sector responses for development challenges, and supports strategic dialogue with the countries and development of operations that deliver greater added value for our clients. The cross cutting nature of areas such as sustainable cities challenges the capacity of the Bank to effectively and efficiently respond to complex demands. A key element to undertake these cross-cutting areas successfully is greater collaboration among Divisions and Departments to develop comprehensive solutions.

During 2011, the Bank contributed to improve flows of relevant knowledge and capacity-building within the Bank and in the region. Learning programs coordinated by the Knowledge and Learning Department (KNL) for executing agencies and other strategic partners in the region, were developed and implemented in topics such as climate change, local economic development, education, labor markets and project management.

In relation to capacity-building for key regional stakeholders in the region, INDES has helped to leverage the Bank's readily available knowledge and expertise, to develop and deliver learning activities targeted at policy-makers and program executives. The pilot online courses that were developed last year reached full maturity during 2011, reaching audiences that traditionally have not had access to the Bank's knowledge products. By mid-November, 2,938 external participants from borrowing member countries (policy-makers in national and sub-national government, NGOs/foundations, international organizations, the private sector, and academic and research centers) participated in face-to-face and/or online learning courses and seminars organized by KNL.

In 2011, the Bank launched its Repository of Institutional Knowledge (BRIK) to enhance the accessibility and visibility of the Bank's knowledge products to internal and external audiences. To promote the effectiveness and sustainability of the Repository, KNL coordinated an inter-departmental effort to

Brazil—the MIF's Sustainable Livelihoods through Sustainable Agriculture (Terramiga) Program benefited more than 1,000 poor families in the southern part of the state of Bahia. The average incomes of tilapia farmers increased nine times.





Argentina—A tourism competitiveness program near Villa La Angostura included a component to mitigate the effects of ash from the eruption of the Puyehue volcano.

approve an updated and expanded policy for publication of knowledge products and a new policy for the governance of BRIK. In November 2011, BRIK contained a stock of approximately 5,000 knowledge products.

THEMATIC PLATFORMS

In line with the Institutional Strategy, the Bank has continued to develop integrated solutions to effectively address the growing need for intersectoral responses to the structural challenges faced by the countries of the region. Thus, progress has been made on development and implementation of the Sustainable Emerging Cities Platform, which will provide these cities with greater comprehensive technical support, better enabling them to build the capacity to promote environmental, urban, and fiscal sustainability.

A similar approach is being used to address crosscutting areas of work in the development of the Citizen Security Platform, which will support the countries in their efforts to strengthen public policy management by leveraging new technologies, de-

veloping violence prevention programs, and strengthening intraregional cooperation.

Progress has also been made on design of the platform to meet the challenges of technology and innovation, which will include support to accelerate broadband penetration and use as a means of contributing to improved competitiveness, productivity, and quality of life.

Work began on the formulation of the Food Security Platform, aimed at improving the coordination of activities related to agricultural productivity and rural development, and the Biodiversity Platform, which will focus on biodiversity loss, valuation of biodiversity goods and services, institutions and governance, and climate change.

The ***Sustainable Emerging Cities Platform***, launched in March at the Bank's Annual Meeting in Calgary following approval by the Board of Executive Directors, is part of the Bank's commitment to sustainable development in the region. The Platform's aim is to further the development of the region's fastest-growing mid-sized cities, which are best positioned to

shape an urban environment that operates on principles of respect for the environment and environmental stewardship—while addressing climate-change challenges—as well as competitiveness, efficiency, and equity.

The Platform defines sustainability as an integrated concept encompassing environment and climate change, urban quality and citizen security, and fiscal sustainability and governance. The technical assistance delivered under this Platform helps to conduct greenhouse gas emission inventories and devise maps and strategies to address climate change vulnerabilities and produce diagnostic assessments of priority areas, using 60 indicators.

Prefeasibility studies are produced for specific programs or projects in areas where quick action will have a greater impact on a city's sustainability. Depending on the priorities of a particular city, the Bank also combines Platform assistance with its other programs such as citizen security or PRODEV programs, as well as with the MIF and others.

In 2011, work was done in four pilot cities, each representing a region: Goiânia, Brazil, in the Southern Cone; Trujillo, Peru, in the Andean region; Santa Ana, El Salvador, in Central America; and Port-of-Spain, Trinidad and Tobago, in the Caribbean. In Trujillo, the first pilot city, studies are already being commissioned on transportation, solid waste management, security and safety, and fiscal issues, with PRODEV support. In Port-of-Spain and Santa Ana, diagnostic assessments have been produced, and work to devise solutions is proceeding with prefeasibility studies to be conducted in the areas of water, transportation, security and safety, and land-use planning. The highest-impact areas identified in Santa Ana are planning, citizen security, and climate change vulnerability; PRODEV is ready to support these actions. A rollout phase has been developed, to build on the gains achieved in the pilot stage. A proposal will be submitted to the Bank's Board of Executive Directors in the first quarter of 2012 to create a Special Program and a Multidonor Fund to finance support to one city in each of the Bank's borrowing member countries, that is, 22 additional cities in a four-year period.

To address the IDB-9 mandate and the mounting demand for technical and financial assistance around public safety issues, the Bank recast its strategic approach in this sector, resting on three pillars: (i) renewal of the conceptual framework for operational work around violence prevention; (ii) development of an

applied knowledge strategy to add value for clients, and (iii) design and launch of a citizen security and peaceful coexistence initiative as a catalyst for more effective reforms.

With this renewed work focus in the sector the Bank will encourage the adoption of more effective citizen security policies that are more likely to be successful. Towards that end, in 2011 the Bank worked to develop the ***Hemispheric Initiative on Citizen Security and Peaceful Coexistence*** that will complement its operational work in the sector. Through grant support, this initiative will provide countries in the region with the foundations for policy design and development, targeting three areas: (i) information on crime and its risk factors, to enhance policy analysis, monitoring, and assessment; (ii) management tools for cities and countries so that their policies are more likely to be effective; and (iii) creation of a hemispheric platform for cooperation, to optimize the efficiency and scope of the assistance offered by countries in both operations and knowledge. Cooperation agreements signed between the Bank, Mexico, and Colombia constitute the first phase of this Platform.

In the new digital economy, increasing the penetration and use of broadband services has become an essential part of economic and social development. Since every 10 percent increase in the broadband penetration rate in a developing country raises its GDP by 1.38 percent, and businesses that make more intensive use of information technologies can double their exports and boost their productivity, activities continued throughout 2011 to accelerate broadband penetration and use among different societal actors (individuals, businesses, and government).

The main pillars of the ***Broadband Platform*** were identified, including public policy development, review and/or development of regulatory strategies, telecommunications infrastructure requirements to achieve affordable universal access to these services, and generation of crosscutting applications and services and capacity building. Effective work around these pillars will enable a qualitative and quantitative change in how the region does business and how members of society interact.

Regional dialogues were conducted to identify cross-cutting projects in the Caribbean region, in Central America, and in the Southern Cone where the ICT industry generally, and the telecommunications sector in particular, will drive economic and social development.

A young boy with dark hair, wearing an orange and white striped shirt and blue shorts, is smiling as he washes his hands under water flowing from a public tap. He is wearing red sandals with a Spider-Man design. The background shows a brick wall, green foliage, and a red bucket.

**Access to basic services yields
immediate and lasting results**



II. Implementation of the Ninth General Increase in Resources

Throughout 2011, the Bank focused on implementing the mandates agreed by Governors as part of the *Report on the Ninth General Increase in Resources of the IDB* (IDB-9). IDB-9 has established the strategic direction for the Bank for the years to come, and provides the accountability framework under which the institution's performance is being measured beginning in 2012. IDB-9 entered into effect for the Fund for Special Operations in 2011, and becomes effective for the Ordinary Capital in 2012. During 2011, meanwhile, the foundation was put in place to ensure that the additional financial capacity of the Bank will be used effectively.

The Bank's Institutional Strategy under IDB-9 is framed by the challenges that will be at the cornerstone of development in the Region: reduce poverty and inequality, and achieve sustainable growth. To reduce poverty and inequality, the Bank will need to expand from traditional social programs that aim to redistribute income, to ones that tackle the inequities in access to services and productive employment in the Region; this expansion will be essential to address the structural causes of poverty. Sustainable growth must balance the broadening of the Region's economic base with the challenges posed by climate change and the demand for sustainable sources of energy. Efforts to meet these two challenges are at the center of the Bank's sector priorities for the coming years. In 2011, the Bank focused on ensuring that the strategic framework for each sector priority was in place. The Board of Executive Directors approved strategy documents corresponding to the Institutional Strategy's priorities, in the sectors of: *Social policy for equity and productivity*, *Institutions for growth and social welfare*, *Regional integration*, and *Climate change and sustainable and renewable energy*. Progress achieved in Bank operations and programs under the headings of the four approved strategies, is described in chapter III, below.

IDB-9 also focuses on two strategic goals that build on the Bank's comparative advantages and mission: to address the special needs of the small and vulnerable countries, and to promote development through the private sector. The needs of small and vulnerable countries require that the Bank be able to provide effective solutions to the most pressing development challenges facing the Region. These countries need the Bank to provide support that is country-focused and effective. Promoting development through the private sector requires integrating non-sovereign lending fully into the Bank's strategic framework, recognizing the role of the private sector in generating robust growth and creating jobs, both of which are elements needed to address poverty and inequality effectively. An integrated Private Sector Development Strategy and the NSG Business Plan for 2012-2015 were approved in 2011.

The Bank continued to strengthen its program with Haiti, with Governors approving in March of 2011 the first transfer of \$200 million in OC resources to the IDB Grant Facility (see box at the end of this chapter on Special Support for Haiti).

The Bank has been actively engaged in delivering on the commitments set forth by the Governors in the IDB-9 Report's Better Bank Agenda. During 2011, the Bank began the implementation of the new Access to Information Policy, continued the implementation of the Results-Based Budget (RBB) Methodology for the 2012 budget, and issued its second Long-term Financial Plan.

During 2011, the major focus in RBB was on promoting a change in culture to results, fostering planning and monitoring, and improving the quality of data and access to information for informed decision-making.

See the Bank's 2012 Program and Budget at www.iadb.org/budget/2012.

In 2011, a new Development Effectiveness Matrix was implemented, and as of January 1, an evaluability threshold for all Bank operations has been in place. The second Development Effectiveness Overview (DEO), which included both reporting

on accountability and learning from the Bank's work, was presented at the Board of Governors meeting in Calgary in March of 2011. The Board of Directors approved the methodology for preparation of the IDB-9 mandated Macroeconomic Sustainability Assessments (MSA) and by year-end, Management made substantial progress in preparing the first set of MSA. New Operational Guidelines for Technical Cooperation were approved in July to streamline the programming, approval and execution of these important products. A review of investment lending instruments was also completed, leading to rationalization of the Bank's instrument menu.

Jamaica—a technical assistance project to improve the livelihoods of the families of fishermen in the village of Portmore Causeway will focus on access to markets and credit, with an emphasis on the role of women along the value chain.





Special Support to Haiti

In keeping with the commitment to provide resources to Haiti annually through the IDB Grant Facility, the Board of Governors approved at the Annual Meeting in Calgary a transfer of \$200 million from Ordinary Capital to the Grant Facility for 2011. In addition to this financial support, the Bank continued to provide substantial technical and human support to Haiti.

During the year, in the context of the political changes associated with forming a new government, the Bank maintained constant dialogue with Haitian authorities, placing special emphasis on operational continuity. Within this context, the Bank's Country Strategy 2011-2015 was approved, targeting six sectors with major potential to substantially and sustainably transform Haiti's economy and society: education, private sector development, energy, agriculture, transportation, and water and sanitation.

In 2011, seven projects financed with resources from the IDB Grant Facility were approved, for \$241 million. Cofinancing was also obtained for five new operations, as well as the two existing programs, totaling over \$67 million. The Bank strengthened execution capacity, both internally and in the executing agencies, which pushed disbursements to a level of \$175 million for projects under the IDB Grant Facility. The average level of disbursements for the five-year period 2007-2011 was three times the average level of the preceding five-year period (2002-2006). This lays the foundation for reaching the target of disbursing \$230 million beginning in 2012. This disbursement target represents a major challenge in terms of accountability, transparency, and monitoring.

Operations. The post-earthquake situation elicited unprecedented collaboration between the different stakeholders operating in the country, and it was possible to align programs with the principle of "Rebuild Better" under government leadership. In 2011, the Bank consolidated its position as the largest donor in Haiti, with grant approvals representing approximately 2 percent of GDP.

