

we're here: latin america and the caribbean



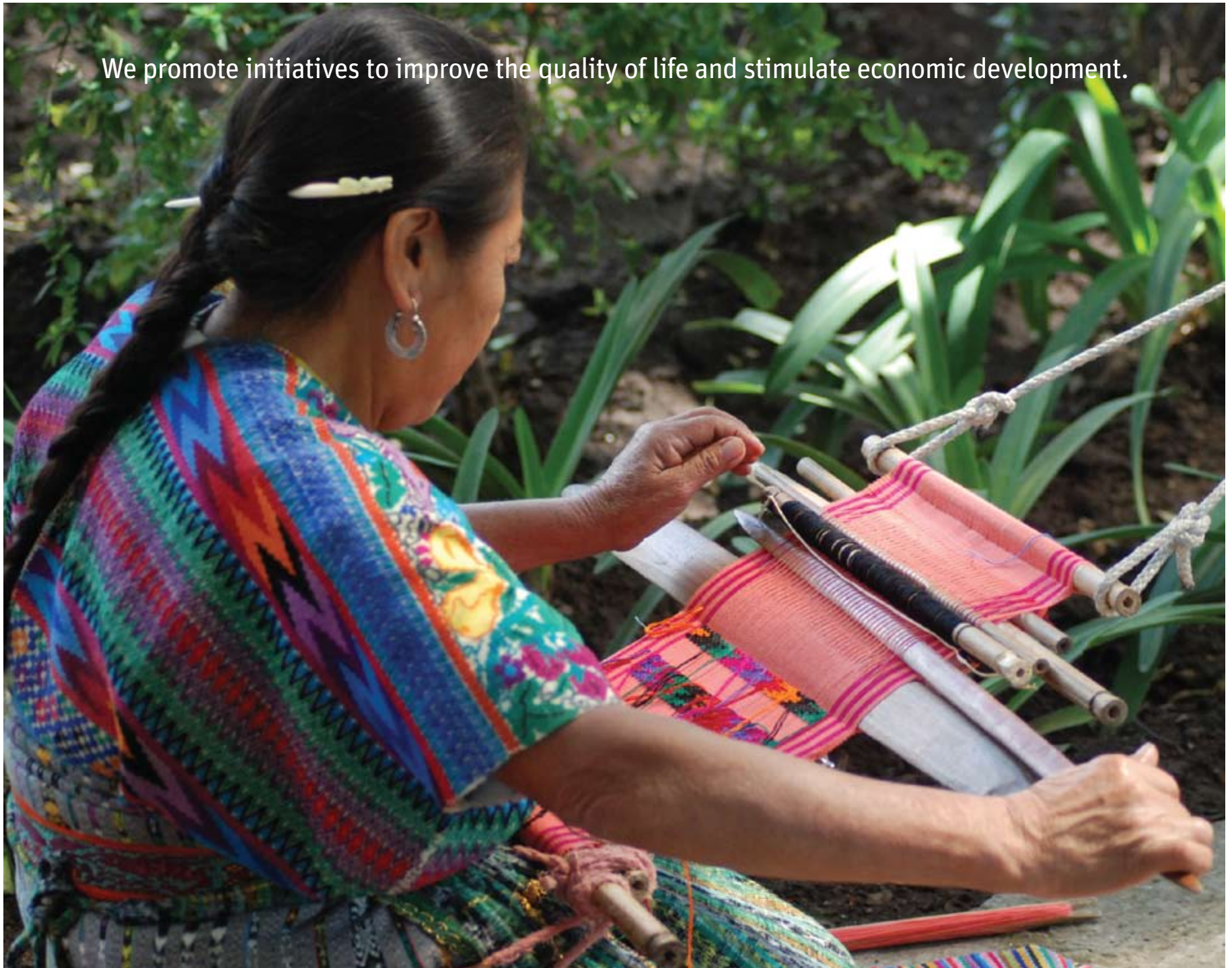
We're Latin America and the Caribbean's principal partner for development.



