

The Bank's General Capital Increase

Ana María Linares, Office of Strategic Planning and Development Effectiveness

In response to a Board of Governors request made in Medellín, Colombia, in March 2009, the Inter-American Development Bank (IDB) has begun a capital-increase process that should, in principle, be finished during the first half of 2010.

Why does the IDB need a capital increase?

Latin American and the Caribbean have tremendous needs for financing, and the IDB must have the resources needed to meet this demand. The last general capital increase was in 1994. Since then, the Bank has become one of the main sources of funding for its member countries, and it is also the main source of multilateral concessional financing for the region's poorest countries. Moreover, economic activity in the region has doubled, new challenges have materialized (such as those related to climate change) and the region's countries are committed to meeting the Millennium Development Goals. All of this means that demand for financing has increased.

What does the request from the Board of Governors contain?

The Governors have requested that the IDB evaluate the needs for a capital increase by analyzing the nature and scale of member countries' demand over the long term, especially from those that are poorest and most vulnerable. They also asked the Bank to prepare proposals for the Ninth General Increase of Ordinary Capital and replenishment of resources for the IDB's concessional window, the Fund for Special Operations.

What is the procedure for the Ninth General Capital Increase?

The IDB prepared an initial analytical document that was submitted to a Committee of the Board of Governors at a meeting in Santiago, Chile, in early July. This document contained an analysis of the region's most significant challenges and also identified the Bank's strategic priorities. In addition, it reviewed the IDB's comparative advantages over other institutions and studied member countries' demand for financial resources for the period 2010 – 2020.

As a result of the meeting in Santiago, at which there was agreement on the need for a general capital increase, the Governors requested that the Bank conduct various studies about: *i)* a strategy for the private sector; *ii)* the financial scenarios for an increase in Ordinary Capital and for replenishment of the Fund for Special Operations, and *iii)* a plan to strengthen the Bank. These documents were presented at the meeting of the Committee of the Board of Governors, that took place in Madrid in early October 2009.

The technical work needed to provide support for a general capital increase is scheduled to be completed by late 2009. This will enable the Ninth General Increase of Ordinary Capital and replenishment of resources for the Fund for Special Operations to be presented for the Board of Governors' approval at the IDB Annual Meeting, which will be held in March 2010 in Cancún, Mexico.

Puentes



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Letter to readers

Today we would like to present you with a special edition of *Puentes*, in preparation for the topics and sessions of the IX IDB–Civil Society Meeting in Guadalajara, to be held November 5 and 6.

At the beginning of September, the Bank began a public consultation about one of the most critical activities in our institution's last decade: a review of the IDB's general capital increase. During this months-long process, civil society organizations and other actors, such as governments, specialists and intellectuals, will be able to contribute their opinions and recommendations for identifying challenges and strategic priorities for the IDB, including: (i) institutional priorities; (ii) comparative advantages vis-à-vis similar organizations; and (iii) how to be a better Bank.



The Bank is also in the process of reviewing its operating policy on Gender Equality; at the same time, a consultation process will be developed that will nourish and enrich the Bank's new policy for this issue. As we can see, the Bank is developing a number of policies, and civil society participation—as well as participation by other development actors—is essential.

These consultation processes were not undertaken simply to comply with protocol. We believe that change is sweeping through our institution. After the realignment, and because of factors both external and internal, the Bank's institutional work with civil society is consolidating and growing stronger. However, this process is not simple, nor is it quick. It takes time, effort and

resources, and institutional commitments at the highest level to guarantee that these processes of involvement and relationship with civil society are genuine and that they will cover all levels of the Bank. That is why we hope that an organized and informed civil society will be able to participate actively in these processes, and that we will create more and better spaces for dialogue, transparency and constructive criticism.

*This edition of *Puentes* is, once again, an invitation to participate, to engage in dialogue and to make a joint effort to promote better development in Latin America.*

IX Annual IDB–Civil Society Meeting Guadalajara 2009

The Inter-American Development Bank (IDB) will hold its IX Annual IDB–Civil Society Meeting in the city of Guadalajara, Mexico, on November 5 and 6, 2009.

The IX Annual Meeting will be another opportunity for the IDB and civil society organizations (CSOs) throughout the region to hold an open, critical and creative dialogue that can promote transparency and comprehensive development. IDB president Luis Alberto Moreno and the bank's top

management will meet with civil society leaders and listen to their proposals, suggestions and questions about how the Bank currently works in Latin America and the Caribbean.

The last IDB–Civil Society meeting was held in Montevideo, Uruguay, on October 17 and 18, 2008. One hundred twenty organizations from the region participated, and a roadmap was established with 19 institutional agreements in various areas and sectors.

This year, the IDB will present a report entitled "Accountability: Status of the

Montevideo Agreements," which will discuss the progress made this past year and the agreements that remain to be carried out.