Construction of the Northern Industrial Park in Caracol began with strict adherence to environmental and social controls (including a detailed and in-depth plan to compensate people affected by

the project). This project of the Haitian government and its main partners—the United States government, the European Commission, and the Bank—consists in constructing the basic infrastructure needed to facilitate the establishment of large manufacturing firms which, in recent years, have shown interest in investing in Haiti and taking advantage of the logistical and commercial opportunities it offers. The main private partner in the project is SAE-A—a leading enterprise in the Republic of Korea, which will invest \$78 million and eventually hire some 20,000 local workers.

The first pillar of the innovative Productive Haiti program, Business Development Services, was approved; and the first call for SME business proposals has been launched. This will enable Haitian SMEs to improve their management capacity and gain easier access to credit, taking advantage of the new business opportunities that are emerging in the country's recovery process. To complement Productive Haiti, the Partial Credit Guarantees Fund received a disbursement of \$10 million, which will allow it to extend guarantees to a first group of firms whose operations have been approved. In addition, the Haiti Social Investment Fund was set up between the Government of Spain and the Inter-American Investment Corporation (IIC) with assets totaling €51 million. This fund will operate for 12 years to provide financing for SMEs by increasing the availability of loans and reducing borrowing costs by offering preferential interest rates. In November the Bank organized the Second Investment Forum in Port-au-Prince, in conjunction with the Haitian government and the Clinton Foundation, bringing together over 1,000 entrepreneurs in an unprecedented show of private sector interest in the country's economic potential.

Under the education reform framework defined by the Haitian government, approximately 35,000 children were enrolled in primary school free of charge through the Bank-supported subsidy program. This was complemented with the selection of sites for new schools, the development of technical studies, and the process of rebuilding the first 30 beneficiary schools.

**Social inclusion is a key
component of development**





III. Sector Priorities

Social Policy for Equity and Productivity

The Bank approved its Strategy on Social Policy for Equity and Productivity (“Social Strategy”) in March 2011 in response to one of the five institutional priorities contained in the IDB’s Report on the Ninth General Capital Increase (IDB-9).

In 2011, the Bank approved 21 projects totaling \$943 million in the social sectors. Of these operations, 17 support C and D countries, contributing to one of the key priorities of IDB-9. In terms of sectoral composition, 48 percent of the volume of this lending supports education programs, and 14 percent supports health sector programs.

In 2011, significant progress has been made in implementing the Social Strategy action plan, notably in the area of generation and dissemination of knowledge. Actions carried out included the following: (i) a high-level event to launch the action plan to implement the Operational Policy on Gender Equality, (ii) the eighth conference on employment and development in the region (along with the World Bank and Germany’s Institute for the Study of Labor), (iii) the publication of the book *Skills that Matter*, (iv) the seminar “Alternative Routes in Teaching,” (v) the technical note *Caring and Labor Force Participation in Mexico*, (vi) the development of databases for health management and prevention of chronic diseases for Paraguay and Ecuador, (vii) the completion of the first stage in the preparation of databases on early childhood development for 20 countries in the region, and (viii) the workshop “The Next Generation. A Strategic Agenda for Youth Development.”

The Bank’s support for special initiatives in the social sector included the preparation of the assessment and request for extension of the Special Program for Employment Promotion, Poverty Reduction and Social Development in Support of the Millennium Development Goals (the “Social Fund,” SOF), originally created in 2007, for an additional four years, and the development, together with the Institutional Capacity and Finance Sector, of the new Special Program for Citizen Security and Crime Prevention.

In 2011, Management prepared and approved the Gender Action Plan (GAP), which will facilitate implementation of the Operational Policy on Gender Equality in Development, which was approved by the Board of Executive Directors in 2010, to mainstream gender issues in Bank operations. To measure results, mechanisms to monitor the Gender Policy indicators have been created, starting with the inclusion of gender “additionality” in the Development Effectiveness Matrix (DEM) for projects; the DEM now records whether the Bank’s involvement adds value to a project’s development impact through its contribution to gender equality. Within the framework of the GAP, IDB divisions, departments, and country offices have committed to over 130 specific actions, most of them related to mainstreaming gender in operations.

Infrastructure for Competitiveness and Social Welfare

In the area of **transport** the Bank developed a broad and diverse program of operations to respond to client needs. In 2011, 11 projects in the sector were approved for a total of \$2.2 billion. The approvals continued the trend begun in 2010 of developing a more balanced operational portfolio that includes a significant share of sustainable transport operations and operations that support regional integration. Also in 2011, 19 technical cooperation projects were approved totaling \$10.4 million. In addition, the Bank continued its efforts in knowledge development in three areas—road safety, freight logistics, sustainable transport—and added a new one, large-scale projects. The work in these fields is considered key to the future development of the transport sector in the Region, and involves areas in which the Bank offers a high degree of value-added.

In the area of **energy**, the Bank approved 22 projects (in Barbados, Bolivia, the Dominican Republic, Ecuador, Haiti, Jamaica, Nicaragua, Peru, and Venezuela) for a total of \$1.6 billion. These operations focus on sustainable energy and the development of unconventional renewable sources by supporting sectoral policies (Barbados, El Salvador, Haiti, Peru, and the Dominican Republic), access to electricity services (Ecuador and Nicaragua), energy efficiency (Barbados and Jamaica), and the rehabilitation of hydroelectric capacity (Haiti), allowing countries to utilize clean energy sources to meet growing electricity demand.

In the area of **water and sanitation**, 16 projects were approved for a total of \$1.8 billion. Notable among them were a water and sanitation program for rural areas in Mexico for \$250 million, a project to expand water and sanitation coverage in the metropolitan area of Buenos Aires, Argentina, for \$200 million, and a water and sanitation program for rural areas in Venezuela for \$100 million. Five new investment grant projects in the sector were approved in 2011 for a total of \$111 million. Also approved during 2011 was the Caribbean Regional Fund for Wastewater Management for a total of \$6.6 million to benefit Barbados, Belize, Costa Rica, Jamaica, Guatemala, Guyana, Honduras, Panama, Suriname, and Trinidad and Tobago. In 2011, 19 technical cooperation projects were approved for \$10.5 million for project preparation, technical assistance to counterparts, and funding for pilot projects.

Institutions for Growth and Social Welfare

In March 2011, the Board approved the Strategy for Institutions for Growth and Social Welfare with the objective of improving the effectiveness of the Bank in strengthening the institutional basis for development in the Region. The pillars of the strategy include enhancing small and medium enterprise (SME) productivity and growth; institutions for innovation and technological development; public sector management and finance; providing access to financial services to the majority; reducing insecurity and violence; anti-corruption and transparency; and registries for social and economic growth.

As a complement to the Strategy's pillar to enhance SME productivity and growth, Management also approved the Small and Medium Enterprise Finance and Development Guidelines in March 2011. Under these guidelines, the pillars for action on SME include expanding access to finance for productive SMEs; improving the business climate and generating incentives for formalization; improving firm-level development programs and policies; and generating policy-relevant knowledge. The guidelines set specific recommendations on how to address these issues and contain, among other topics, a common reporting standard for the Bank.

On the credit demand side, during 2011 Bank programs sought to increase access of SMEs to programs that support entrepreneurship, innovation and application of new technologies, and the use of cluster and value chain approaches to firm development, originated in banks and other public sector financing institutions. On the supply side, activities focused on improving the legal underpinnings of credit operations such as regulations on guarantees and bankruptcy in four countries and financing in partnership with the national development banks of the Region. In order to make the IDB a leading partner on SME development topics, special emphasis was placed on expanding the Bank's knowledge base for the design and implementation of effective programs, such as experimental work in the field of psychometric screening to evaluate credit risk for entrepreneurs without credit histories—a project that was a winner of the G-20 SME Finance Challenge.

Approximately 8,500 SMEs received IDB funds to support innovation, the adoption of new technologies, improvement of business practices and the use of cluster and value chain approaches to firm development in 2011 and an additional 90,000 firms had access to credit financed with IDB programs. In partnership with Brazil's BNDES, the Bank supported the *Cartão BNDES* program, which focuses on providing credit for very small firms with an average loan size of \$20,000.

During 2011, throughout the Region, the Bank continued its support to strengthening public financial systems, including the modernization of tax administration and revenue systems. The support included the implementation of on-going technical cooperation and loan operations; and new lending programs in Argentina, Jamaica and Suriname.

The Bank's assistance to civil and identification registries seeks to strengthen universal birth registration and legal identity and to support targeted public policies reaching the "last 10 percent." After successfully implementing several smaller initiatives, the first major loan operation in this area in Ecuador began implementation in 2011. While the focus of the Ecuador loan is on increasing the number of documented citizens over 18 years old by approximately two million people, this project will also support registration of children under five. Through the Suriname population census project, it is estimated that the number of people who will be registered will increase by 3 percent or 15,000 persons since the last census.

During 2011, through its financial and non-financial support to member countries, the Bank made significant progress towards meeting its estimated output for 2015—a ratio of public expenditure managed at the decentralized levels to total public expenditure equal to at least 78 percent. Specific Bank financial products included a program in Mexico to support sub-national



Paraguay—In 2011, the Bank organized a workshop jointly with the Registro de Estado Civil on “The Right to Identity,” focusing on techniques to ensure “identity management,” beginning with birth registries.

governments to increase revenue and expand and improve expenditures through budgeting for results; a program in Bolivia to assist in the design of a legal framework to strengthen sub-national income, improve expenditures and ensure fiscal sustainability; an investment program in Panama to finance the modernization of tax administration—updating tax processes, infrastructure and compliance mechanisms; a program in Guatemala to increase revenue and reduce municipal dependency on national transfers; and a program in Brazil to support sub-national governments to improve their public financial systems (budget, income and debt).

Non-financial products included various grants financed with resources of the PRODEV line for sub-national governments in Brazil, Colombia, Costa Rica, Ecuador, Mexico, Panama, and Peru, with the objective of improving the quality of public expenditure; and a training course benefiting more than 600 officials on “Territorial Economic Development Integrated Management” to strengthen fiscal management capacity of sub-national government officials to aid in the economic development of the territories. As described in Chapter I, 2011 saw the launch of the Hemispheric Initiative on Citizen Security and Peaceful Coexistence.

The Bank has a robust portfolio of financial programs that provide direct subsidies for social housing aimed at reducing poverty and improving equity in the region in several countries, including Argentina, Barbados, Bolivia, Brazil, Ecuador, Haiti, Mexico, Nicaragua, and Suriname. These programs have been

complemented with technical assistance, workshops, publications and analytical studies, including the Development in the Americas book on housing that provides alternative solutions, and expand the policy options and instruments to close the housing deficits (both in quantity and in quality) in the region.

Competitive Regional and Global Integration

During 2011, the Board of Executive Directors approved the Bank’s Sector Strategy to Support Competitive Global and Regional Integration. It provides the framework for reaching a 15 percent target of annual lending by the end of 2015, and to contribute to all dimensions of the regional development goals related to integration established in IDB-9.

The central tenet of the Strategy is that the Bank needs to act simultaneously on the *software* (policy and regulatory frameworks) and the *hardware* (physical integration) of integration, ensuring coherence between national and regional interventions. Focusing on the *software-hardware continuum* and strengthening the production of regional public goods will be crucial to retaining the historical comparative advantage of the IDB as the Region’s integration bank.

In the second half of the year, Management prepared an implementation plan, whose purpose is to map the road to 2015 by defining actions and resources to pursue the objectives defined in the Strategy, assigning responsibility, defining timeframes, and outlining how progress will be measured through a results framework.



Peru—The IDB’s Multilateral Investment Fund and the Opportunities for the Majority Sector have combined to support the “Grow my Business” program of Banco de la Microempresa S. A. (MiBanco), designed to provide access to finance and training for women microentrepreneurs throughout the country.

The implementation plan specifies the Bank-wide commitments and actions needed to operationalize the new strategic approach to support integration. The plan summarizes actions, responsibilities, sources of funding and implementation starting dates. It covers the following areas: a) *non-financial instruments*, including the support to regional strategic initiatives, the production of applied research on integration, the organization of policy dialogues and private sector forums, the development of capacity-building and exchange of best practices programs, and strengthening the programming process of integration operations, particularly in the context of IIRSA, *Plan Mesoamerica* and similar undertakings in the Caribbean; and b) *financial instruments*, including grants that will be used to incentivize and build capacity to execute cross-border integration programs; and *loans* that will be designed and executed in a more focused manner at the national level to serve integration objectives.

During 2011, the Bank undertook actions consistent with the implementation plan across all segments of the agenda. Highlights included:

- support to the annual Regional Finance Ministers meeting and to other similar initiatives at the regional and sub-regional levels;
- the mainstreaming of integration topics in the Bank’s regional policy dialogues, particularly in the areas of trade, integration and infrastructure;

- the preparation of a flagship report on trade integration and internal transport costs in the Region;
- the development of a comprehensive program of capacity-building and exchange of best practices;
- the creation of a multi-donor Regional Infrastructure Integration Fund (RIIF) with contributions by borrowing and non-borrowing members; and
- the engagement of the Bank in important integration initiatives such as IIRSA and the *Corredor de Integración Mesoamericano*.

