

# Inter-American Development Bank

An institution that provides financing and technical and financial assistance to public and private development projects in Latin America.

## History

The concept of a development bank to serve the Latin American region was introduced at the first Pan-American Conference in 1890. In 1959, 18 countries of the Organization of American States (OAS) ratified the agreement establishing the Inter-American Development Bank (IDB) with an initial capital fund of \$1 billion. Its first loan was made in 1961 to Peru. In 1985, the IDB expanded the scope of its work from lending to governments by chartering the Inter-American Investment Corporation (IIC) as a subsidiary organization to provide financing for private enterprises. It was joined in 1993 by the Multilateral Investment Fund (MIF), designed to promote private-sector development.



Julio Pantoja / World Bank

## Objectives and Practices

The IDB works to reduce poverty and inequality and to achieve sustainable economic growth in Latin America through loans, financing, technical assistance, and policy support. It offers market-based, flexible financing to its more credit-worthy members and concessional loans to its lowest-income member states. The IDB also offers financing to private-sector companies seeking investment for infrastructure and capital market projects. The IIC provides equity investments, loans, and advice to small- and medium-sized enterprises in a wide array of fields, while the MIF provides financing to mostly private and some public-sector organizations for innovative and modernizing projects in order to expand access to finance, markets, and basic services.



The IDB supports clients in the design of projects and provides financing, technical assistance, and knowledge services to support development interventions.

In order to meet its objectives, the IDB engages in projects related to:

### SOCIAL POLICY

Creating safety nets, enhancing education and health programs, expanding access to employment opportunities, and improving services for women and minorities.

### INFRASTRUCTURE

Providing basic services like water and sanitation, as well as energy and transportation to increase not only quality of life, but also economic efficiency and regional competitiveness.

### INSTITUTIONS

Increasing the availability of financial services to citizens and businesses, improving government effectiveness, fighting corruption, and modernizing criminal justice.

### INTERNATIONAL TRADE

Aiding in the process of crafting trade agreements and cooperative regulations, as well as encouraging the expansion of regional infrastructure and public goods.

### ENVIRONMENT PROTECTION

Developing alternatives in sustainable transport and renewable energy, promoting energy efficiency, and increasing agricultural productivity to ensure food security.

## Where does the IDB get its funding?

The IDB's funds come from four sources: member states' contributions (which determines their voting power), selling bonds on international capital markets, equity accumulated over the history of the Bank, and co-financing partnerships between the IDB and either individual governments or multilateral development agencies. The single largest shareholder is the United States. The IDB also administers more than 50 Trust Funds that enhance the financing offerings to borrowing member countries.

## Who is a member of the IDB?

The IDB began as a partnership among 19 Latin American countries and the United States. However, its membership quickly expanded to several Caribbean countries. In 1976, the first non-regional states joined the IDB—16 from Europe, plus Israel and Japan. Today, the IDB has 48 members, of which 22 are from outside the Latin American and Caribbean region. To become a regional member, a country needs prior membership in the OAS. To become a non-regional member, a country needs to be a member of the IMF.



Charlotte Kesl / World Bank

## Why are they called "Bretton Woods" institutions?

The name derives from the town of Bretton Woods, New Hampshire, in the United States, where the United Nations Monetary and Financial Conference was held in 1944.

During the conference, member nations agreed to create a family of international financial institutions (IFIs), including the World Bank Group and the International Monetary Fund. Regional multilateral development banks (MDBs) are associated IFIs.