IDB
Improving lives

# Inter-American Development Bank


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# THE IDB

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

Over more than 55 years of activity, the IDB has approved more than $260 billion in loans for projects in key sectors such as transportation, energy, education, health, and water and sanitation, with an emphasis on poverty reduction.

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

» The IDB Group includes the Inter-American Development Bank, 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.

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

» Effective January 1, 2016, the IIC administers the IDB Group's portfolio of non-sovereign guaranteed or private secor (NSG) operations, including legacy projects.

» Of the IDB's 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.

» As of the end of 2016, the Bank's subscribed Ordinary Capital stood at $171 billion.

» The IDB Group has the capacity to provide an average of $12 billion in lending per year.

» In 2016 the IDB Group approved $11.5 billion in loans and credit guarantees. Of that amount, $2.2 billion was for non-sovereign guaranteed operations.

» In 2016 the MIF, a pioneer in supporting microenterprise, approved grants, loans and investments totaling $86 million.

## WHO WE ARE

What do Jamaica's education reform, efforts to erradicate fruit flies in Peru, a wind-power farm in Uruguay and the Panama Canal have in common? They have all received support from the IDB Group.

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 lives and reduce poverty. Current key initiatives include improving citizen security, increasing broadband access and making the region's cities more sustainable.

## 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 lending. Unlike most international financial institutions, at the Bank borrowing members have majority voting power (50.02 percent of the vote).

## HOW WE ARE GOVERNED

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 and corporate 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 three vice presidents.


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## WHAT WE DO

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

The IDB Group'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 hand in hand with borrowing countries and private sector clients, the IDB Group develops and supports programs and projects in a variety of critical sectors. Its institutional priorities are: social policy for equity and productivity; infrastructure for competitiveness and inclusive growth; institutions for growth and social welfare; global and regional integration; and climate change adaptation and mitigation and sustainable and renewable energy.

## HOW WE ARE FINANCED

» ORDINARY CAPITAL: The OC is the source of the majority of the IDB's lending. At the end of 2016 its callable capital stock stood at $165 billion and its paid-in capital stock at $6 billon. Retained earnings totaled $20.1 billion.

» In 2016, the Governors of the Bank approved the creation of a blended loan instrument within the OC, aimed at optimizing the Bank's balance sheets while continuing to provide concessional resources to low-income borrowing countries.

» FUNDS UNDER ADMINISTRATION: the IDB administers numerous trust funds established with donations from member countries and private-sector partners. In 2016 it approved $283 million in grants to support project preparation, execution and evaluation; training; knowledge products; and the financing of works and goods for pilot projects in borrowing countries.

» BORROWINGS: in 2016 the IDB issued $15.6 billion in bonds to fund its lending. Thanks to its AAA 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.

While a majority of IDB staff works in Washington, D.C., the Bank posts specialists in its country offices to foster closer cooperation with clients and partners. Approximately one-third of its staff is in the region, allowing for a more agile and effective institution.

In addition, the IDB has 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.

# OUR PRIORITIES

In 2015, the Governors of the IDB approved an Update to the Bank´s Institutional Strategy to cover the period 2016-2019.

The Update notes that while the countries of Latin America and the Caribbean have made significant progress in the last decade, the region must still overcome three main challenges to its continuing development:

***Social exclusion and inequality***
While many countries in the region are on their way to becoming upper middle-income economies, the region remains the most unequal in the world. Some development indicators—among them extreme poverty, health and diversity—lag behind those of other emerging regions.

***Low productivity and innovation***
The region also lags behind other emerging market economies in productivity, and the gap is wider in rural areas. Some of the factors include a poorly trained labor force, underdeveloped financial markets, inadequate infrastructure, and overly complex business regulations.

***Lack of regional economic Integration***
Sluggish progress in economic integration over the past ten years is attributable to the region's limited offering of export goods and the lack of participation by Latin America and the Caribbean in supra-regional trade negotiations. The logistics of trade within the region are hampered by bureaucratic customs and border crossing procedures and deficient transport and port infrastructure.

The updated strategy also identifies three cross-cutting issues that the IDB Group should address as the region faces the development challenges above:

***Gender equality and diversity***
A substantial proportion of income inequality in the region is determined by characteristics such as race, the educational level of one´s parents, gender and sexual orientation. Public policies must ensure that those who are underserved or excluded—primarily women, minorities and the disabled—are given equal opportunities.

***Climate change and environmental sustainability***
The region is highly vulnerable to the effects of climate change, which create a vicious cycle: losses in biodiversity and physical and environmental damage also threaten the ability to reduce poverty and improve equity.

***Institutional capacity and the rule of law***
How institutions work determines the volume, quality, timeliness and accessibility of public services. Strong and impartial institutions are also crucial for enforcing the rule of law and combating impunity and corruption.

# PRIVATE SECTOR OPERATIONS

The private sector plays a fundamental role in achieving inclusive and sustainable growth.

Since January 1, 2016, the **Inter-American Investment Corporation** (IIC) has been the single point of contact within the IDB Group for private companies and state-owned enterprises. Buttressed by a $2.8 billion capital increase agreed by member countries in 2015, the IIC focuses on key areas where it can generate the greatest impact, including agribusiness, energy, transportation and financial institutions.

Leveraging decades of experience in the region, the IIC provides up to $400 million in non-sovereign guaranteed financing for projects sponsored by private sector companies or state-owned enterprises.

In 2016, the IIC approved 162 operations for a total of $2.2 billion, 41 percent in the infrastructure sector, 41 percent in the financial institutions sector, and 18 percent in the corporate sector

In 2016, the IIC´s Trade Finance Facilitation Program (TFFP) approved and disbursed 118 operations for $610 million in trade financing in Latin America and the Caribbean, including $526 million in loans and $84 million in guarantees. Added to this is $382 million in resource mobilization through loan syndications from other sources. The TFFP network currently includes 104 issuing banks in 20 countries in the region and more than 100 confirming banks around the world.

The **Multilateral Investment Fund** (MIF) acts as an innovation laboratory for the IDB Group, testing new models for engaging the private sector on development needs in Latin America and the Caribbean. The MIF addresses poverty and vulnerability by focusing its operations in three areas: Inclusive Cities, Climate-smart Agriculture, and the Knowledge Economy.

Of the MIF's $86 million in approved operations in 2016, $48.7 million funded nonreimbursable technical-cooperation operations and $37.3 million funded loans and investment operations. At the end of 2016, the MIF had an active portfolio of 502 operations for a total of $654 million in approvals.

# PROCUREMENT AND ACCOUNTABILITY

## BUSINESS OPPORTUNITIES

Every year, IDB loans and technical cooperation grants generate more than 20,000 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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