Environment, Climate Change and Food Security

In March 2011, the IDB Board of Directors approved the Integrated Strategy for Climate Change Adaptation and Mitigation, and for Sustainable and Renewable Energy (CCS), which will guide the Bank’s response to regional demands for action in this area. Leveraging the IDB’s institutional strengths and its unique advantages, the CCS promotes the development and use of a range of public and private sector financial and nonfinancial instruments to strengthen the institutional, technical, and financial capacity of the IDB and its regional members to address climate change challenges.

The CCS makes a case for investing along five strategic lines: knowledge generation, capacity building, mainstreaming within the Bank, increased lending and technical cooperation, and

leveraging of external resources for mitigation and adaptation operations. The CCS also calls for a strong mobilization of Bank resources and for a major effort to expand access to international climate finance and partnerships including: the Green Climate Fund, the Global Environment Facility, the Adaptation Fund, the Forest-Carbon Partnership Facility, and the Climate Investment Funds, as well as available bilateral fast-track financing.

In the area of **environment, rural development, tourism, and disaster risk management**, 22 projects were approved totaling \$1.1 billion including: (i) eleven projects in agriculture and rural development for \$565 million, and (ii) three projects for sustainable tourism (Argentina, the Dominican Republic, and Uruguay) for \$115 million. Also during the year, the Bank approved 57 technical assistance projects for these sectors totaling \$28.7 million, including two operations financed by the Global Environment Fund (GEF).

In 2011, the IDB approved two projects (Peru and Trinidad and Tobago) for a total of \$105 million to support the development and implementation of public policies on climate change. The Bank also participated in a number of key international forums, including the Ibero-American Network of Climate Change Offices and the Asia-Pacific Economic Cooperation conference, the latter specifically addressed the development of low carbon strategies. Also, through the Regional Policy Dialogue, several Bank divisions worked together on sub-regional forums—for example, a meeting in July of seven Mesoamerican countries—to focus on operational responses to climate change by financial institutions, bilateral climate finance programs, and implementation of sub-national strategies on climate change. Water and adaptation issues were addressed with case studies on inter-Andean glaciers and water reservoirs in the Caribbean. The Bank published a manual and tools for energy efficiency for water companies. As regards carbon markets, the Carbon Finance platform was launched at the Carbon Expo in April, and a training manual was published on estimating opportunity costs related to REDD (reducing emissions from deforestation and soil degradation).

In 2009, the Bank engaged an Independent Advisory Group on Sustainability to assess the implementation of the Bank's Environment and Safeguards Compliance Policy. This group found that the policy is adequate overall, but that there were certain areas for improvement. On this basis, the Executive Vice-President convened the Sustainability Working Group, which in 2011 developed an Action Plan geared to mainstream environmental and sustainability aspects of the Bank's operations and to address sustainability considerations in the Bank's private sector operations in particular.

Private Sector Development

After multiple public consultations, including two presentations at the IDB Annual Meeting in Calgary, the Private Sector Development Strategy (PSDS) was approved by the IDB and IIC Boards of Executive Directors in June 2011. The PSDS capitalizes on the lessons learned over the last 15 years and emphasizes the synergies to be gained from a more integrated action between the public and private sector windows of the Bank. Following the IDB-9 mandate, it promotes an integrated approach of Private Sector Development (PSD) and Private Sector Operations (PSO) with the aim of maximizing development impact.

Following the approval of the PSDS, the NSG Business Plan was approved by the IDB and IIC Boards of Executive Directors in December 2011. The NSG Business Plan outlines the four strategic objectives for private sector and non-sovereign guaranteed (NSG) activities for the 2012-2014 period as well as describes the coordination of NSG activities among the windows of the Vice Presidency for Private Sector and Non-Sovereign Guaranteed Operations (VPP) and the rest of the Bank. The NSG Business Plan also incorporates a Memorandum of Understanding (MOU) between the IDB and IIC, which pledges inter-institutional cooperation and coordination in private sector and NSG activities, plus joint financing efforts. The MOU also identifies areas for future collaborative efforts, including cross-marketing, knowledge dissemination and staff mobility across institutions.

Following the recommendations by the Office of Oversight and Evaluation expressed in "An Evaluation of the Bank's Non-Sovereign Operations with Sub-national Entities: 2007-2010," management is currently reviewing the operational guidelines for NSG lending to sub-nationals. A proposal for modification of the guidelines is expected to be submitted for consideration of the Board of Executive Directors in 2012.

As outlined under IDB-9, in order to diversify its instruments to support development through the private sector, advisory services will be established. The services will focus on core competencies that are consistent with the development nature of the Bank, may be provided under a fee-based scheme. To that end, during 2011, VPP coordinated a proposal related to the provision of "Client Support Services" that proposes to encompass both technical assistance and fee-based services and draws upon the Bank's comparative advantages while not crowding out such services provided by private sector companies. The "Client Support Services" platform, along with suggested pilot business lines, which may include public-private partnerships, Base of the Pyramid, local economic development, SMEs, and sustainability, is expected to be discussed at the IDB's Board of Executive Directors in 2012.



The work we do today creates
opportunities for the next generation



IV. Other Key Areas

Civil Society

Work with civil society organizations (CSOs) is a priority within the Bank's broad and inclusive dialogue with the countries of the region. In 2011, engagement with CSOs advanced at the regional and country level, and through initiatives undertaken by the Vice Presidency for Countries at headquarters.

Bank-civil society engagement at the regional level included a seminar on the role of civil society in building sustainable prosperity in the Region at the Bank's Board of Governor's Meeting in Calgary; a dialogue in Jamaica with the Civil Society Consulting Groups (ConSOCs) of seven Caribbean countries; and the Eleventh IDB-Civil Society Meeting in Paraguay, attended by more than 150 organizations from the 26 borrowing-member countries.

At the country level, there were more than 100 meetings with the ConSOCs, the main platform for dialogue, consultation, and information exchange between the Bank and CSOs. There are now more than 300 CSOs participating in the ConSOCs.

At headquarters there was ongoing engagement with CSOs as well, including a presentation of the Final Report of the Independent Advisory Group on Sustainability. The IDB continues to foster strategic partnerships with civil society organizations at the operational level. A call for proposals was launched with the Japan Fund for CSOs to submit poverty-alleviation projects to promote the development of the Region's most vulnerable communities, with almost 2,000 submissions.

In 2011, **IDB Youth** supported IDB operations related to sports and culture for development, employment generation, violence prevention and social inclusion. IDB Youth helped launch the second phase of the \$2.8 million Youth and Technology MIF/Microsoft Fund to promote the use of IT skills for labor insertion; and several sports for development programs including the Sports Alliance with the NBA; the FC Barcelona Foundation; the government of the City of Rio and the partnerships with the Korean Poverty Reduction Fund, FIFA, Coca-Cola and Street Football World.

The Agents of Change campaign with MTV, launched in Latin America and the Caribbean to highlight the contributions of young people to their communities, was expanded to MTV Tres, which represents an additional market reach of 37 million households in the US and the English-speaking Caribbean. Also with MTV in 2011, the Bank co-produced a new television program for young people (funded by a \$200,000 grant of the Korean Poverty Reduction Fund), filmed in Argentina, Chile, Mexico, and Colombia on youth-related topics including climate change, road safety, employment generation, violence prevention, and sexual health.

Finally, IDB Youth organized Youth Day, as part of the Annual Meeting in Calgary, with 500 participants and ten youth leaders selected from a pool of more than 1,800 applicants.

Development Effectiveness

The *Development Effectiveness Overview (DEO)* 2010 reported on aspects of the IDB-9 Results Framework for which information was available, including the report on the progress on regional development goals, certain outputs generated in the five strategy areas in 2010, and measures of operational effectiveness and efficiency. In 2011, work continued on improving information on outputs generated by Bank operations, particularly standardizing the units of measure reported for those outputs in the results framework. In March 2012, during the Annual Meeting of the Board of Governors in Montevideo, the Bank will launch MapAmericas, an initiative that aims to provide via new visual formats the results of the Bank's operations and programs.

See MapAmericas at www.iadb.org/mapamericas.

The year 2011 marked the implementation of a revised Development Effectiveness Matrix for sovereign guaranteed (SG) and NSG operations. In February of 2011, the Board of Executive Directors approved a proposal to update the Development Effectiveness Matrix taking into account the mandates of the Board of Governors in the IDB-9 report on the need for all projects considered by the Board to achieve a minimum evaluability score. The proposal was developed in cooperation with OVE, and defined standards, manuals, and processes for project teams to design evaluations.

The new process allows for project teams to address evaluability elements from the early stages of design. Accordingly, project evaluability is reviewed by the Office of Strategic Planning and Development Effectiveness (SPD) at three stages of the project approval process. First, at the Eligibility Review Meeting (ERM), SPD provides comments. Second, at the Quality and Risk Review (QRR) of the Proposal for Operation Development (POD), a preliminary DEM score is provided. Finally, a validation of the DEM post-QRR is sent to the Operations Policy Committee (OPC), where the review focuses on ensuring that QRR evaluability comments have been incorporated into the design.

The DEO 2010, published for the Bank's Annual Meeting in March of 2011, showed that the ex-ante evaluability of the Bank's projects has improved, and that a greater number of projects have rigorous impact evaluations. In 2011, all of the Bank's SG and NSG operations, as well as Country Strategies were rated for evaluability. The DEO, as mandated by the Governors, reported on the number of projects approved in 2010 with ERR calculations (85 percent of approved projects), and ex post impact evaluations for any projects evaluated in that year, including for NSG projects.

See the Development Effectiveness Overview 2011 at www.iadb.org/deo/2011.

In 2010, the Bank implemented the new Progress Monitoring Report (PMR). The PMR focused the Bank's reporting on project progress on the achievement of outputs and outcomes in time and within costs. The PMR for each sovereign-guaranteed loan in execution is made public on the Bank's website.

Between 2010 and 2011, the Bank worked to ensure that teams and counterparts have the capacity to design evaluable

Mexico—The IDB's Youth Development and Outreach Program ("IDB Youth") promotes the participation of the Region's youth in many aspects of social and economic development. A youth soccer team in Leona Vicario, Quintana Roo, inaugurates a soccer field that was rehabilitated through a Bank-sponsored community service event in 2010.



projects, monitor output and outcomes, and conduct evaluations. During this period, 70 percent of sector staff has been trained in impact evaluation; 83 percent of completed projects have some kind of ex post evaluation. SG projects with rigorous evaluation designs (counterfactuals) increased from 8 percent in 2008, to 11 percent in 2009, to 27 percent in 2010, and 32 percent in 2011.

Ethics and Integrity

At the direction of the Board of Executive Directors, the Bank hired the firm Global Compliance, Inc. (Global Compliance) to review the Bank's Ethics, Conduct and Employee Grievance Resolution systems. The review considered the structures and authorities currently in place at the Bank, and assessed these against best practices of comparators in the international community. As part of their review, Global Compliance conducted interviews with the various stakeholders (e.g., members of the Board of Executive Directors, Management officials, employees working with and using these systems, the current judges serving on the Bank's Administrative Tribunal, the President and Board members of the Bank's Staff Association), as well as officials from comparator organizations, to benefit from their experiences and distinct points of view. Additionally, Global Compliance conducted an online survey for all Bank employees, and held focus groups with the participation of employees in both Headquarters and Country Offices.

Overall, Global Compliance concluded that the Bank has a solid system for addressing allegations and employee misconduct, and that the Bank had taken a number of positive steps in the last several years in establishing an effective Ethics program and fostering an ethical culture, including: updating the Bank's Code of Ethics and Professional Conduct and the Bank's Whistleblowers and Witnesses Policy, creating an Ethics Office and providing ethics training to every member of the staff. The review also found that Bank employees view the IDB as an ethical place to work to a greater degree than employees of other organizations analyzed by Global Compliance.

In the study, areas that the Bank can further strengthen were also identified, ranging from reduction of the average time for resolving Administrative Tribunal cases, to introducing annual ethics training and improving the Code of Ethics.

The Global Compliance study also found that the combination of both formal and informal systems used by the Bank provides flexibility to resolve most employee grievances in a way that would be beneficial to both employees and Management.

During 2011, Management worked with the Board of Executive Directors on a comprehensive Action Plan to implement the recommendations of the Global Compliance report. It

is expected that these actions will further strengthen confidence in the Bank's commitment to the principles of ethics and integrity, the Bank's systems for addressing allegations of misconduct, protections for the rights of whistleblowers, and due process in the handling of employee grievances and related decision-making processes.

