



BACKGROUND

CAPITALIZING THE INTER-AMERICAN DEVELOPMENT BANK

March 2009

The latest capital increase:

- The 1995 capital increase was the eighth in the IDB's 50-year history, raising the Bank's ordinary capital base by \$40 billion to \$101 billion. Shareholders paid in \$1 billion. The remaining \$39 billion was pledged capital by member countries.
- After the eighth capital increase, the IDB became not only the biggest provider of development financing in Latin America and the Caribbean but the largest supplier of long-term financing. The IDB accounts for approximately half of all multilateral financing to the region.
- Since 1995, the \$1 billion in paid-in capital allowed the IDB to generate \$93 billion of loans for development programs and policies. Half of the total was used to fund social programs and more than a third financed the region's poorest nations.
- A further \$1 billion was contributed to the Fund for Special Operations (FSO), which provides soft loans for the least developed countries. This translated into \$5.1 billion in additional low-interest financing for the poorest countries of the region since 1995. In 2007, the FSO also provided \$3.4 billion in debt relief for the region's poorest countries.

Steps for a capital increase:

- The Board of Governors requests the Committee of the Board of Governors to study the status of the resources of the Bank and submit recommendations on a proposed capital increase.
- The Committee of the Board of Governors, a working group of the Board of Governors, draws upon the Board of Executive Directors and the Bank staff to draft a proposal.
- The proposal contains the terms of the capital increase, including total amount of the increase, the amount of paid-in and callable capital, the schedule for payments to be made by members, and the uses of the funds that form part of the capital increase.
- The paid-in amount is a very small part of the total capital increase. Currently, the IDB's ordinary capital stands at \$101 billion, of which only about 4% has been paid in by shareholders. The remaining 96% is callable capital.

- A capital increase is formally approved and implemented with the necessary voting majority at the Board of Governors.
- The majority required for a capital increase must meet three criteria: (i) the governors in favor of the proposal must represent at least 75% of the voting power; (ii) the proposal must be supported by at least 36 governors and (iii) the proposal must be supported by at least 2/3 of the 28 governors representing regional members (countries of the Americas).
- Once approved by the Board of Governors, the proposal is sent to governors for them to complete their internal authorization processes to subscribe the shares of the capital and then vote on resolutions that will formally implement the increase.

Chronology of the IDB Ordinary Capital:

- **1959:** Initial funds: \$850 million are authorized for the IDB Ordinary Capital (\$400 million paid in).
- **1964:** First Capital Increase: \$1.3 billion in authorized capital (paid-in portion \$75 million).
- **1968:** Second Capital Increase: \$1.005 billion in authorized capital (without paid-in contributions).
- **1970:** Third Capital Increase: \$2 billion in authorized capital (paid-in portion \$400 million).
- **1976-1978:** Fourth Capital Increase: \$5.8 billion in authorized capital (paid-in portion \$428 million).
- **1980:** Fifth Capital Increase: \$8 billion in authorized capital (paid-in portion \$600 million).
- **1983:** Sixth Capital Increase: \$15.0 billion in authorized capital (paid-in portion \$675 million).
- **1990:** Seventh Capital Increase: \$26.5 billion in authorized capital (paid-in portion \$663 million).
- **1995:** Eighth Capital Increase: \$40 billion in authorized capital (paid-in portion \$1 billion), raising the IDB Ordinary Capital to \$101 billion.