

A photograph showing two people working in a field. In the foreground, a person's hands are visible, planting a small green seedling into dark, rich soil. In the background, another person wearing a red cap and a white shirt is also working, bent over and planting. The sky is blue with scattered white clouds. The overall scene conveys a sense of agricultural development and labor.

**Inter-American Development Bank**



# THE IDB

Since its founding in 1959 the Inter-American Development Bank has striven to find innovative and effective approaches to address Latin America and the Caribbean's economic, social, institutional, and environmental development challenges. Our work has helped lay a foundation for sustainable development in the region.

Over more than 50 years of activity, the IDB has approved more than \$230 billion in loans for projects in key sectors such as infrastructure, energy, water and sanitation, education and health, with an emphasis on poverty reduction.

Looking forward, the IDB will continue to work with stakeholders and partners to deliver financial resources and development thought leadership.

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

» The IDB is Latin America and the Caribbean's leading source of development financing.

» Of its 48 member countries, 26 are borrowing countries from Latin America and the Caribbean.

» The borrowing member countries control a majority of shares and voting rights in the IDB.

» Most of the IDB's lending is based on its Ordinary Capital. The Fund for Special Operations provides resources for the least developed countries. The IDB Grant Facility focuses on Haiti.

» In 2010 member countries agreed to the largest capital increase in the IDB's history, which will increase its Ordinary Capital to \$171 billion.

» The IDB has the financial capacity to provide an average of \$12 billion a year.

» Most of the IDB's loans finance public sector projects, but a significant portion of its resources are directed toward promoting development through the private sector.

» In 2013 the Bank approved \$2.1 billion in loans and credit guarantees for private sector projects.

» The IIC, which focuses on small and medium-sized businesses, approved \$451 million in financing.

» The MIF, a pioneer in supporting microenterprise, approved grants, loans and investments totaling \$108.1 million.



## WHO WE ARE

What do Haiti's education reform, Venezuela's Youth Orchestras, a wind-power farm in Mexico and the Panama Canal have in common? They have all received support from the IDB.

The IDB operates like a big cooperative. Backed by contributions from its 48 member countries, the Bank provides credit on advantageous terms and conditions to its clients. To ensure a holistic development approach, the IDB offers a mix of services relevant to the region's needs, including financial resources, knowledge, and capacity-building products.

For more than five decades the IDB has proven to be an innovative institution and a reliable partner, pioneering efforts to fund social programs that improve living standards and reduce poverty. Current key initiatives include the modernization of infrastructure, the development of alternative energy sources, and investments to achieve universal access to clean water and sanitation.

## OUR MEMBERS

The IDB belongs to its 48 member countries, 26 of which are borrowers: 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 non-borrowing members are: 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 Ordinary Capital, the IDB's main source of funding. Unlike most international financial institutions, at the Bank borrowing members have majority voting power on the 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 make major policy decisions.

The Board of Executive Directors, composed of 14 individuals representing the 48 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 five-year terms, manages the Bank's operations and administration together with an executive vice president and four vice presidents.



## WHAT WE DO

The IDB provides financial and non-financial resources to governments, businesses, and civil society organizations in its 26 borrowing member countries.

The IDB's financial instruments include loans for public and private sector investment projects, policy reforms, and help in managing financial crisis. The Bank also provides partial credit guarantees as well as grants for technical cooperation and recovery from natural disasters.

Working shoulder to shoulder with borrowing countries and private sector clients, the IDB develops and supports programs and projects in a variety of critical sectors. Its institutional priorities are: social policies for equity and productivity; infrastructure for competitiveness and social welfare; institutions for growth and social welfare; regional competitiveness and global integration; and environmental protection, climate change, renewable energy, and food security.

## HOW WE ARE FINANCED

» **ORDINARY CAPITAL:** The OC is the source of the majority of the IDB's lending. At the end of 2013 its callable capital stock stood at \$123.8 billion and its paid-in capital stock at \$4.9 billion. Retained earnings totaled \$17.4 billion.

» **FUND FOR SPECIAL OPERATIONS:** FSO resources are used for grants and subsidized loans for the region's least developed economies. At the end of 2013, the FSO's assets totaled \$10.2 billion.

» **FUNDS IN ADMINISTRATION:** the IDB administers numerous trust funds established with donations from member countries. In 2013 it approved \$220 million in grants to support project design, sustainability assessments, training, and capacity building in borrowing countries.

» **BORROWINGS:** in 2013 the IDB issued \$16.2 billion in bonds to fund its lending. Thanks to its triple-A credit rating, the highest available, the IDB can issue debt at low cost and lend resources to its clients at low interest rates.

## WHERE WE OPERATE

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

In addition, the IDB has special offices in Madrid and Tokyo to facilitate working with European and Asian governments, firms and NGOs interested in Latin America and the Caribbean's development.

While a majority of IDB staff works in Washington, D.C., the Bank is carrying out a decentralization plan aimed at posting more specialists in its country offices to foster closer cooperation with clients and partners. Once the process concludes, approximately half of its staff will be in the region. These reforms will allow for a more agile and effective institution.



# PRIORITY SECTORS

## **SOCIAL POLICY FOR EQUITY AND PRODUCTIVITY**

Latin America and the Caribbean need a new set of social programs aimed at fostering equality of opportunities in order to enhance labor market performance. In particular, they need to build well-articulated safety nets, improve how labor markets function to gain higher productivity and expand social security coverage, raise the quality and relevance of education, promote equality in health outcomes, and tackle cross-cutting gender and diversity issues.

