

**Offering Circular**

**Inter-American Development Bank**



**DISCOUNT NOTES**

The Inter-American Development Bank (the “Bank”) is offering for sale Discount Notes with maturities of 360 days or less, payable only at maturity. The Discount Notes will be sold at a discount in book-entry form only in face amounts of \$100,000 and additional integral multiples of \$1,000.

The Discount Notes are being offered for sale on a continuous basis through a group of dealers consisting of Banc of America Securities LLC, Barclays Capital Inc., Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., HSBC Securities (USA) Inc. and Morgan Stanley & Co. Incorporated, as Dealers. The Bank may also sell Discount Notes to any Dealer acting as principal. The maturities of Discount Notes and the discount rate for various maturities will be established from time to time by the Bank. Information as to the maturities available and discount rates may be obtained from the Dealers. Each of the Dealers has undertaken to the Bank to use reasonable efforts to maintain a secondary market for the Discount Notes.

On original issuance, the Discount Notes will be issued in book-entry form through the Federal Reserve Bank of New York, as Fiscal Agent, and will be held by Holding Institutions designated by the Dealers. Payment of the purchase price for Discount Notes and payment of Discount Notes at maturity are to be made in immediately available funds. A more complete description of the Discount Notes appears under “Description of Discount Notes.”

**DISCOUNT NOTES ARE NOT REQUIRED TO BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933. ACCORDINGLY, NO REGISTRATION STATEMENT HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE DISCOUNT NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.**

This Offering Circular should be read in conjunction with the Bank’s current Information Statement and any amendment or supplement thereto. See “Availability of Information and Incorporation by Reference”.

**Banc of America Securities LLC**

**Barclays Capital**

**Credit Suisse**

**Goldman, Sachs & Co.**

**HSBC**

**Morgan Stanley**

The date of this Offering Circular is August 25, 2009.

## THE BANK

The Inter-American Development Bank is an international institution established in December of 1959, pursuant to the Agreement Establishing the Inter-American Development Bank (the “Bank Agreement”). The principal office of the Bank is located at 1300 New York Avenue, N.W., Washington, D.C. 20577. The Bank also maintains offices in each of its borrowing member countries and in Paris and Tokyo.

The purpose of the Bank is to further the economic and social development of Latin America and the Caribbean. To this end, the Bank promotes the investment of public and private capital for development purposes and the orderly growth of foreign trade, primarily by providing loans for specific projects and for institutional and policy reforms that will contribute most effectively to economic growth, and by providing technical assistance. The members of the Bank include 26 borrowing member countries and 22 non-borrowing member countries.

### United States Membership in the Bank

The United States became a shareholder of the Bank pursuant to an Act of Congress (Inter-American Development Bank Act, 22 U.S.C. §§ 283 et seq.). The United States is the Bank’s largest shareholder, owning 30.03% of its shares on December 31, 2008. The United States is represented on the Bank’s Board of Governors by the Secretary of Treasury. The United States also selects one of the Bank’s 14 Executive Directors, who is appointed by the President of the United States with the advice and consent of the Senate.

## USE OF PROCEEDS

The net proceeds to the Bank from the sale of Discount Notes will be included in the ordinary capital resources of the Bank and used in its ordinary operations.

## DESCRIPTION OF THE DISCOUNT NOTES

### General

The Discount Notes are offered on a continuous basis and have maturities of 360 days or less. The Discount Notes are issued in face amounts of \$100,000 and additional integral multiples of \$1,000. The maturities of Discount Notes and the discount rate for various maturities will be established from time to time by the Bank. Information as to the maturities available and discount rates may be obtained from the Dealers.

The Discount Notes are sold on a discounted basis. The purchase price of a Discount Note will be the difference between the face amount of the Discount Note and the quotient arrived at by dividing by 360 the product of:

Face Amount of Discount Note	X	Percentage of Discount	X	Number of Days Between Issue Date and Maturity Date*
---------------------------------	---	---------------------------	---	---

---

\* Including the issue date, but excluding the maturity date.