Throughout the year, the Bank made great strides in its efforts to implement the recommendations issued by the Preliminary Report Concerning the Anti-Corruption Framework of the Inter-American Development Bank (Thornburgh report). By December 2011, 19 out of the 20 recommendations had been implemented.

The Bank's new Anticorruption Policy Committee (ACPC) and restructured Sanctions Committee began operating on April 1, 2011. The ACPC, which replaced the Oversight Committee on Fraud and Corruption (OCFC), became responsible for considering policy proposals and for overseeing the implementation of systems for the prevention, detection and sanctioning of prohibited practices in Bank-financed activities. In parallel, the system associated with the new Sanctions Procedures became fully operational; all corruption allegations received on or after April 1 were investigated and sanctioned under this new process. The Sanctions Committee was expanded from five members (all internal) to seven (three internal and four external); and the Bank appointed a Case Officer and a Secretary of the Sanctions Committee to provide support to the Committee.

The IDB approved amendments, effective in May, to the Bank's corporate and project procurement policies based on the various report recommendations, and modified its procurement procedures to permit the Bank to implement the agreement with other multilateral development banks to cross-debar individuals and firms sanctioned for prohibited practices, providing further deterrence against corruption in IDB operations.

A protocol for the selection of cases to be investigated by the Office of Institutional Integrity (OII) was approved by the Anti-Corruption Policy Committee (ACPC) in September 2011. The action plan and operational guidelines for enhanced performance of the justice administration systems was approved by Management in October, and submitted for the information of the Board of Executive Directors in November 2011.

With regards to the outstanding recommendation, the establishment of a voluntary cooperation program that would enable wrongdoers to voluntarily disclose their conduct and arrange for a compliance plan, the ACPC decided to wait and monitor the implementation of a similar program at the World Bank before making a decision on its implementation at the Bank.



Bolivia—A \$30 million loan for a Multiphase Neighborhood Improvement program is helping to finance housing upgrades in La Paz and other municipalities throughout the country.

The *Office of Institutional Integrity (OII)* began the year with 65 active cases, and in the course of 2011 worked on the review and processing of 130 cases, for a total of 195 active cases. A total of 150 of those 195 cases were closed during the year. Of the new cases, 20 percent were referred to other Bank units or closed because they did not involve Bank activities or Prohibited Practices. The outcomes of the cases investigated by the OII were as follows: 12 percent (16 cases) were substantiated, 58 percent were unsubstantiated, 27 percent were unfounded, and 3 percent were closed. Of the 16 substantiated cases, 14 involved acts of fraud, and two involved collusion.

In 2011, OII also processed a total of 288 requests for consultation, 237 of them associated with non-sovereign guaranteed operations. Of these, OII participated and provided comments in 146 eligibility and credit approval processes. The remaining requests for consultation were from Bank staff, clients, and the general public regarding measures to prevent or mitigate risks of fraud or corruption, as well as requests for assistance with the interpretation of the anticorruption policies of the IDB Group.

OII also conducted six Integrity Risk Reviews. These reviews take the special circumstances of the country or sector into account in delineating an integrity risk map.

In 2011, the *Ethics Office* managed a total of 54 allegations of potential misconduct, 44 newly received and 10 carried over

from the prior year. Of the 54 allegations, 36 were closed. A total of 11 cases were dismissed by the Ethics Committee due to insufficient evidence or because the allegations were proven to be unfounded. Seven additional allegations were closed by the Ethics Officer for lack of jurisdiction or because even though the alleged acts were proven true, they were not considered violations of the Code of Ethics and Professional Conduct. In addition, three complainants did not provide sufficient information to complete an allegation that could be investigated. Finally, six cases were referred to Management, the Human Resources Department or the Domestic Abuse Coordinator, and in one case, the Office of the Auditor General was informed. During 2011, a total of four cases were substantiated, with findings by the Ethics and Professional Conduct Committee that misconduct had occurred. Of these four, two resulted in recommendations to the Vice President for Finance and Administration that the employment contract be terminated, one resulted in a recommendation of removal from office and one resulted in a recommendation for a salary and grade freeze.

The Ethics Office also continued its priority work in prevention and outreach activities in 2011. The Office answered 280 consultations requesting specific guidance on ethical situations in the workplace, the large majority of them having to do with real or potential conflicts of interest. The Office also

offered ethics training in two new employee orientations, a specialized session for new Bank supervisors, as well as in training sessions conducted in Country Offices.

In 2011, the Bank expanded the Annual Declaration of Interests program, requiring employees at grades 4 and above to complete the detailed Declaration of their financial and external activities, and added a new schedule for reporting gifts and favors. The declaration form was completed by 805 employees and 1,205 employees submitted an Affidavit certifying their adherence with the Code of Ethics.

The Independent Consultation and Investigation Mechanism

This year was the first full cycle of operations for the new Independent Consultation and Investigation Mechanism (ICIM), during which it completed its formal staffing structure with the appointment of the Executive Secretary early in the second quarter of 2011.

An unprecedented milestone was also met in 2011 in relation to the number of requests received and declared eligible (cases). ICIM handled a total of 31 requests (nine in 2010, and 22 received in 2011), 15 of which were declared eligible either for the Consultation Phase or for the Compliance Phase and processed as cases over the course of the year.

Of the 15 cases processed to date, three were resolved successfully in the Consultation Phase, and eight are at different stages of the process in the Consultation Phase; the other four are in the Compliance Phase. One request remained pending a determination of eligibility in the Consultation Phase.

Audit and Evaluation

In 2011, the **Office of the Executive Auditor (AUG)** continued using an integrated risk-based audit approach to provide internal auditing services to support the IDB Group. As part of its core activities, in the operational area, AUG performed one functional audit, and reviewed project supervision in six sector divisions, as well as the internal controls and administrative activities of eight country offices. In the non-operational areas, AUG performed audits of information technology, general computer controls, finance, procurement, budget, and human resources, including the retirement and post-retirement benefits plans.

In addition, on behalf of Management and external auditors, AUG tested the effectiveness of Bank-wide controls, certain key controls of business processes, and information technology related controls, as part of the Bank's annual process of reporting on the effectiveness of internal controls over financial reporting.

The year was one of significant changes for the **Office of Evaluation and Oversight (OVE)**. Early in the year an Independent

Review Panel of external experts was set up by the Board of Executive Directors to undertake an in-depth assessment of the Bank's evaluation function. Their report, *Strengthening Evaluation to Improve Development Results*, made a number of recommendations to ensure a vibrant and useful evaluation function in the IDB. A new OVE Director was appointed in June and has worked since then to address issues raised in the report, including updating the mix of evaluation products, building a collaborative learning environment, and expanding OVE's emphasis on outreach and communication. OVE is also working with Management to strengthen self-evaluation and tracking of Management's response to evaluation recommendations, two activities that will continue to be emphasized in 2012.

OVE continued to produce a full range of evaluations in 2011. Country Program Evaluations (CPEs) were completed for nine countries—Bolivia, Brazil, Colombia, Ecuador, Haiti, Honduras, Peru, Suriname, and Uruguay—and will contribute to the development of new Bank strategies for these countries. The Bank's private sector lending was the subject of two focused evaluations—on risk management and on lending to sub-national entities. OVE also completed a number of ex-post impact evaluations and an evaluation of aspects of the Bank's Knowledge and Learning Strategy. Importantly, it helped launch a major evaluation capacity development initiative—the CLEAR program (Centers for Learning on Evaluation and Results)—in the Region. Going forward, OVE's strategy will continue to emphasize quality and usefulness in its own products, and partnership, outreach, and capacity development in its interactions with Management, clients, and other stakeholders.

Risk Management

During 2011, the Bank continued strengthening the effectiveness of its financial and operational risk management practices by enhancing its capabilities through the execution of several projects/initiatives contemplated in the IDB-9 agreement.

The Financial Risk Report was introduced with the aim of providing Senior Management and the Board of Executive Directors with a consolidated overview of financial and operational risks incurred by the Bank. It also looks to strengthen the Bank's risk management awareness and culture.

The completion of the Bank's Risk Taxonomy was a key part of the continuing efforts to ensure Bank-wide coordination in the management and oversight of the various risks faced by the Bank. This taxonomy facilitates the analysis of key risks, and creates an inventory of the Bank's current risk management and supervision activities.

In the area of credit risk, periodic portfolio management reviews of the Bank's NSG portfolio were performed to monitor

credit quality and portfolio diversification. In addition, a large-scale upgrade of the Bank's current Credit Risk Classification System (CRCS) was launched with the purpose of segregating the components of expected credit loss, and allowing a more accurate and detailed assessment and modeling.

In the area of strategic risk, the Bank continued to undertake the monitoring of its capital adequacy through modeling and quarterly reporting of the Capital Utilization Ratio (CUR), including the annual review of the methodology and parameters, taking into consideration the experience acquired during the implementation of the policy. As a result of the annual review, the Bank's exposure to changes in its obligation to fund its retirement plans was introduced as a new risk type and—among other changes—correlations among the different risk types were included in the calculations and their impact reflected on the quarterly CUR reports issued during 2011.

The Bank continued to perform Asset Liability Management (ALM) activities, including ALM modeling, reporting, and implementation of the respective guidelines consistent with the new ALM Policy approved by the Board of Executive Directors in 2010. The policy provides for a comprehensive review of

ALM aspects, including new elements to increase efficiency of equity allocation. These, together with a new strategy of actively managing equity duration and placing a limit on the amount of debt redemption, are designed to give stable and enhanced returns on equity and control refinancing risk.

In the area of treasury risk, the Bank has deployed an enhanced strategic asset allocation process, which will be used to update the Bank's investment strategy. With respect to the current economic environment, the Bank remained vigilant of market developments, including the European debt crisis, the U.S. budget deficit discussions and debt ceiling debate, and the condition of the European banks, as well as the developments in the European and U.S. residential MBS sector. The periodic assessment of these factors, including the effects of global macroeconomic growth and liquidity conditions in the financial markets is considered when undertaking in-depth fundamental assessment of issuers and complex investment securities and derivative counterparties. To this end, risk measures such as Value-at-Risk (VAR), scenario analysis and stress tests are carried out to assess their impact on the Bank's treasury and derivatives portfolio, including the holdings of ABS/MBS. Given the foreseen negative

Nicaragua—A program to strengthen animal and plant health services focuses on preventing and eradicating livestock diseases, food safety, and a national agri-food certification system.





Ecuador—To spur the competitiveness of micro, small and medium-sized enterprises in the canton of Otavalo, a MIF program emphasizes the model of partnerships as part of the formalization process, especially in the crafts and tourism sectors.

outlook, the Bank will continue to monitor these market developments closely.

In the area of operational risk, an Operational Risk Management Framework was approved following a comprehensive but cost-efficient approach appropriate to the nature of the operational risks faced by the Bank. This framework contemplates a risk management process that will operate as a continuous improvement cycle where business units periodically perform

Risk and Control Assessments, develop action plans to mitigate risks that exceed acceptable levels, and develop key risk indicators to monitor risk levels, deciding on actions to be taken when indicators exceed predefined thresholds. Building on lessons learned from an initial phase, the implementation of the framework continued to be executed in a phased manner, giving priority to the areas of the Bank more susceptible to large operational risk events.

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in millions of United States dollars

	December 31,			
	2011		2010	
ASSETS				
Cash and investments				
Cash—Notes C and W	\$ 1,189		\$ 242	
Investments—Trading—Notes D, K, L and W, Appendix I-1 . . .	13,703	\$14,892	16,356	\$16,598
Loans outstanding—Notes E, T and W, Appendixes I-2 and I-3 . .	66,130		63,007	
Allowance for loan losses.	(150)	65,980	(145)	62,862
Accrued interest and other charges				
On investments	40		38	
On loans.	466		480	
On swaps, net	345	851	347	865
Receivable from members—Note G				
Non-negotiable, non-interest-bearing obligations:				
Demand notes.	73		90	
Term notes.	221		236	
Amounts required to maintain value of currency holdings.	1	295	52	378
Currency and interest rate swaps—Notes K, L and W				
Investments—trading—Appendix I-1	11		7	
Loans.	112		38	
Borrowings—Appendix I-4.	6,702		5,887	
Other.	215	7,040	—	5,932
Other assets				
Assets under retirement benefit plans—Note S	—		163	
Receivable for investment securities sold	2		48	
Property, net—Note H.	325		324	
Miscellaneous	47	374	47	582
Total assets.		\$89,432		\$87,217
LIABILITIES AND EQUITY				
Liabilities				
Borrowings—Notes I, J, L and W, Appendix I-4				
Short-term	\$ 898		\$ 30	
Medium- and long-term:				
Measured at fair value	48,901		52,846	
Measured at amortized cost	14,124	\$63,923	10,077	\$62,953
Currency and interest rate swaps—Notes K, L and W				
Investments—trading—Appendix I-1	80		55	
Loans	1,658		693	
Borrowings—Appendix I-4.	794		808	
Other	—	2,532	72	1,628
Payable for investment securities purchased and cash collateral received.		943		13
Liabilities under retirement benefit plans—Note S		796		74
Due to IDB Grant Facility		272		72
Amounts payable to maintain value of currency holdings—Note G		219		535
Accrued interest on borrowings.		538		555
Accounts payable and accrued expenses.		415		427
Total liabilities.		69,638		66,257
Equity				
Capital stock—Note O, Appendixes I-5 and I-6				
Subscribed 8,702,335 shares	104,980		104,980	
Less callable portion.	(100,641)		(100,641)	
Paid-in capital stock.	4,339		4,339	
Retained earnings—Note P.	15,488		15,771	
Accumulated other comprehensive income (loss)—Note Q	(33)	19,794	850	20,960
Total liabilities and equity		\$89,432		\$87,217

The Notes and Appendixes are an integral part of these financial statements and can be found on the Bank's website at www.iadb.org/ar/2011.