THE IDB

- » 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 is the main source of multilateral financing for Latin America and the Caribbean. Established in 1959, the IDB promotes the economic and social development of the region's countries.
- » Of the IDB's 48 member countries, 26 are borrowing countries from Latin America and the Caribbean.
- » Together, the countries of Latin America and the Caribbean have 50.02 percent of the voting power on the Bank's board.
- » The Bank uses the resources of its Ordinary Capital, which currently totals \$101 billion, for most of its lending operations. The Fund for Special Operations provides resources for the region's poorest countries.
- » In recent years, the IDB has approved an average of \$10 billion annually to finance projects in key sectors such as infrastructure, energy, water, education, and health.
- » Most of the IDB's loans finance public sector projects although a significant portion of its operations are directed to the private sector.
- » The Inter-American Investment Corporation annually provides an average of \$400 million in loans and guarantees to small and medium-sized enterprises in the region.
- » The Multilateral Investment Fund, which promotes microfinance in Latin America and the Caribbean, provides the sector with an average of \$100 million annually in grants.

We promote initiatives to improve the quality of life and stimulate economic development.



WHO WE ARE

What do the Panama Canal, Venezuela's Youth Orchestras, the Favela-Bairro program in Rio de Janeiro, and Haiti's microfinance institution Fonkoze have in common? They have all received support from the Inter-American Development Bank, Latin America and the Caribbean's main source of multilateral financing.

Established in 1959 with the goal of promoting economic and social development, the IDB functions like a large cooperative. Thanks to the contributions of its member countries, the IDB provides credit under terms and conditions that are advantageous for its clients. Besides offering financial resources, the IDB promotes knowledge creation on topics relevant to the region's development.

Throughout its 50-year history, the IDB has proven to be an innovative institution and a reliable partner for Latin America and the Caribbean. It has pioneered efforts to fund social programs that improve quality of life and reduce poverty. Current key initiatives for the progress of its borrowing member countries include the modernization of infrastructure, the development of alternative sources of energy, and universal access to clean water and sanitation.

OUR MEMBERS

The IDB belongs to its 48 member countries, 26 of which are borrowing members: Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay, and Venezuela. The IDB's nonborrowing members include Canada, Israel, Japan, the People's Republic of China, the Republic of Korea, the United States, and 16 European countries: Austria, Belgium, Croatia, Denmark, Finland, France, Germany, Italy, The Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, Switzerland, and the United Kingdom.

Each country's voting power is determined by its contributions to the Bank's Ordinary Capital, the IDB's main source of funding. Unlike most of the other international financial institutions, the Bank's borrowing member countries hold a majority of its shares and have majority voting power on the Bank's Board of Executive Directors (50.02 percent of the vote).