The Bank is authorized to issue Discount Notes in an aggregate face amount outstanding at any time up to \$10,000,000,000 pursuant to a Resolution of its Board of Executive Directors.

The Discount Notes will not be the obligations of any government.

### Payment of Face Amount

Payment of a Discount Note is due in full on its maturity date. Payments will be made on the maturity date to the Holding Institution that holds the Discount Note as of the close of business on the Business Day preceding the

maturity date by credit of the payment to the Holding Institution's account at the Federal Reserve Bank of New York. The Holding Institution and each other financial intermediary in the chain to the beneficial owner will have the responsibility of remitting payments for the accounts of their customers. A "Holding Institution" is a depository or other designated institution that has an appropriate book-entry account with a Federal Reserve Bank or Branch. The term "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which the Federal Reserve Bank of New York is not open for business. Transfers of Discount Notes between Holding Institutions can be made through the Federal Reserve Book-entry System.

In any case in which the maturity date is not a business day, payment of a Discount Note shall be made on the next succeeding Business Day with the same force and effect as if made on the maturity date.

### **Original Issuance**

On original issuance, all Discount Notes will be issued in book-entry form through the Federal Reserve Bank of New York and held by certain financial institutions as Holding Institutions. After original issuance, Discount Notes will continue to be held by such Holding Institutions unless a purchaser arranges for the transfer of its Discount Notes to another Holding Institution. Holding Institutions may include depositories for Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, société anonyme.

### **Book-entry System**

The Federal Reserve Bank of New York, as Fiscal Agent, will take delivery of and hold Discount Notes as record owner and custodian for Holding Institutions located in the Second Federal Reserve District. Holding Institutions located in other Federal Reserve Districts can hold Discount Notes through their respective Federal Reserve Bank or Branch.

The aggregate holdings of Discount Notes of each Holding Institution will be reflected in the book-entry account of such Holding Institution with its Federal Reserve Bank or Branch. Each Holding Institution, and each other intermediate holder in the chain to the ultimate beneficial owner, will have the responsibility of establishing and maintaining accounts for its customers having interests in Discount Notes. Federal Reserve Banks will be responsible only for maintaining the book-entry accounts of Holding Institutions, effecting transfers on the books of the Federal Reserve Banks and ensuring that payments from the Bank, through the Federal Reserve Bank of New York, are credited to appropriate Holding Institutions. Federal Reserve Banks will act only on the instructions of Holding Institutions for which they maintain Discount Notes. The Federal Reserve Banks will not record pledges of Discount Notes.

The Bank will not impose fees in respect of Discount Notes. However, owners of Discount Notes may incur fees payable in respect of the maintenance and operation of the book-entry accounts in which Discount Notes are held.

### **Eligibility for Investment**

The Discount Notes may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which are under the authority and control of the United States or any officers thereof (31 C.F.R. § 202.6(b)). The Discount Notes are also acceptable as collateral for Treasury tax and loan accounts, subject to applicable margin adjustments (31 C.F.R. § 203.21(d)).

National banks and state member banks of the Federal Reserve System may, under Federal law, deal in the Discount Notes without limitation and may hold Discount Notes for their own account subject to a limit of 10% of their unimpaired capital and surplus (12 U.S.C. § 24 (Seventh)). Surplus and reserve funds of Federal Home Loan Banks may be invested in the Discount Notes if obligations of the Corporation are eligible investments for fiduciary and trust funds under the laws of the state where the Federal Home Loan Bank is located (12 U.S.C. §§ 1431(h) and 1436(a)).

### **Approval of the United States Government**

As required by the Bank Agreement, the Bank has obtained the approval of the United States Government for the raising of funds in or outside the United States through the issuance of the Discount Notes.

## **Status Under U.S. Securities Laws**

Under the provisions of Section 13(a) of the Inter-American Development Bank Act, as amended, the Discount Notes are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and Section 3(a)(12) of the Securities Exchange Act of 1934, as amended.

## **Governing Law**

The Notes will be governed by the laws of the State of New York.