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF INCOME AND RETAINED EARNINGS

Expressed in millions of United States dollars

	Years ended December 31,		
	2011	2010	2009
Income			
Loans			
Interest, after swaps—Notes E and K	\$ 1,683	\$ 1,764	\$ 1,934
Other loan income	59	66	68
	<u>1,742</u>	<u>1,830</u>	<u>2,002</u>
Investments—Note K			
Interest	99	178	303
Net gains	9	446	528
Other interest income—Note K	112	7	—
Other	18	21	15
Total income	<u>1,980</u>	<u>2,482</u>	<u>2,848</u>
Expenses			
Borrowing expenses			
Interest, after swaps—Notes I, J, K and L	455	523	929
Borrowing issue costs	12	27	24
Debt repurchase income	(5)	—	(2)
	<u>462</u>	<u>550</u>	<u>951</u>
Provision (credit) for loan and guarantee losses—Note F	3	24	(21)
Administrative expenses—Note B	600	573	530
Special programs	79	83	94
Total expenses	<u>1,144</u>	<u>1,230</u>	<u>1,554</u>
Income before Net fair value adjustments on non-trading portfolios and Board of Governors approved transfers	836	1,252	1,294
Net fair value adjustments on non-trading portfolios—Notes I, J, K and R	(919)	(850)	(500)
Board of Governors approved transfers—Note N	(200)	(72)	—
Net income (loss)	(283)	330	794
Retained earnings, beginning of year	15,771	15,441	14,647
Retained earnings, end of year	<u>\$15,488</u>	<u>\$15,771</u>	<u>\$15,441</u>

STATEMENT OF COMPREHENSIVE INCOME

Expressed in millions of United States dollars

	Years ended December 31,		
	2011	2010	2009
Net income (loss)	\$ (283)	\$330	\$ 794
Other comprehensive income (loss)—Note Q			
Translation adjustments	(3)	(25)	(72)
Recognition of changes in assets/liabilities under retirement benefit plans—Note S	(880)	(19)	506
Reclassification to income—cash flow hedges	—	—	2
Total other comprehensive income (loss)	<u>(883)</u>	<u>(44)</u>	<u>436</u>
Comprehensive income (loss)	<u>\$(1,166)</u>	<u>\$286</u>	<u>\$1,230</u>

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ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS

Expressed in millions of United States dollars

	Years ended December 31,		
	2011	2010	2009
Cash flows from lending and investing activities			
Lending:			
Loan disbursements (net of participations)	\$ (7,898)	\$(10,341)	\$(11,424)
Loan collections (net of participations)	4,601	5,598	4,542
Net cash used in lending activities	(3,297)	(4,743)	(6,882)
Gross purchases of held-to-maturity investments	—	(4,409)	(4,232)
Gross proceeds from maturities or sale of held-to-maturity investments	—	7,373	4,253
Purchase of property	(21)	(33)	(21)
Miscellaneous assets and liabilities	(9)	(30)	(8)
Net cash used in lending and investing activities	(3,327)	(1,842)	(6,890)
Cash flows from financing activities			
Medium- and long-term borrowings:			
Proceeds from issuance	6,808	11,726	16,181
Repayments	(7,919)	(9,998)	(6,086)
Short-term borrowings:			
Proceeds from issuance	6,121	469	2,571
Repayments	(5,253)	(2,349)	(3,752)
Cash collateral received	898	12	1
Collections of receivable from members	71	30	3
Payments of maintenance of value to members	(317)	—	—
Net cash provided by (used in) financing activities	409	(110)	8,918
Cash flows from operating activities			
Gross purchases of trading investments	(21,150)	(31,865)	(33,542)
Gross proceeds from sale or maturity of trading investments	23,977	32,691	30,475
Loan income collections, after swaps	1,748	1,864	2,152
Interest and other costs of borrowings, after swaps	(215)	(373)	(1,009)
Income from investments	18	251	305
Other interest income	114	—	—
Other income	18	21	15
Administrative expenses	(576)	(574)	(446)
Special programs	(69)	(55)	(38)
Net cash provided by (used in) operating activities	3,865	1,960	(2,088)
Effect of exchange rate fluctuations on cash	—	(8)	1
Net increase (decrease) in Cash	947	—	(59)
Cash, beginning of year	242	242	301
Cash, end of year	\$ 1,189	\$ 242	\$ 242

The Notes and Appendixes are an integral part of these financial statements and can be found on the Bank's website at www.iadb.org/ar/2011.

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in millions of United States dollars

	December 31,	
	2011	2010
ASSETS		
Cash and investments		
Cash—Notes C and P	\$ 426	\$ 400
Investments—Notes D, E, P and Appendix II-1	<u>786</u>	<u>1,013</u>
	\$1,212	\$1,413
Loans outstanding—Notes F, P and Appendix II-2	4,162	4,004
Accrued interest and other charges on loans	17	18
Receivable from members—Note H		
Non-negotiable, non-interest-bearing obligations:		
Demand notes	449	454
Term notes	121	133
Amounts required to maintain value of currency holdings	<u>63</u>	<u>89</u>
	633	676
Other assets	1	1
Total assets	<u>\$6,025</u>	<u>\$6,112</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued expenses	\$ 5	\$ 4
Undisbursed technical cooperation projects and other		
financings—Note I	49	86
Due to IDB Grant Facility—Note J	253	384
Amounts payable to maintain value of currency holdings—		
Note H	<u>289</u>	<u>292</u>
	\$ 596	\$ 766
Fund balance		
Contribution quotas authorized and subscribed—Note K and		
Appendix II-3	10,189	10,000
Less: Contribution quotas receivable	<u>(120)</u>	<u>—</u>
	10,069	10,000
General reserve (deficit)—Note L	(4,738)	(4,758)
Accumulated translation adjustments—Note M	<u>98</u>	<u>104</u>
	5,429	5,346
Total liabilities and fund balance	<u>\$6,025</u>	<u>\$6,112</u>

The Notes and Appendixes are an integral part of these financial statements and can be found on the Bank's website at www.iadb.org/ar/2011.

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,		
	2011	2010	2009
Income			
Loans			
Interest	\$ 65	\$ 69	\$ 75
Other loan income	3	5	8
	<u>68</u>	<u>74</u>	<u>83</u>
Investments—Note D	5	17	57
Total income	<u>73</u>	<u>91</u>	<u>140</u>
Expenses			
Administrative expenses—Note B	18	11	12
Total expenses	<u>18</u>	<u>11</u>	<u>12</u>
Income before technical cooperation, debt relief, and			
Board of Governors approved transfers	55	80	128
Technical cooperation expense	(9)	24	23
Debt relief expense—Note G	—	484	(3)
Board of Governors approved transfers to IDB Grant Facility—			
Note L	44	364	122
Net income (loss)	<u>20</u>	<u>(792)</u>	<u>(14)</u>
General reserve (deficit), beginning of year	<u>(4,758)</u>	<u>(3,966)</u>	<u>(3,952)</u>
General reserve (deficit), end of year	<u><u>\$(4,738)</u></u>	<u><u>\$(4,758)</u></u>	<u><u>\$(3,966)</u></u>

STATEMENT OF COMPREHENSIVE INCOME

Expressed in millions of United States dollars

	Years ended December 31,		
	2011	2010	2009
Net income (loss)	\$20	\$(792)	\$(14)
Translation adjustments—Note M	(6)	(7)	9
Comprehensive income (loss)	<u>\$14</u>	<u>\$(799)</u>	<u>\$ (5)</u>

The Notes and Appendixes are an integral part of these financial statements and can be found on the Bank's website at www.iadb.org/ar/2011.

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS

Expressed in millions of United States dollars

	Years ended December 31,		
	2011	2010	2009
Cash flows from lending activities			
Loan disbursements	\$ (368)	\$ (398)	\$(414)
Loan collections	195	214	220
Loan participations, net	(5)	(4)	(2)
Miscellaneous assets and liabilities	1	—	—
Net cash used in lending activities	(177)	(188)	(196)
Cash flows from financing activities			
Collections of receivable from members	51	30	49
Contribution quotas from members	68	236	125
Net cash provided by financing activities	119	266	174
Cash flows from operating activities			
Gross purchases of investments	(1,585)	(1,847)	(886)
Gross proceeds from sale or maturity of investments	1,771	1,867	872
Loan income collections	70	74	80
Income from investments	37	19	31
Administrative expenses	(20)	(10)	(13)
Technical cooperation and other financings	(26)	(26)	(25)
Cash transfers to the IDB Grant Facility	(175)	(134)	(41)
Net cash provided by (used in) operating activities	72	(57)	18
Effect of exchange rate fluctuations on Cash	12	10	8
Net increase in Cash	26	31	4
Cash, beginning of year	400	369	365
Cash, end of year	\$ 426	\$ 400	\$ 369

The Notes and Appendixes are an integral part of these financial statements and can be found on the Bank's website at www.iadb.org/ar/2011.

INTERMEDIATE FINANCING FACILITY ACCOUNT
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in millions of United States dollars

	December 31,	
	2011	2010
ASSETS		
Cash	\$ —	\$ —
Investments—Notes C, D and Appendix III-1	171	200
Total assets	\$171	\$200
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to Ordinary Capital	\$ 4	\$ 7
Fund balance	167	193
Total liabilities and fund balance	\$171	\$200

STATEMENT OF CHANGES IN FUND BALANCE

Expressed in millions of United States dollars

	Years ended December 31,		
	2011	2010	2009
Additions			
Income from investments—Note C	\$ 1	\$ 5	\$ 12
Total additions	1	5	12
Deductions			
Interest paid on behalf of Ordinary Capital borrowers.	27	33	39
Total deductions	27	33	39
Change in fund balance	(26)	(28)	(27)
Fund balance, beginning of year	193	221	248
Fund balance, end of year	\$167	\$193	\$221

STATEMENT OF CASH FLOWS

Expressed in millions of United States dollars

	Years ended December 31,		
	2011	2010	2009
Cash flows from operating activities			
Income from investments	\$ 4	\$ 4	\$ 1
Interest paid on behalf of Ordinary Capital borrowers.	(30)	(33)	(35)
Net decrease in investments	26	28	34
Net cash used in operating activities			
and net decrease in cash	—	(1)	—
Cash, beginning of year	—	1	1
Cash, end of year	\$ —	\$ —	\$ 1

The Notes and Appendixes are an integral part of these financial statements and can be found on the Bank's website at www.iadb.org/ar/2011.

IDB GRANT FACILITY
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in millions of United States dollars

	December 31,	
	2011	2010
ASSETS		
Due from Fund for Special Operations	\$253	\$384
Due from Ordinary Capital	272	72
Total assets	<u>\$525</u>	<u>\$456</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Undisbursed grants—Note D	\$481	\$415
Fund balance	44	41
Total liabilities and fund balance	<u>\$525</u>	<u>\$456</u>

STATEMENT OF CHANGES IN FUND BALANCE

Expressed in millions of United States dollars

	Years ended December 31,		
	2011	2010	2009
Additions			
Transfers from Fund for Special Operations	\$ 44	\$364	\$122
Transfers from Ordinary Capital	200	72	—
Total additions	<u>244</u>	<u>436</u>	<u>122</u>
Deductions			
Grants	241	395	122
Change in fund balance	3	41	—
Fund balance, beginning of year	41	—	—
Fund balance, end of year	<u>\$ 44</u>	<u>\$ 41</u>	<u>\$ —</u>

STATEMENT OF CASH FLOWS

Expressed in millions of United States dollars

	Years ended December 31,		
	2011	2010	2009
Cash flows from operating activities			
Cash transfers from Fund for Special Operations	\$ 175	\$ 134	\$ 41
Grant disbursements	(175)	(134)	(41)
Net cash flows from operating activities	<u>—</u>	<u>—</u>	<u>—</u>
Cash, beginning of year	—	—	—
Cash, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The Notes and Appendixes are an integral part of these financial statements and can be found on the Bank's website at www.iadb.org/ar/2011.