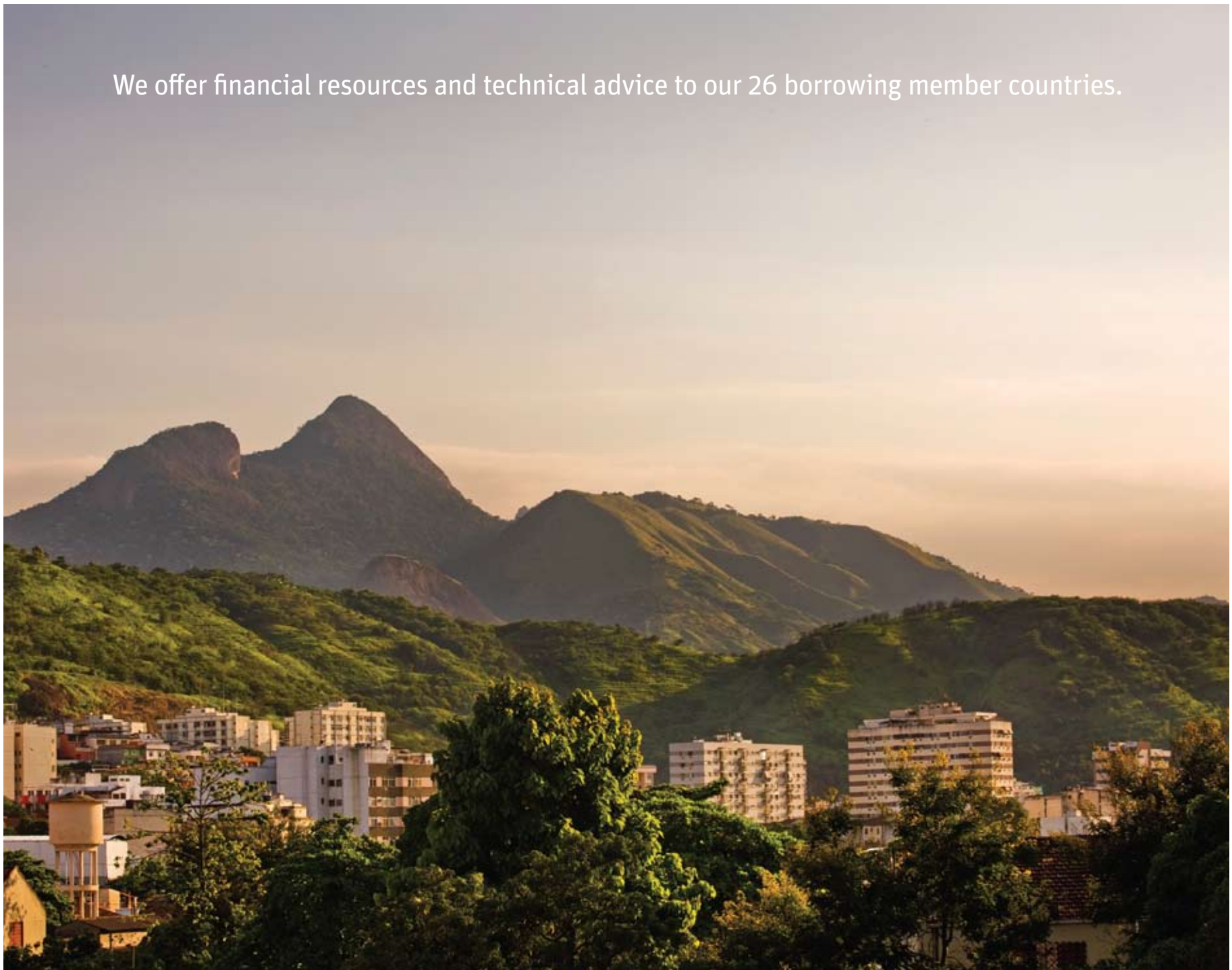
HOW WE ARE MANAGED

The IDB's highest authority is its Board of Governors, made up of representatives from each of the 48 member countries. Most governors are finance ministers or central bank presidents. The Board of Governors holds an annual meeting to approve the Bank's financial statements and review major policy decisions.

The Board of Executive Directors, composed of 14 representatives from the member countries, oversees the Bank's day-to-day operations. Directors approve country and sector strategies, operational policies, and loans. They also set interest rates for Bank loans, authorize borrowings in the capital markets, and approve the institution's administrative budget.

The IDB president, elected by the Board of Governors for a five-year term, manages the Bank's operations and administration together with an executive vice president and four vice presidents.

We offer financial resources and technical advice to our 26 borrowing member countries.



WHAT WE DO

As Latin America and the Caribbean's main partner for economic, social, and institutional development, the IDB provides financial resources as well as policy and technical advice to the governments, businesses, and civil society organizations of its 26 borrowing member countries.

The IDB offers its clients a variety of financial instruments: loans for public and private sector investment projects, for policy reforms, and for helping countries cope with financial crises. The Bank also provides partial credit guarantees and grants for technical cooperation and recovery from natural disasters.

Working hand in hand with its borrowing member countries, the IDB develops and supports programs and projects in a variety of sectors that are critical for achieving sustainable and equitable development. The IDB focuses its efforts in the following areas, considered priorities by its clients: infrastructure, sustainable energy and climate change, water and sanitation, and education. The Bank also supports initiatives that address structural problems.

HOW WE ARE FINANCED

» **ORDINARY CAPITAL:** source of the majority of loans for the public sector, the Bank's Ordinary Capital totals \$101 billion. The resources include paid-in and callable capital subscribed by IDB member countries, as well as reserves and funds borrowed in international markets.

» **FUND FOR SPECIAL OPERATIONS:** the Fund's resources are used for grants and subsidized loans for the region's weakest economies. Since its creation, member countries have contributed a total of \$10 billion. In 2008, the Fund's assets totaled \$6.3 billion.

» **FUNDS IN ADMINISTRATION:** the IDB administers 44 trust funds, established with donations from individual member countries or groups of countries. They are an important source of funding for technical cooperation programs that finance project design, sustainability assessments, training, and capacity building in borrowing countries.