## **INFRASTRUCTURE FOR COMPETITIVENESS AND SOCIAL WELFARE**

To grow sustainably, close the gap with other emerging regions and better integrate into world markets, Latin America and the Caribbean must invest in infrastructure and basic services. Improving transportation infrastructure and expanding access to sustainable energy sources and low-cost telecommunications will contribute to raising the region's labor and capital productivity, increasing the competitiveness of its firms and benefiting households.

## **INSTITUTIONS FOR GROWTH AND SOCIAL WELFARE**

Countries that have successfully implemented institutional reforms benefit the most from economic reforms. An institutional framework where transparency and accountability are the norm provides for an effective and efficient environment for the decentralized delivery of social services. In addition, an environment with effective regulatory capabilities, socially balanced tax systems, and well-functioning institutions responsible for citizen security has a positive effect on the emergence of a strong private sector, social welfare, and democracy.



## **COMPETITIVE REGIONAL AND GLOBAL INTEGRATION**

Latin America and the Caribbean have made considerable progress at the multilateral, regional, and country levels in terms of trade integration. However, they still need to invest in areas such as administration and harmonization of rules of origin, customs procedures, and sanitary and technical standards. In addition, the IDB will be working on new trade-related issues in services, including technical know-how, financial flows, and investment agreement convergence mechanisms.

## **ENVIRONMENTAL PROTECTION, CLIMATE CHANGE, RENEWABLE ENERGY, AND FOOD SECURITY**

Building on its ongoing involvement in fostering energy sector investments and in its experience with agricultural development and land tenure, the IDB has strengthened its expertise in the areas of environmental protection, climate change, sustainable energy, and food security. The Bank is helping countries better understand and tackle these phenomena in effective ways. Across all of these areas, it will be crucial to carry out local interventions to protect vulnerable populations from drastic deteriorations in their welfare.

## **SUPPORT TO THE LESS-DEVELOPED AND SMALLER COUNTRIES**

Smaller and less-developed countries require programs that build human, institutional, and physical resources. To meet these objectives, the Bank aims to devote 35 percent of its lending to such borrowers.

In the case of Haiti, after the 2010 earthquake, the IDB cancelled all of its outstanding debt and expanded its grant facility to provide additional funds for reconstruction. The Bank's operations reflect the priorities of the Haitian government, encompassing agriculture, education, energy, private sector development, transportation, and water and sanitation.



# PRIVATE SECTOR PARTNERS

For the IDB, the private sector plays a fundamental role in achieving inclusive growth. The Bank's and its affiliates' financial and non-financial operations involve firms of all sizes, from major corporations to microenterprises.

Through its Structured and Corporate Finance Department, the Bank supports large-scale projects with high development impact in a wide range of sectors, providing up to \$400 million in financing per project. The IDB's Opportunities for the Majority sector finances projects designed to

benefit people at the bottom of the region's socio-economic pyramid.

The Inter-American Investment Corporation (IIC) specializes in financing small and medium-sized enterprises, the region's main source of employment. The IIC gives priority to countries where SMEs have limited access to credit and capital markets. It also aims to stimulate exports and facilitate access to new technology. The IIC provides direct loans, guarantees, equity investments, lines of credit to local financial

intermediaries, and investments in local and regional investment funds.

The Multilateral Investment Fund (MIF) acts as a laboratory to test private sector development strategies. Through grants, loans, investments and knowledge products, the MIF has played a key role in supporting microenterprises and microfinance in Latin America and the Caribbean. It also was a pioneer in researching the economic impact of remittances in the region.



# LOOKING FORWARD

In 2010 the IDB's Board of Governors agreed to increase the Ordinary Capital by \$70 billion to enable the IDB to meet an increased demand for development lending. Coupled with this historic expansion of resources, the Bank has carried out a broad reform agenda.

The Development Effectiveness Framework is the centerpiece for improving how the IDB works. The framework sets forth specific goals to boost efficiency and development impact through 2015. By pairing learning and accountability tools with

evaluation-capacity improvements, the Bank aims to meet specific goals, such as more than doubling the number of children benefiting from IDB-backed education projects (from 3.2 million to 8.5 million), and increasing more than tenfold the number of persons receiving basic health packages (from 2 million to 23 million). Progress is reported annually to the public through the Development Effectiveness Overview.

In the areas of accountability and integrity, the Bank has moved forward on a number of fronts. For

example, building on the best practices of other multilateral agencies, it adopted a new access to information policy. To ensure that its activities are free of fraud and corruption, it has strengthened the functions of the bodies charged with oversight, investigations and sanctions; approved a new code of conduct for its Board of Executive Directors, and developed plans to support anticorruption and transparency efforts in the region.



## BUSINESS OPPORTUNITIES

Every year, IDB loans and technical cooperation grants generate more than 16,000 contracts 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 projects it finances. Project implementation and administration are the responsibility of borrowers. However, the IDB does review procurement and contracting to ensure compliance with its policies and procedures.

IDB loans can finance the construction, rehabilitation, expansion or improvement of public office buildings, schools, hospitals, and factories; water and sewerage systems; irrigation systems; power plants and electricity transmission and distribution networks; roads, ports, airports, railways, and bus rapid transit systems.

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

## INTEGRITY

The IDB enforces policies and control mechanisms against corruption, fraud and abuses in all the projects it finances, as well as in the activities of its employees, who must abide by the highest standards of integrity.

IDB-financed projects are subject to internal inspections and external audits in order to ensure the appropriate use of resources, and to verify that executing agencies and contractors meet their contractual obligations.

The Office of Institutional Integrity investigates allegations of corruption, fraud, and abuse

in projects, as well as cases of misconduct involving IDB employees. The Bank may impose administrative sanctions, such as barring contractors from participating in projects. In cases where laws may have been broken, the IDB can refer information to national authorities.

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

The Independent Consultation and Investigation Mechanism provides a venue for individuals and communities to express concerns about IDB-funded operations.



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