APPENDIX I. STATEMENT OF APPROVED OPERATIONS (ABOVE \$5 MILLION), 2011

(In millions of U.S. dollars)

Country	Project	Type	Amount
Argentina	Development of Tourism Corridors	GOM	80
	Supply Electricity to Country's Regions under Federal Electricity Transmission Plan	ESP	120
	Strengthening of Policies on Childhood, Adolescence, and Family	ESP	10
	Barrio Improvement Program, Second Individual Operation	CLP	400
	Provincial Agricultural Services Program—PROSAP III	CLP	230
	Water and Sanitation for the Buenos Aires Metropolitan Area	CLP	200
	Strengthening of the Ministry of Economy and Finance	ESP	13
	Highway Infrastructure II	CLP	200
	Plaza Logistica	PSI	20
	Emergency program in response to the Puyehue Volcano eruption	ERF	20
	CMF Bank—SME Facility	PSI	15
Barbados	Support for Sustainable Energy Framework (SEFB) II	PBP	70
Bahamas	Air Transport Reform Program	PBL	50
	New Providence Water Supply and Sanitation Systems Upgrade	ESP	81
Belize	Flood Mitigation Infrastructure Program for Belize City	ESP	10
Bolivia	Fiscal Policy and Decentralization Support Program II	PBP	62
	Improvement Program for Municipal Management	ESP	52
	Water and Sanitation Program for Small Localities and Rural Communities	GOM	20
	Strengthening of Integrated Health Networks in the Department of Potosi	ESP	35
	Strengthening of Value Chains at the Base of the Pyramid	PSI	5
	Master Registry of Beneficiaries Program	ESP	5
	Cochabamba—La Paz Transmission Line	ESP	78
Brazil	Health Modernization and Humanization Program	ESP	22
	Program for Modernization of Federal Government Immovable Asset Management	ESP	15
	Integrated Social and Urban Development Program of the Municipio of Paranagua	GCR	17
	PROFISCO-Fiscal Modernization Project of the State of Sergipe (PROMOFAZ)	ESP	6
	Rehabilitation for the Furnas and Luiz Carlos Barreto Hydroelectric Power Plant	ESP	129
	Environmental Sanitation Program for Municipios in the Guanabara Bay Area-PSAM	GOM	452
	Mario Covas Rodoanel Project—Northern Section	ESP	1,149
	Social and Environmental Program for the Igarapes in Manaus—PROSAMIM III	GOM	280
	“Banorte Todo Dia -The Bank of the Neighborhood”	PSI	5
	SCB TFFP Project BicBanco	PSI	5
	Delba Vessel—Amendment to the Contingent Facility and Restructuring	PSS	5
	BIC Bank—access2services Facility	PSI	50
Chile	Support for the Establishment of an Integrated Foreign Trade System	ESP	8
	Subsole	PSI	32
	BICE Bank—access2services Facility	PSI	50
Colombia	Program to Support the National Logistics Policy	PBP	300
	Strategic Public Transportation Systems	GOM	320
	Strengthen the Office of the Attorney General - Phase Two	ESP	10
	Mortgage Project Program for Low Income Families	PGU	5
	Disaster Risk Management and Climate Change Adaptation Program	PBP	120
	Bancolombia Green Guarantee Mechanism	PGU	30

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APPENDIX I. STATEMENT OF APPROVED OPERATIONS (ABOVE \$5 MILLION), 2011 (CONTINUED)

(In millions of U.S. dollars)

Country	Project	Type	Amount
Costa Rica	Violence Prevention and Social Inclusion Promotion Program	ESP	132
Dominican Republic	Tourism Development Program - Colonial City of Santo Domingo	ESP	30
	Program to Support the National Employment System	ESP	20
	Insurance Facility for Emergencies Caused by Catastrophic Natural Disasters	ESP	24
	Support for the Social Protection Program—Phase III	PFM	80
	AgriFood Health and Safety Program	ESP	10
	Bani Wind Power Project	PSI	28
	Power Sector Sustainability and Efficiency Program	PBP	200
	PECASA Wind Power Project	PSI	51
	SCB TFFP project Banreservas	PSI	23
Ecuador	Program for Strengthening the Preinvestment Cycle	ESP	40
	Electrification Program for Rural and Marginal Urban Areas	ESP	40
	Public Administration Institutional Reform Program	ESP	250
	Citizen Security Program	ESP	10
	Financing for Banco Pichincha under the LACC Subordinated Debt Facility	PSI	40
	Banco Bolivariano SME Finance	PSI	15
	Financing for Banco Guayaquil under the LACC Subordinated Debt Facility	PSI	15
	Global Credit Program for Microfinance Support	GCR	50
	Protection and Recovery of Cultural Heritage Assets	ESP	38
	National Urban Development Program	GOM	71
El Salvador	Proposal for Reduction of Vulnerability in Informal Urban Neighborhoods	ESP	50
	Transportation Program for the San Salvador Metropolitan Area	ESP	45
	Ciudad Mujer	ESP	20
	Program to Support Production Development for International Integration	ESP	30
	Programatic Support to the Agenda of Structural Reforms in Electric Energy	PBP	100
	Rural Connectivity Program for the Northern and Eastern Zones	GOM	15
Guatemala	Financing for Banco G&T Continental under the LACC Subordinated Debt Facility	PSI	45
	Banco Industrial S.A. TFFP project under SCB facility	PSI	5
Guyana	Linden Water Supply Rehabilitation Program	ESP	12
	Sustainable Operation of the Electricity Sector and Improved Quality of Service	ESP	5
Haiti	Supplementary Financing for the Peligre Hydroelectric Plant	SUP	20
	Support for Transport Sector	GOM	55
	Infrastructure Program	GOM	55
	Business Development and Training Services Program for Investment	ESP	11
	Technology Transfer to Small Farmers	ESP	15
	Support to the Implementation of the Education Plan and Reform	ESP	50
	Institutional Transformation and Modernization Program of the Energy Sector I	PBP	35
Honduras	Support for the 2012 Population and Housing Census	ESP	25
	Primary Education and Technology Integration Program	ESP	37
	Strengthen the Financial Security Network and Improve Access to Financing	PBP	40
	Banco Atlantica Green Line	PSI	20
	Support for Reform of Pension Institutions and Human Resources Management	PBP	40

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APPENDIX I. STATEMENT OF APPROVED OPERATIONS (ABOVE \$5 MILLION), 2011 (CONTINUED)

(In millions of U.S. dollars)

Country	Project	Type	Amount
Jamaica	Energy Efficiency and Conservation Programme	ESP	20
	Public Financial and Performance Management Programme III	PBP	60
	Human Capital Protection Programme II	PBP	50
	Kingston Metropolitan Area (KMA) Water Supply Improvement Programme	ESP	133
	Fiscal Administration Modernization Programme	ESP	65
Mexico	Program to Strengthen Rural Public Goods	ESP	190
	Sustainability of Water Supply and Sanitation Services in Rural Communities III	GOM	250
	Rural Financing Program	GCR	20
	Infrastructure, Public Services, and Institution-Strengthening II	CLP	310
	Second Individual Operation for Entrepreneurial Development	CLP	50
	Water, Sanitation, and Hygiene Program in Basic Education	ESP	350
	Comprehensive Program to Address Urban Poverty	ESP	280
	Mareña Renewables Wind Project	PSI	75
	Clean Technology Fund Renewable Energy Financing Facility	GCR	70
	First Disbursement—Infonavit Mezzanine Finance Facility	PSI	35
Nicaragua	National Sustainable Electrification and Renewable Energy Program (PNESER) II	ESP	22
	Improvement of Social Protection and Health Spending and Management	PBP	45
	Housing and Comprehensive Habitat Improvement Program	ESP	20
	Improving Family and Community Health in Highly Vulnerable Urban Areas	ESP	20
Panama	Program to Strengthen Fiscal Management	ESP	50
	Health Equity Improvement and Services Strengthening Program	ESP	50
	Program to Reduce Vulnerability to Natural Disasters and Climate Change I	PBP	100
	Emergency Program for an Immediate Response to the Flooding	ERF	20
Paraguay	Program to Support the Modernization of the Banco Nacional de Fomento	TCR	6
	Support for the National Population and Housing Census	ESP	13
	Tupi Cement	PSI	52
	Water and Sanitation Program for the Chaco Region and Intermediate Cities	GOM	20
	Cadastral Registry Program II	ESP	25
	Support for the Development Financing Agency (AFD)—CCLIP III	GCR	50
	Labor Insertion Support Program	ESP	5
Peru	Modernization of the Justice Administration System	ESP	26
	Development of a New Sustainable Energy Matrix, Program III	PBP	25
	Cajamarquilla, Nieveria and Cerro Camote—Expansion of Water and Sanitation	ESP	100
	Early Education Improvement Program in Ayacucho, Huancavelica and Huanuco	ESP	25
	Agricultural Competitiveness Program II	PBP	25
	Program to Reduce the Vulnerability of the State to Disasters II	PBP	25
	Proposal for a project for the Second Generation Sanitation Sector Reform Program	PBP	25
	Support for the Climate Change Agenda II	PBP	25
	Chaglla Hydroelectric Power Project	PSI	150
	Banco Interamericano de Finanzas—Financing from LACC Subordinated Debt Facility	PSI	20

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APPENDIX I. STATEMENT OF APPROVED OPERATIONS (ABOVE \$5 MILLION), 2011 (CONTINUED)

(In millions of U.S. dollars)

Country	Project	Type	Amount
Regional	Higher Education Financing for Low Income Students	PSI	10
	BESI Lending Facility	PSI	50
	Patrimonio Hoy	PGU	10
	IMPESA Wind Energy Investment Program	PSI	150
	Abengoa Line of Credit	PSI	200
Suriname	Social Protection Support Program	ESP	15
	Financial Sector Strengthening I	PBP	40
	Public Capital Expenditure Management Program	PBP	20
	National Population and Housing Census: Increasing Use of Basic Statistics	ESP	5
Trinidad and Tobago	Social Safety Net Reform Program	HIB	50
	Wastewater Infrastructure Rehabilitation Program	ESP	50
	Program to Support the Climate Change Agenda I	PBP	80
	Sustainable Energy Program	PBP	60
	Strengthening of the Financial Sector Supervisory and Regulatory Framework	PBP	50
Uruguay	Program to Support Global Export Services	ESP	10
	Montevideo Sanitation Program (PSU IV) Supplementary Financing	SUP	43
	Rural Productive Development Program	ESP	28
	Program to Support E-Government Management II	ESP	11
	Support for Tourism Development	ESP	5
	Montes del Plata	PSI	200
	Drainage and Environmental Sanitation	ESP	21
Venezuela	Support for Rural and Small Town Water Supply Systems - Phase II	GOM	100
	Emergency Response Program to Rains	ERF	20

Key: CLP, Conditional Credit Line for Investment; ERF, Emergency Reconstruction Facility; ESP, Investment; GCR, Global Credit; GOM, Global of Multiple Works; PBL/PBP/HIB, Policy-based and Programmatic; PFM, Multi-Phase; PGU, Private Sector Guarantee; PSI, Private Sector Investment; PSS, Private Sector Supplemental; SUP, Supplemental Financing; TCR, Reimbursable Technical Cooperation

APPENDIX II. STATEMENT OF LOANS OUTSTANDING AS OF DECEMBER 31, 2011

(In millions of U.S. dollars)

Member in whose territory loans have been made	Ordinary Capital			Fund for Special Operations ¹	Total
	Sovereign- guaranteed	Non-sovereign- guaranteed	Sub-Total		
Argentina	\$10,563	\$ 89	\$10,652	\$ 63	\$10,715
Bahamas	178	—	178	—	178
Barbados	243	—	243	5	248
Belize	110	—	110	—	110
Bolivia	203	34	237	558	795
Brazil	14,176	1,005	15,181	139	15,320
Chile	601	43	644	—	644
Colombia	6,763	83	6,846	60	6,906
Costa Rica	360	221	581	21	602
Dominican Republic	1,992	62	2,054	251	2,305
Ecuador	1,944	160	2,104	379	2,483
El Salvador	1,739	47	1,786	336	2,122
Guatemala	1,887	91	1,978	277	2,255
Guyana	34	—	34	332	366
Honduras	204	35	239	612	851
Jamaica	1,310	36	1,346	18	1,364
Mexico	9,782	119	9,901	2	9,903
Nicaragua	178	23	201	772	973
Panama	1,341	121	1,462	9	1,471
Paraguay	855	25	880	248	1,128
Peru	3,260	646	3,906	17	3,923
Suriname	165	3	168	4	172
Trinidad and Tobago	665	—	665	5	670
Uruguay	1,987	39	2,026	6	2,032
Venezuela	2,105	—	2,105	—	2,105
Regional	169	334	503	48	551
Inter-American Investment Corporation	—	100	100	—	100
Total	\$62,814	\$3,316	\$66,130	\$4,162	\$70,292

¹ Excludes loan participations sold to the Social Progress Trust Fund for a total of \$22 million, including \$2 million to Costa Rica, \$3 million to the Dominican Republic, \$4 million to Ecuador, \$8 million to El Salvador, \$2 million to Guatemala, \$2 million to Panama and \$1 million to Paraguay.