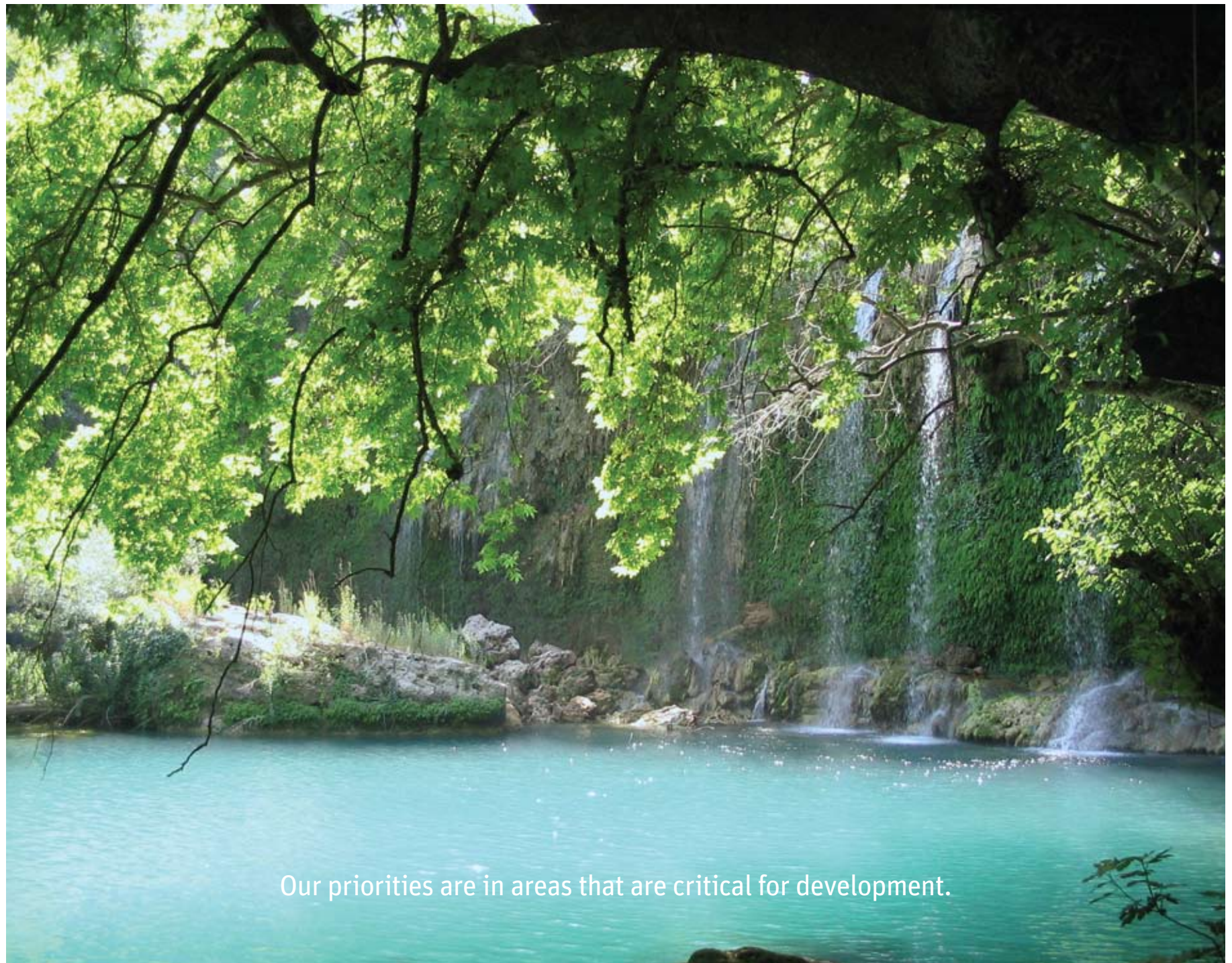
» **BORROWINGS:** in 2008, the IDB issued \$11.1 billion in bonds to finance loans with its Ordinary Capital as backing. Thanks to its triple-A rating, the highest available, the IDB can issue debt at low cost and lend resources to its clients at preferential interest rates.

WHERE WE OPERATE

The IDB is headquartered in Washington, D.C. and has offices in each of its 26 borrowing member countries. The Country Offices play an essential role in the identification and preparation of new projects as well as the execution and evaluation of ongoing initiatives.

The IDB's offices in Paris and Tokyo work with European and Asian governments, firms, and nongovernmental organizations interested in Latin America and the Caribbean's development.

The IDB has a staff of close to 2,000 employees. Historically, the majority of staff has been located in Washington. However, the Bank is currently implementing a decentralization effort aimed at placing more specialists on the ground in order to facilitate closer cooperation with clients. When the process concludes, half of all staff will be stationed in the borrowing countries.



Our priorities are in areas that are critical for development.

PRIORITY AREAS

In order to achieve a greater impact on development, the IDB has identified the following priority areas for action:

INFRASTRUCTURE

Infrastructure is instrumental in facilitating access to international markets and promoting regional integration. Most of the region's countries need to increase their investments in order to compete with other regions of the world. A majority of Latin American and Caribbean firms identify inadequate infrastructure as an obstacle to their development.