## **VALIDITY OF THE DISCOUNT NOTES**

The validity of the Discount Notes has been passed upon by the General Counsel or Deputy General Counsel or Assistant General Counsel of the Bank and by Sullivan & Cromwell LLP, Washington, D.C., counsel for the Dealers, who, with respect to certain matters, has relied upon the opinion of counsel of the Bank. The opinions of counsel of the Bank and Sullivan & Cromwell LLP are conditioned upon, and subject to certain assumptions regarding, future action required to be taken by the Bank in connection with the issuance and sale of any particular Discount Note and other matters which cannot be ascertained on the date of their opinions.

## **TAXATION**

The following is a summary of the provisions of the Bank Agreement concerning taxation of the Discount Notes and of certain anticipated United States federal income tax consequences resulting from the ownership of the Discount Notes. This summary does not cover all of the possible tax consequences relating to the ownership of the Discount Notes, and it is not intended as tax advice to any person. It addresses only holders which are initial purchasers of the Discount Notes and hold the Discount Notes as capital assets, and does not address special classes of holders, such as dealers in securities or currencies, traders in securities that elect to mark to market, banks, tax-exempt entities, life insurance companies, persons holding Discount Notes as a hedge or hedged against interest rate or currency risks or as part of a straddle or a conversion transaction, or holders whose functional currency is not the U.S. dollar. This summary is based upon the United States federal income tax laws as currently in effect and as currently interpreted and does not include any description of the tax laws of any state, local or foreign government that may apply.

*United States Internal Revenue Service Circular 230 Notice: To ensure compliance with Internal Revenue Service Circular 230, prospective purchasers are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this offering circular or any document referred to herein is not intended or written to be used, and cannot be used, by prospective purchasers for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective purchasers should seek advice based on their particular circumstances from an independent tax advisor.*

## **General**

The Discount Notes and payments thereon generally will be subject to taxation, including United States federal income taxation. Under the Bank Agreement, however, the Discount Notes and payments thereon are not subject to any tax by a member country of the Bank (i) which tax discriminates against the Discount Notes solely because they were issued by the Bank or (ii) if the sole jurisdictional basis for the tax is the place or currency in which the Discount Notes are issued, made payable or paid, or the location of any office or place of business maintained by the Bank. Also, under the Bank Agreement, the Bank is not under any obligation to withhold or pay any tax imposed by any member on payments on the Discount Notes. Accordingly, payments on the Discount Notes will be made to the Fiscal Agent without deduction in respect of any such tax. The imposition of United States federal income tax in the manner described herein is not inconsistent with the Bank Agreement.

## **Taxation of Discount Notes**

The following is a description of certain United States federal income tax consequences of the ownership of Discount Notes by a United States Holder: A “United States Holder” is a beneficial owner of a Discount Note that is (i) a United States citizen or resident, (ii) a domestic corporation, (iii) an estate the income of which is subject to United States federal income taxation without regard to its source, or (iv) a trust if the trust is subject to the administration of a United States court and one or more United States persons have the authority to control all substantial decisions of the trust. The Discount Notes will be issued at a discount from their stated redemption price at maturity. The excess of the stated redemption price at maturity of a Discount Note over its issue price will constitute original issue discount (“OID”). In general, an individual or other cash basis United States Holder of a Discount Note is not required to accrue OID for United States federal income tax purposes unless it elects to do so. Accrual basis United States Holders and certain other United States Holders, including banks, regulated investment companies, dealers in securities, common trust funds, United States Holders who hold Discount Notes as part of certain identified hedging transaction, certain pass-through entities and cash basis United States Holders who so elect, are required to accrue OID on Discount Notes on either a straight-line basis or under the constant-yield method (based on daily compounding), at the election of the United States Holder. In the case of a United States Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Discount Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. United States Holders who are not required and do not elect to accrue OID on Discount Notes will be required to defer deductions for interest on borrowings allocable to Discount Notes in an amount not exceeding the deferred income until the deferred income is realized.