APPENDIX III. SUBSCRIPTIONS TO CAPITAL STOCK, CONTRIBUTION QUOTAS, AND VOTING POWER, AS OF DECEMBER 31, 2011¹

(In millions of U.S. dollars)

Member countries	Ordinary Capital Subscribed Capital Stock			Percent of Total Number of Votes ²	FSO Contribution Quotas
	Paid-in	Callable	Total		
Regional developing members					
Argentina	\$465.1	\$10,393.8	\$10,858.9	10.751	\$ 532.2
Bahamas	11.6	198.3	209.9	0.209	11.2
Barbados	5.6	124.3	129.9	0.130	1.9
Belize	7.2	103.5	110.7	0.111	8.0
Bolivia	37.3	834.4	871.7	0.865	51.1
Brazil	465.1	10,393.8	10,858.9	10.751	544.4
Chile	127.7	2,853.9	2,981.6	2.953	166.1
Colombia	127.7	2,853.9	2,981.6	2.953	161.2
Costa Rica	18.7	417.1	435.7	0.433	24.5
Dominican Republic	24.9	556.8	581.7	0.577	35.7
Ecuador	24.9	556.8	581.7	0.577	31.9
El Salvador	18.7	417.1	435.7	0.433	22.5
Guatemala	24.9	556.8	581.7	0.577	34.4
Guyana	7.8	153.8	161.6	0.162	8.7
Haiti	18.7	417.1	435.7	0.433	22.9
Honduras	18.7	417.1	435.7	0.433	27.8
Jamaica	24.9	556.8	581.7	0.577	30.2
Mexico	299.0	6,681.3	6,980.3	6.912	329.0
Nicaragua	18.7	417.1	435.7	0.433	25.4
Panama	18.7	417.1	435.7	0.433	26.7
Paraguay	18.7	417.1	435.7	0.433	29.3
Peru	62.3	1,390.7	1,453.0	1.440	84.0
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	58.7
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	2,610.3
Canada³	173.7	7,906.1	8,079.8	4.001	327.2
United States	1,303.0	29,006.7	30,309.7	30.006	5,076.4
Nonregional members					
Austria	6.9	153.7	160.6	0.161	21.0
Belgium	14.2	316.8	331.0	0.329	44.6
China	0.1	2.1	2.2	0.004	131.1
Croatia	2.1	46.4	48.5	0.050	6.2
Denmark	7.3	163.4	170.8	0.171	21.0
Finland	6.9	153.7	160.6	0.161	19.9
France	82.3	1,831.4	1,913.7	1.896	232.8
Germany	82.3	1,831.4	1,913.7	1.896	241.3
Israel	6.8	151.5	158.3	0.158	18.0
Italy	82.3	1,831.4	1,913.7	1.896	227.2
Japan	217.1	4,833.2	5,050.3	5.001	623.3
Korea, Republic of	0.1	2.1	2.2	0.004	1.0
Netherlands	14.6	325.6	340.3	0.338	36.9
Norway	7.3	163.4	170.8	0.171	21.0
Portugal	2.3	51.7	54.0	0.055	7.8
Slovenia	1.3	28.1	29.4	0.031	3.6
Spain	82.3	1,831.4	1,913.7	1.896	226.4
Sweden	14.1	314.8	328.9	0.327	42.2
Switzerland	20.4	454.2	474.7	0.471	66.7
United Kingdom	41.8	929.9	971.7	0.964	183.9
Total nonregional members	692.5	15,416.5	16,109.0	15.979	2,175.9
GRAND TOTAL	\$ 4,339	\$ 100,641	\$ 104,980	100.000	\$ 10,189

¹ Data are rounded; detail may not add up 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 non-voting temporary callable shares with a par value of \$4,039.9 million. These shares are excluded from the calculation of the voting power.

APPENDIX IV. COUNTRY OFFICES AND REPRESENTATIVES

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As of December 31, 2011

APPENDIX V. TEN YEARS OF IDB OPERATIONS, 2002–2011

(In millions of U.S. dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CAPITAL										
Subscriptions (End of Year)										
Ordinary Capital	100,951	100,951	100,951	100,953	100,953	100,953	100,938	104,980	104,980	104,980
Fund for Special Operations	9,636	9,636	9,637	9,639	9,639	9,640	9,636	9,762	10,000	10,189
Other Funds ¹	2,769	2,938	3,026	3,078	2,772	3,274	3,422	4,162	4,459	4,823
Total	113,356	113,525	113,614	113,670	113,364	113,867	113,996	118,904	119,439	119,872
BORROWINGS²										
Outstanding (End of Year)	46,859	48,112	46,190	43,999	43,959	44,854	44,624	57,641	61,124	59,630
Gross Annual Borrowings	9,340	9,109	4,710	4,937	5,419	6,089	11,069	17,886	13,719	6,798
OPERATIONS										
Loans and Guarantees Approved (Cumulative)³										
Ordinary Capital ⁴	100,834	110,436	116,799	117,804	124,580	135,006	148,991	162,533	176,180	186,041
Fund for Special Operations	15,774	16,652	17,391	17,486	18,257	18,525	18,519	18,870	19,054	19,204
Other Funds ⁵	1,736	1,769	1,747	1,743	1,751	1,772	1,755	1,768	1,791	1,877
Total	118,344	128,857	135,937	137,033	144,588	155,303	169,265	183,171	197,025	207,122
Loans and Guarantees Approved (Annual)⁶										
Ordinary Capital ^{4,6}	4,143	6,232	5,468	6,448	5,632	8,577	11,085	15,278	12,136	10,400
Fund for Special Operations	406	578	552	410	605	152	138	228	297	181
Other Funds ⁵	—	—	—	—	2	6	3	1	31	90
Total	4,549	6,810	6,020	6,858	6,239	8,735	11,226	15,507	12,464	10,671
Loan Disbursements (Annual)⁷										
Ordinary Capital ⁴	5,522	8,416	3,768	4,899	6,088	6,725	7,149	11,424	10,341	7,902
Fund for Special Operations	313	486	463	424	398	393	415	414	398	368
Other Funds ⁵	2	—	1	5	3	6	44	13	34	—
Total	5,837	8,902	4,232	5,328	6,489	7,124	7,608	11,851	10,773	8,270
Loan Repayments (Annual)^{6,7}										
Ordinary Capital	4,106	7,279	5,199	5,224	8,615	5,265	4,740	4,542	5,598	4,601
Fund for Special Operations	256	296	294	301	290	275	229	220	214	195
Other Funds	13	12	9	5	3	4	4	5	5	6
Total	4,375	7,587	5,502	5,530	8,908	5,544	4,973	4,767	5,817	4,802
Loans Outstanding										
Ordinary Capital	47,958	50,655	49,842	48,135	45,932	47,954	51,173	58,049	63,007	66,130
Fund for Special Operations	6,198	6,670	6,971	6,878	3,733	3,966	4,101	4,317	4,004	4,162
Other Funds	118	104	98	94	94	96	126	135	156	142
Total	54,274	57,429	56,911	55,107	49,759	52,016	55,400	62,501	67,167	70,456
Grant Financings Approved (Annual)⁸										
Ordinary Capital	—	—	—	12	34	37	68	94	86	93
Fund for Special Operations	36	30	36	36	28	34	43	33	36	—
IDB Grant Facility ⁹	—	—	—	—	—	50	50	122	251	241
Other Funds	45	47	39	57	53	92	109	283	457	311
Total	81	77	75	105	115	213	270	532	830	645
Multilateral Investment Fund Operations Approved (Annual)¹⁰										
	99	69	116	114	125	135	178	119	122	108
ADMINISTRATION										
Administrative Expenses										
Total—All Bank Funds	376	386	404	473	507	564	501	542	584	618

¹ Includes the Multilateral Investment Fund. Excludes terminated funds.

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. Includes Project Preparation Execution Facility.

⁵ Does not include IDB Grant Facility.

⁶ In 2009, includes \$800 million of loan approvals cancelled during the year.

⁷ Based on original amounts in U.S. dollar equivalent.

⁸ Includes Social Entrepreneurship Program financing, technical cooperations, special program, project specific and other grants. Excludes Multilateral Investment Fund operations which are presented separately.

⁹ In 2010, excludes \$144 million of undisbursed loan balances transferred from the Fund for Special Operations converted to grants.

¹⁰ Includes technical cooperations, loans and equity investments. Also includes increases of already existing operations.

INTERNATIONAL STAFF—SALARY STRUCTURE

(as of December 31, 2011)

(In U.S. dollars)

Grade	Representative Job Titles	Minimum	Maximum	Staff at Grade Level (%)	Average Salary/ Grade	Average Benefits ¹
12	Administrative Support	\$ 36,912	\$ 59,060	0.3	\$ 42,158	\$ 17,706
11	Assistant	41,109	65,775	2.3	50,502	21,211
10	Senior Assistant	47,188	75,501	5.5	61,507	25,833
9	Analyst—Administrative Coordinator	58,522	87,783	3.6	72,279	30,357
8	Senior Analyst—Senior Administrative Coordinator	66,054	99,081	4.5	79,994	33,598
7	Associate	75,301	112,951	5.8	84,006	35,282
6	Senior Associate	84,755	127,132	10.2	92,614	38,898
5	Specialist	94,914	142,371	16.5	104,392	43,845
4	Senior Specialist	104,178	166,684	19.4	121,147	50,882
3	Lead Specialist/Advisor	118,403	189,446	17.3	147,391	61,904
2	Unit Chief—Principal Specialist/Senior Advisor	141,875	212,812	6.9	177,623	74,602
1	Division Chief—Principal Tech. Leader/Principal Advisor	162,106	235,054	3.7	201,733	84,728
R	Country Representative	162,106	250,218	1.4	198,094	83,199
E5	Sector Manager	200,174	250,218	1.3	230,167	96,670
E4	Head of Independent Office	225,353	281,691	0.1	278,034	116,774
E3	General Manager	256,004	320,005	1.0	288,333	121,100
E2	Vice President	274,358	329,229	0.3	311,206	130,706
E1	Executive Vice President	292,257	350,708	0.1	350,708	147,297
P	President		428,792 ²	0.1	428,792	180,093

¹ Includes annual leave, medical, life and disability insurance; accrued termination benefits; and other non-salary benefits.

² Does not include Executive Allowance of \$76,740.

CONSOLIDATED ADMINISTRATIVE EXPENSES

(In millions of U.S. dollars)

Category	2009 Actual	2010 Actual	2011 Actual
Board of Governors	\$ 4.0	\$ 3.3	\$ 4.0
Board of Executive Directors	19.2	20.0	20.1
Evaluation Office	7.2	7.1	7.1
Independent Consultation and Investigation Mechanism (MEC)	—	—	1.7
Headquarters and Country Offices	482.8	524.2	552.4
Total Administrative Gross^{1,2,3,4,5}	513.2	554.6	585.3
Reimbursement from Funds under Administration and IIC	(4.0)	(4.1)	(5.6)
MIF and INTAL Reimbursements, Administrative Income	(5.2)	(5.8)	(4.6)
Total Administrative Net	504.0	544.7	575.1
Capital	25.9	41.9	29.8
Total Administrative Net and Capital	\$529.9	\$586.6	\$604.9

¹ Excludes depreciation of \$20.7 million, \$22.6 million and \$24.8 million in 2009, 2010, and 2011, respectively.

² Includes an increase in prepaid post-retirement benefit costs of \$9.0 million and \$2.6 million in 2009 and 2010, respectively; excludes a decrease in prepaid post-retirement benefit costs of \$4.7 million in 2011.

³ Excludes \$4.0 million in expenses in 2009, related to prior years.

⁴ When applicable, excludes \$14.2 million, \$2.4 million and \$4.1 million in realignment expenses, the Inter-American Culture and Development Foundation, the IDB's 50th anniversary, loss on disposal of fixed assets, and capital project expenditures not capitalized in 2009, 2010, and 2011, respectively.

⁵ Includes prepaid expenses of \$5.5 million, \$2.2 million, and \$1.8 million in 2009, 2010, and 2011, respectively.