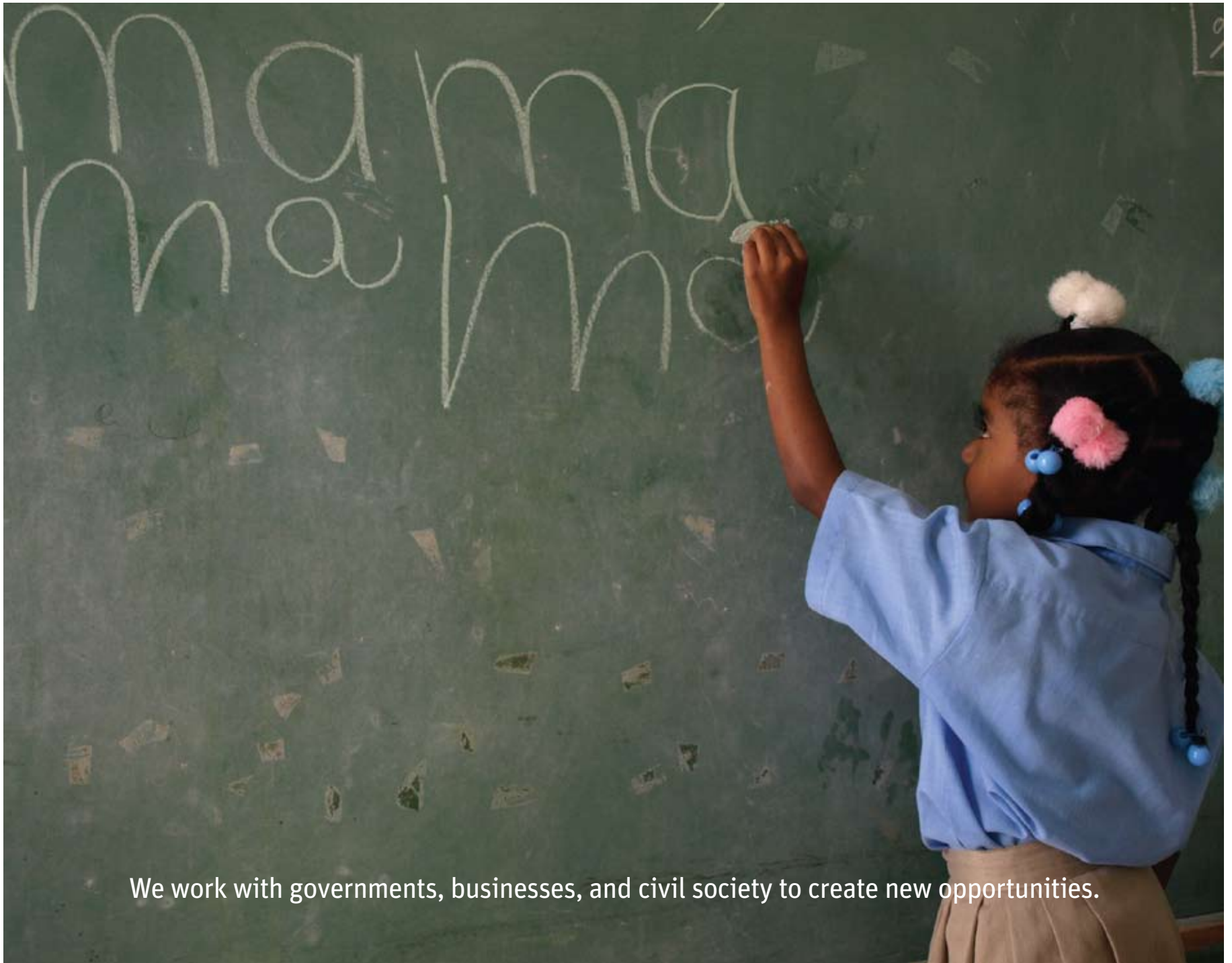
The IDB funds infrastructure projects in transportation, energy, rural development, and disaster prevention. Projects include the construction of roads and bridges, electric grids, pipelines, and irrigation systems.

The IDB's InfraFund, with resources totaling \$30 million, facilitates investments in infrastructure throughout the region. The funds are invested in feasibility studies for public and private sector projects. Its objective is to support projects with greater probabilities of obtaining capital and attaining development goals.