The United States Treasury Department has issued to the Bank rulings dated May 4, 1988 and May 5, 1989 (the “Rulings”) regarding certain United States tax consequences under the Code of the receipt of interest, including OID, on securities issued by the Bank. The Rulings provide that interest paid by the Bank on such securities constitutes income from sources outside the United States. The Rulings further determine that neither the Bank nor an agent appointed by it as principal for the purpose of paying interest on securities issued by the Bank is required to withhold tax on interest paid by the Bank.

The Bank is not subject to the reporting requirements that are imposed by United States law with respect to certain payments of interest or principal on debt obligations, nor is it subject to backup withholding tax imposed, in certain circumstances, by United States law with respect to such payments. Information returns may, however, be filed with the IRS by the Bank’s paying agent with regard to payments on the Discount Notes made within the United States to certain United States persons as if such returns were required of the paying agent. Brokers, trustees, custodians and other intermediaries within the United States are subject to the information reporting and backup withholding requirements with respect to payments on the Discount Notes received by them for the account of certain non-corporate United States Holders.

## **RECENT CAPITAL INCREASE**

On August 17, 2009, the Bank received from Canada a letter of subscription for 334,887 shares of the non-voting callable capital stock, each having a par value, as provided by the Bank Agreement, of US\$12,063. Accordingly, effective on this date, the authorized ordinary capital stock of the Bank is increased by an amount of US\$4.04 Billion to a total of US\$104.98 Billion represented by 8,702,335 shares, authorized and subscribed. The paid-in capital stock of the Bank remains unchanged.

## **DISTRIBUTION ARRANGEMENTS**

The Discount Notes are offered on a continuous basis for sale through Banc of America Securities LLC, Barclays Capital Inc., Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., HSBC Securities (USA) Inc. and Morgan Stanley & Co. Incorporated, as Dealers. The sales may be held on a daily basis and there may be more than one sale on a day. Current quotations for Discount Notes of various maturities can be obtained from the above-named Dealers. Each named Dealer has entered into a Selling Group Agreement with the Bank establishing the terms and conditions for sale of the Discount Notes, and each Dealer has agreed to use reasonable efforts to maintain a secondary market in the Discount Notes. The Bank may also sell Discount Notes to any Dealer acting as principal.

## **AVAILABILITY OF INFORMATION AND INCORPORATION BY REFERENCE**

The Bank periodically prepares an information statement (the “Information Statement”) that describes the Bank, including its capital, operations and administration, the Bank Agreement, the Bank’s legal status and its principal financial policies. Each Information Statement also contains the Bank’s latest audited annual financial statements. The current Information Statement, dated March 13, 2009, contains the Bank’s audited annual financial statements as of December 31, 2008. The Bank also prepares an annual report to its Board of Governors and unaudited quarterly financial statements.

The Bank is subject to certain informational requirements of Regulation IA, promulgated by the Securities and Exchange Commission under Section 11(a) of the Inter-American Development Bank Act, and in accordance therewith files its Information Statement, its regular quarterly and annual financial statements, its annual report to its Board of Governors and other information (the “Bank Information”) with the Commission.

The Bank Information may be inspected and copies may be obtained (without charge other than for the Bank Information obtainable from the Commission, which must be paid for at prescribed rates) at the following addresses:

Securities and Exchange Commission  
100 F Street, NW  
Washington, DC 20549

Inter-American Development Bank  
1300 New York Avenue, N.W.  
Washington, DC 20577  
Attention: Finance Department  
Tel: 1-202-623-2277

### **Incorporation by Reference**

The Bank’s latest Information Statement, any quarterly or annual financial statements filed with the Commission subsequent to the date of such Information Statement and any supplements or amendments to this Offering Circular circulated by the Bank from time to time shall be deemed to be incorporated in, and to form part of, this Offering Circular, and references to “this Offering Circular” shall mean this document and any documents incorporated by reference in, and forming part of, this document, except, and to the extent, any such document is superseded or modified by any subsequent document incorporated by reference in, and forming part of, this Offering Circular.

The Bank will, in the event of any material adverse change in the financial position of the Bank that is not reflected in this Offering Circular, prepare an amendment or supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Discount Notes by the Bank.