PRINCIPAL OFFICERS

President	Luis Alberto Moreno
Executive Vice President	Julie T. Katzman
Vice President for Countries	Roberto Vellutini
Vice President for Sectors and Knowledge	Santiago Levy Algazi
Vice President for Finance and Administration	Jaime Alberto Sujoy
Vice President for Private Sector and Non-Sovereign Guaranteed Operations	Steven J. Puig
General Manager and Chief Economist a.i., Department of Research and Chief Economist	Eduardo Lora
General Manager, Country Department—Southern Cone	Carlos Hurtado López
General Manager, Country Department—Andean Group	Veronica Zavala
General Manager, Country Department—Central America, Mexico, Panama, and the Dominican Republic	Gina Montiel
General Manager, Country Department—Caribbean	Gerard S. Johnson
General Manager, Country Department—Haiti	José Agustín Aguerre
Secretary	Germán Quintana
General Counsel a.i.	John Scott
Chief of Staff, Office of the Presidency	Luis Alberto Giorgio
Chief Advisor to the Executive Vice President	Juan Pablo Bonilla
General Manager and Chief Financial Officer, Finance Department	Edward Bartholomew
General Manager and Chief Development Effectiveness Officer, Office of Strategic Planning and Development Effectiveness	Luis Estanislao Echebarría
General Manager, Budget and Administrative Services Department	Yeshvanth Edwin
General Manager, Structured and Corporate Finance Department	Hans Schulz
General Manager, Human Resources Department	Claudia Bock-Valotta
General Manager and Chief Information Officer, Information Technology Department	Simon Gauthier
General Manager, Office of the Multilateral Investment Fund	Nancy Lee
Executive Auditor a.i.	Enrique Rodríguez
Advisor, Office of External Relations	George de Lama
Sector Manager, Infrastructure and Environment Sector	Alexandre Meira da Rosa
Sector Manager, Social Sector	Kei Kawabata
Sector Manager, Institutional Capacity and Finance Sector	Ana Maria Rodriguez-Ortiz
Sector Manager, Integration and Trade Sector	Antoni Estevadeordal
Sector Manager, Knowledge and Learning Sector	Graciela Schamis
Sector Manager, Opportunities for the Majority Sector	Luiz Ros
Advisor, Office of Outreach and Partnerships	Bernardo Guillamón
Advisor, Office of Risk Management and Chief Risk Officer	Gustavo De Rosa
Chief, Office of Institutional Integrity	Brigida Benítez

As of December 31, 2011

GOVERNORS AND ALTERNATE GOVERNORS

Country	Governor	Alternate Governor
ARGENTINA	Hernán Lorenzino	Mercedes Marcó del Pont
AUSTRIA	Maria Fekter	Edith Frauwallner
BAHAMAS	Zhivargo S. Laing	Ehurd Cunningham
BARBADOS	Christopher Peter Sinckler	Grantley W. Smith
BELGIUM	Steve Vanackere	Franciscus Godts
BELIZE	Dean Barrow	Joseph Waight
BOLIVIA	Elba Viviana Caro Hinojosa	Luis Alberto Arce Catacora
BRAZIL	Miriam Aparecida Belchior	Carlos Augusto Vidotto
CANADA	John Baird	James Haley
CHILE	Felipe Larraín	Julio Dittborn
CHINA	Xiaochuan Zhou	Yi Gang
COLOMBIA	Juan Carlos Echeverry Garzón	Hernando José Gómez Restrepo
COSTA RICA	Fernando Herrero Acosta	Rodrigo Bolaños Zamora
CROATIA	Dalic Martina	Zdravko Maric
DENMARK	Susan Ulbæk	Thomas Djurhuus
DOMINICAN REPUBLIC	Daniel Toribio	Juan T. Montás
ECUADOR	Patricio Rivera Yáñez	Jeannette Sánchez Zurita
EL SALVADOR	Alexander E. Segovia Cáceres	Carlos Enrique Cáceres Chávez
FINLAND	Anne Sipiläinen	Jorma Julin
FRANCE	François Baroin	Ramón Fernández
GERMANY	Gudrun Kopp	Martin Dippl
GUATEMALA	Alfredo Del Cid Pinillos	Edgar Baltazar Barquín Durán
GUYANA	Ashni Kumar Singh	
HAITI	André Lemercier Georges	Jude Hervey Day
HONDURAS	William Chong Wong	María Elena Mondragón Ordóñez
ISRAEL	Stanley Fischer	Oded Brook
ITALY	Mario Monti	Ignazio Visco
JAMAICA	Audley Shaw	Wesley Hughes
JAPAN	Jun Azumi	Masaaki Shirakawa
KOREA, REPUBLIC OF	Jaewan Bahk	Choongsoo Kim
MEXICO	José Antonio Meade Kuribreña	Gerardo Rodríguez Regordosa
NETHERLANDS	Ben Knapen	Yoka Brandt
NICARAGUA	Alberto J. Guevara Obregón	Manuel Coronel Novoa
NORWAY	Ingrid Fiskaa	Aud Lise Nordheim
PANAMA	Frank De Lima Gercich	Mahesh C. Khemlani
PARAGUAY	Dionisio Borda	Manuel Vidal Caballero Giménez
PERU	Luis Miguel Castilla Rubio	Carlos Augusto Oliva Neyra
PORTUGAL	Vitor Gaspar	Maria Luís Albuquerque
SLOVENIA	Franc Krizanic	Mitja Mavko
SPAIN	Elena Salgado	José Manuel Campa Fernández
SURINAME	Gillmore Hoefdraad	Adelien Wijnerman
SWEDEN	Johan Borgstam	Per Örneus
SWITZERLAND	Beatrice Maser Mallor	Sybille Suter
TRINIDAD AND TOBAGO	Winston Dookeran	Bhoendradatt Tewarie
UNITED KINGDOM	Andrew Mitchell	Alan Duncan
UNITED STATES	Timothy F. Geithner	Robert D. Hormats
URUGUAY	Fernando Lorenzo	Luis Porto
VENEZUELA	Jorge A. Giordani C.	Alí Rodríguez Araque

As of December 31, 2011

EXECUTIVE DIRECTORS AND ALTERNATE EXECUTIVE DIRECTORS

			Number of votes	Percentage of voting power
Yasuhiro Atsumi, JAPAN Gerry Duffy (Alternate), UNITED KINGDOM	Elected by: Croatia Japan Korea, Republic of	Portugal Slovenia United Kingdom	511,113	6.105
Mattia Adani, ITALY Ulrike Metzger (Alternate), GERMANY	Elected by: Belgium China Germany Israel	Italy Netherlands Switzerland	426,523	5.092
Gustavo Arnavat, UNITED STATES Vacant (Alternate), UNITED STATES	Appointed by: United States		2,512,664	30.006
Adina Bastidas, VENEZUELA Antonio De Roux (Alternate), PANAMA	Elected by: Panama	Venezuela	518,658	6.194
Richard Bernal, JAMAICA Kurt Kisto (Alternate), TRINIDAD AND TOBAGO	Elected by: Bahamas Barbados Guyana	Jamaica Trinidad and Tobago	126,574	1.511
Marcelo Bisogno, URUGUAY Luis Hernando Larrazábal (Alternate), BOLIVIA	Elected by: Bolivia Uruguay	Paraguay	205,291	2.452
Eugenio Díaz-Bonilla, ARGENTINA Martín Bès (Alternate), ARGENTINA	Elected by: Argentina	Haiti	936,545	11.184
Alejandro Foxley Tapia, CHILE Xavier Eduardo Santillán (Alternate) ECUADOR	Elected by: Chile Ecuador		295,653	3.530
Carmen María Madrí, COSTA RICA Vacant (Alternate)	Elected by: Belize Costa Rica El Salvador	Guatemala Honduras Nicaragua	202,692	2.420
Vacant Sérgio Portugal (Alternate), BRAZIL	Elected by: Brazil	Suriname	907,766	10.840
Cecilia Ramos Ávila, MEXICO Muriel Alfonseca (Alternate) DOMINICAN REPUBLIC	Elected by: Dominican Republic Mexico		627,122	7.489
María Pérez Ribes, SPAIN Orla Bakdal (Alternate), DENMARK	Elected by: Austria Denmark Finland France	Norway Spain Sweden	400,427	4.783
Roberto Prieto Uribe, COLOMBIA Juan Valdivia Romero (Alternate), PERU	Elected by: Colombia Peru		367,878	4.393
Vinita Watson, CANADA Carol Nelder-Corvari (Alternate), CANADA	Elected by: Canada		335,022	4.001
TOTAL			8,373,928	100.00*

Office of Evaluation and Oversight

Cheryl W. Gray, Director

As of December 31, 2011

* The total may not add up due to rounding.

CHANNELS OF COMMUNICATION AND DEPOSITORIES

Member Country	Channel of Communication	Depository
ARGENTINA	Ministerio de Economía y Finanzas Públicas	Banco Central de la República Argentina
AUSTRIA	Federal Ministry of Finance	Österreichische Nationalbank
BAHAMAS	Federal Ministry of Finance	Central Bank of The Bahamas
BARBADOS	Ministry of Economic Development	Central Bank of Barbados
BELGIUM	Ministère des Finances	Banque Nationale de Belgique
BELIZE	Financial Secretary Ministry of Finance	Central Bank of Belize
BOLIVIA	Banco Central de Bolivia	Banco Central de Bolivia
BRAZIL	Ministério do Planejamento, Orçamento e Gestão	Banco Central do Brasil
CANADA	International Financial Institutions, Multilateral Programs Branch, Canadian International Development Agency	Bank of Canada
CHILE	Ministerio de Hacienda	Banco Central de Chile
CHINA	People's Bank of China	People's Bank of China
COLOMBIA	Ministerio de Hacienda y Crédito Público	Banco de la República
COSTA RICA	Ministerio de Relaciones Exteriores	Banco Central de Costa Rica
CROATIA	Ministry of Finance	National Bank of Croatia
DENMARK	Danish International Development Agency (DANIDA)	Danmarks Nationalbank
DOMINICAN REPUBLIC	Banco Central de la República Dominicana	Banco Central de la República Dominicana
ECUADOR	Ministerio de Economía y Finanzas	Banco Central del Ecuador
EL SALVADOR	Secretaría Técnica de la Presidencia	Banco Central de Reserva de El Salvador
FINLAND	Ministry for Foreign Affairs	Bank of Finland
FRANCE	Ministère de l'Économie, des finances et de l'emploi	Banque de France
GERMANY	Federal Ministry for Economic Cooperation and Development	Deutsche Bundesbank
GUATEMALA	Banco de Guatemala	Banco de Guatemala
GUYANA	Ministry of Finance	Bank of Guyana
HAITI	Banque de la République d'Haïti	Banque de la République d'Haïti
HONDURAS	Banco Central de Honduras	Banco Central de Honduras
ISRAEL	Bank of Israel	Bank of Israel
ITALY	Ministry of the Economy and Finance	Banca d'Italia
JAMAICA	Ministry of Finance and Planning	Bank of Jamaica
JAPAN	Ministry of Finance	Bank of Japan
KOREA, REPUBLIC OF	Ministry of Strategy and Finance	Bank of Korea
MEXICO	Secretaría de Hacienda y Crédito Público	Banco de México
NETHERLANDS	Ministry of Finance	De Nederlandsche Bank N.V.
NICARAGUA	Ministerio de Hacienda y Crédito Público	Banco Central de Nicaragua
NORWAY	Royal Norwegian Ministry of Foreign Affairs	Bank of Norway
PANAMA	Ministerio de Economía y Finanzas	Banco Nacional de Panamá
PARAGUAY	Banco Central del Paraguay	Banco Central del Paraguay
PERU	Banco Central de Reserva del Perú	Banco Central de Reserva del Perú
PORTUGAL	Ministério das Finanças e da Administração Pública	Banco de Portugal
SLOVENIA	Ministry of Finance	Bank of Slovenia
SPAIN	Subdirección General de Instituciones Financieras Multilaterales, Ministerio de Economía	Banco de España
SURINAME	Ministry of Finance	Central Bank van Suriname
SWEDEN	Ministry for Foreign Affairs, Department for International Development Co-operation	Sveriges Riksbank
SWITZERLAND	Office fédéral des affaires économiques extérieures	Banque Nationale Suisse
TRINIDAD AND TOBAGO	Central Bank of Trinidad and Tobago	Central Bank of Trinidad and Tobago
UNITED KINGDOM	Department for International Development	Bank of England
UNITED STATES	Treasury Department	Federal Reserve Bank of New York
URUGUAY	Ministerio de Economía y Finanzas	Banco Central del Uruguay
VENEZUELA	Ministerio de Planificación y Desarrollo	Banco Central de Venezuela

As of December 31, 2011

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