WATER AND SANITATION

Despite the region's achievements in expanding water and sanitation coverage over the past five decades, there are still millions of people in Latin America and the Caribbean who lack access to these services. To help close this gap, the IDB has launched an ambitious program to catalyze investment financing and technical assistance for cities of more than 50,000 people. The program also supports communities that seek to run their local water and sanitation systems. It supports programs that protect water sources and invests in improving the efficiency and transparency of companies that manage water and sewer services.

Through its AquaFund and related initiatives, the IDB expects to facilitate investment in water and sanitation (including solid waste) and guarantee sustainable, high-quality access to these services.



We work with governments, businesses, and civil society to create new opportunities.

SUSTAINABLE ENERGY AND CLIMATE CHANGE

Like other developing regions, Latin America and the Caribbean faces a growing demand for energy. In addition, the impacts of uncontrolled climate change threaten to undermine the region's economic and social well-being, increasing its vulnerability to natural disasters. The IDB's Sustainable Energy and Climate Change Initiative (SECCI) was created to help member countries meet these challenges.

SECCI's core objectives are to expand the development and use of renewable energy sources such as wind and biofuels; promote energy-efficient technologies and practices, and carbon finance; and finance climate change adaptation strategies that reduce the region's climate vulnerability.

EDUCATION

Despite the region's achievements in expanding school coverage, improving the quality of education and equal access to schools remain important challenges. The IDB works with the region's countries in developing solutions to these problems, providing financial, technical and research tools, a platform for exchanging knowledge and experiences, as well as access to a broad network of experts. Education projects supported by the IDB are focused on three priority areas. The first is quality of teachers, due to their role in improving school performance. The second is early childhood development, which contributes to the realization of a child's full potential. And the third is school-to-work transition, helping adolescents acquire the skills necessary to be successful in the job market.

OPPORTUNITIES FOR THE MAJORITY

Seventy percent of the region's citizens, or 360 million people, earn the equivalent of \$10 a day. Even though the combined annual resources of these consumers and producers amount to \$500 million, few companies cater to the needs of people at the base of the socioeconomic pyramid. In order to increase citizens' access to the benefits of economic and social development, the IDB launched its Opportunities for the Majority Initiative. It promotes business models that bring corporations, local governments, and civil society organizations together in the tasks of providing low-income citizens with high-quality products and services, employment alternatives, and the possibility of participating in the formal economy.

We work with firms large and small.



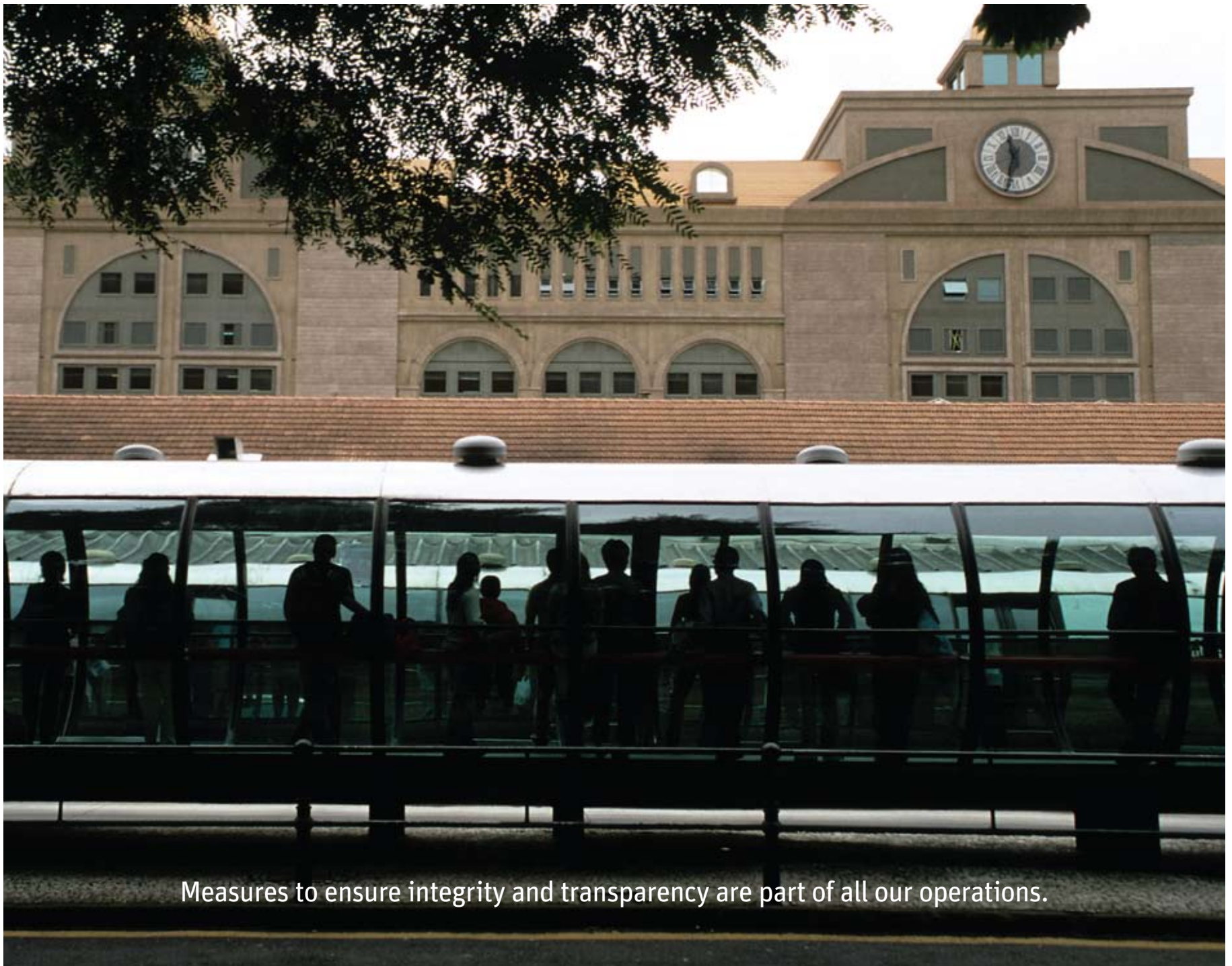
PRIVATE SECTOR PARTNERS

The IDB supports the development of the private sector and employment generation in Latin America and the Caribbean. The Bank provides funding for firms of all sizes, from large enterprises to small-scale entrepreneurs. Private sector companies can now borrow up to \$200 million (up to \$400 million in exceptional cases) for financing projects in a broad array of sectors.

The Inter-American Investment Corporation (IIC) specializes in financing small and medium-sized enterprises, the region's main source of employment. The IIC assigns priority to countries where micro-, small, and medium-sized enterprises have limited access to credit and capital markets. It also aims to stimulate exports and facilitate access to new technology. Its financial instruments include direct

loans, capital investments, credit lines for financial institutions and capital markets deals. With an authorized capital of \$706 million, the IIC can leverage its resources to offer \$2.9 billion in financing. In 2008, the IIC approved just over \$300 million worth of new operations.

Since it was established in 1993, the Multilateral Investment Fund has played a leading role in the development of microenterprise and microfinance in the region. The MIF, which is administered by the IDB, has mobilized over \$2.5 billion for projects that improve business registries, promote the competitiveness of micro- and small enterprises, and foster the creation of production chains. The MIF is also a pioneer in research related to the economic impact of remittances.



Measures to ensure integrity and transparency are part of all our operations.

BUSINESS OPPORTUNITIES

The IDB's loans and technical cooperation grants generate more than 12,000 contracts annually for the supply of goods, services, and civil works related to development projects in Latin America and the Caribbean. Contracts are open to businesses, organizations, and experts from the IDB member countries.

The IDB does not manage the purchases and contracts derived from the operations it finances. Project implementation and administration are the responsibility of borrowers. The IDB does, however, supervise procurement and contracting to guarantee compliance with its policies and procedures.

IDB loans finance the construction, rehabilitation, expansion or improvement of public office buildings, schools, hospitals, and factories; supply of clean water and sewerage; natural gas and irrigation systems; plants and networks for the generation, transmission, and distribution of electricity; roads, ports, airports, railways, and bus stations.

Consulting services financed with IDB resources include economic, financial, technical, and environmental feasibility studies; project design, monitoring, and evaluation; planning, supervising, and managing infrastructure projects; legal analysis and audits; training; and document preparation for contracts and bids.

RESEARCH

The IDB prepares research and working papers on a variety of themes related to the economic, social, and institutional development of Latin America and the Caribbean. Its flagship publication, *Development in the Americas*, presents comparative data and analysis on the most relevant development issues facing Latin America and the Caribbean today. In the past, labor markets, quality of life, and migration, have been among the topics analyzed.

The IDB also sponsors research networks to promote knowledge sharing and policy debate throughout Latin America and the Caribbean on themes such as labor, education, international trade, regional integration, environment, natural disasters, public administration, and poverty reduction.

INTEGRITY

Conscious of the risks posed by corruption, fraud and abuses, the IDB enforces policies and control mechanisms in all the projects it finances as well as in the activities of its employees, who are expected to meet the highest standards of integrity.

The financial and operational aspects of IDB-financed projects are subject to internal inspection and external audits in order to guarantee the appropriate use of resources, and to make sure that executing agencies and contractors meet their contractual obligations.

The Office of Institutional Integrity investigates allegations of corruption, fraud, and abuse in projects financed by the IDB as well as cases of misconduct among its employees. Administrative sanctions, such as barring contractors from participating in projects financed by the IDB, can be applied. In cases in which a legal violation has taken place, the IDB can refer information to national authorities.

The Office of Evaluation and Oversight, which reports to the Board of Executive Directors, systematically reviews the Bank's policies, strategies, programs, instruments, and activities. The office also evaluates the performance and sustainability of projects that have concluded. Its analysis, conclusions, and recommendations are independent from the activities of IDB management.

The Independent Investigation Mechanism allows those groups affected by IDB-financed projects to ask for a verification of whether the Bank's operational policies were followed in the design and implementation of a project.



SUCCESSFUL **PROJECTS**

WATER

The COSMOL cooperative, which provides water and sewer services to the Bolivian city of Montero, faced a significant challenge. Its management team had secured \$6.4 million in IDB financing for the expansion of its sewer system but required another \$1.7 million to undertake the project, which would improve water and sanitation conditions for the community's 100,000 citizens.

Although COSMOL's customers are partners in the company, many were unwilling to pay the \$2 monthly surcharge to help finance the project. As a result, many customers fell behind on their payments and the sewer expansion became stalled.

Finally, the company's new manager worked out a highly effective, albeit unconventional solution to the problem, with one of the IDB's specialists. COSMOL offered a basic health insurance policy to those clients who paid their bills on time. Since half of Montero's population lacked health insurance, the proposal was quickly accepted. As a result, the cooperative was able to provide the share of funds needed to carry out the sewer expansion project.

Today, nearly 100 percent of Montero's population has health insurance and receives water service. The sewer network covers 65 percent of the city, especially in the areas where most of the population is concentrated.

HUMAN CAPITAL

Conditional cash transfer programs, one of the most effective ways of halting the intergenerational cycle of poverty, had their beginnings in Mexico. The IDB has made an effort to replicate this successful model in other Latin American and Caribbean countries.

The concept is simple: instead of offering subsidized goods or services to the entire population, conditional cash transfers like the Oportunidades program in Mexico give cash to women who are heads of household. In order to receive the benefits, the families must meet certain requirements related to education, health, and nutrition. They must keep their children enrolled in school, take them to periodic medical visits, and make sure they consume the micronutrients that guarantee healthy growth and development during the early stages of childhood.

In addition to the billions of dollars in loans that the IDB has provided to Mexico's Oportunidades, which benefits five million poor families, and to Brazil's Bolsa Família, that reaches another 11 million families, the IDB supports countries in the evaluation of their conditional cash transfer programs. Such studies are critical for improving services and achieving greater efficiency and better results.

Although these programs are not a panacea, they are effective in guaranteeing that the poor have greater access to education, health, and nutrition, an investment that is essential to developing human capital. In fact, conditional cash transfers have become a fundamental part of social protection networks, especially in moments of crisis.



INFRASTRUCTURE

Adequate transportation infrastructure is vital for economic and social development. Poor road conditions not only increase transportation and production costs but hinder access to employment opportunities, education, and health services for those living in remote areas. This is the situation in Haiti, the poorest country in the hemisphere, where road coverage actually decreased between 1991 and 2004. During this period, almost half of Haiti's rural roads were lost due to deterioration and lack of maintenance.

This dramatic situation is changing, thanks to massive investments by the Haitian government in highways and roads as a way of promoting the integration and economic growth of the country's regions. The initiative, of which the IDB is one of the main sponsors, seeks to reestablish transit and security conditions for a road system 80 percent of which was in disrepair. Since 2003, the IDB, through a combination of loans and grants, has financed significant rehabilitation of Haiti's main highways as well as secondary and rural roads. These initiatives have attracted donations from the governments of Canada and Spain as well as OPEC's International Development Fund. Together with other international organizations, the IDB has supported the Fund for Road Maintenance to build the capacity of the public sector agency in charge of maintaining Haitian highways and roads.





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