The current year's agenda was developed in a participatory basis, as was last year's. It will cover key issues for the IDB, such as the Ninth Replenishment and policies concerning gender equality, availability of information and climate change. CSOs may also submit suggestions for other discussion topics to be included.

**FOR MORE INFORMATION
ABOUT THE EVENT, VISIT:
WWW.IADB.ORG**

Interview with Daniel M. Zelikow:

"We can always do more and do it better"

How did you get interested in development issues?

I've been interested in development issues since I was a teenager, beginning when I was an exchange student in Indonesia. I earned a doctorate in this area, and development has always been an important part of my professional career, whether working in the public or private sector.

When did you begin working at the IDB?

I was familiar with the IDB because I'd been involved with it while I was working for the U.S. Department of the Treasury in the 1990s. I was in charge of the emerging markets portfolio, and we worked with the IDB in its efforts to mitigate the crisis of the late 1990s. Later, when I was working in the private sector, the IDB and other multilateral agencies were clients of mine. In March 2007, IDB President Luis Alberto Moreno invited me to join his team as Executive Vice-President. By then I was very familiar with the Bank, and I was enthusiastic about helping President Moreno with his ambitious agenda to improve the Bank's relevance, impact and efficiency.

What are your priorities as Executive Vice-President?

One priority is to maximize our assistance to borrowing countries during this time of the world economic

crisis. Loan approvals and disbursements in 2009 will reach record levels, and our Board and Governors have authorized measures that have stretched our ability to continue lending at similarly high levels again in 2010.

Another priority is to continue with the many improvements to our business model that we began in 2007. These include refining our financial products to increase their value to our borrowing member countries, raising the profile of our Knowledge and Capacity Building Products and improving the way we manage them regardless of the source of funding, streamlining our project preparation and supervision processes consistent with institutional capacities of our borrowers, and enhancing our field-based presence.

A third priority has to do with improving how we manage ourselves. This includes better metrics on all aspects of our business; upgrading our risk management capabilities; and improving our personnel practices, including recruitment, performance evaluation, and career development.

What is happening with the General Capital Increase?

At our last annual meeting in March in Medellín —where we observed the Bank's 50th

anniversary— the Governors asked us to propose ways to maximize the amount of financing we could provide over the short term to our borrowing member countries, increase our concessional and grant financing for the poorest member countries, re-evaluate how we support the private sector, and review the need for a General Capital Increase and a replenishment of our concessional Fund for Special Operations (FSO).

In Santiago, Chile, this past July, we showed the Board of Governors that over the short term, we could double our lending (or grants, in the case of Haiti) to the five poorest countries in the region. We also presented a number of options for increasing our total lending over the short term, noting that this would imply reduced financing capacity over the medium term unless other steps were taken to increase financial headroom.

The Governors backed these short-term measures and requested that we analyze the need for a capital increase in more depth. Since then, we prepared further technical work on three issues.

The first has to do with how our administration can improve the quality of our work, which we call the "agenda for a better Bank." The second is a strategy for how our organization can



"We can always learn something from others; and more from people who do not work with us, because they provide another point of view."

Who is Daniel M. Zelikow?

Daniel M. Zelikow, a U.S. citizen, became executive vice president of the IDB after working as managing director of the Government Institutions Group of JPMorgan Securities Inc.

Prior to joining JPMorgan in 1999, Zelikow held senior positions at the U.S. Department of the Treasury, where, as deputy assistant secretary, he was responsible for financial policy toward the Americas, Asia and Africa. He headed the task force that oversaw the \$20 billion emergency financing program that the United States established in 1995 to help stabilize Mexico's economy after the peso crisis. The task force later oversaw U.S. support during the financial crises in Asia and Brazil.

Zelikow was the founding director of the Treasury



“We are going to use technology to give the greatest number of people access to information and to enable them to participate in the public consultation about the capital increase.”



Department's Office of Technical Assistance, which became one of the largest providers of policy and technical advice to the countries of Eastern Europe and the former Soviet Union. He also served for two years as senior adviser to the president and finance minister of Albania.

At JPMorgan, Zelikow was in charge of relationships with governments, central banks and government-owned financial institutions, including multilateral development banks. He managed transactions ranging from multibillion dollar sovereign debt restructurings to the securitization of microfinance loans.

Zelikow graduated summa cum laude from Dartmouth College and holds a doctorate from Oxford.

improve our development impact through the private sector, often via direct lending to private entities, but also via sovereign lending and technical assistance to governments. The third is an analysis of how much lending to the region is appropriate given our development mandate. We discussed these technical papers to the Executive Directors, and forwarded them to our Governors for their consideration in a meeting in Madrid in early October.

What other actions will you take to evaluate the capital increase?

We have also embarked on a public consultation process in order to gather the opinions of various parties interested in the Bank's work, including civil society. As our work with our borrowing member countries can affect various groups within the countries, it is important for us to hear different opinions about how to do our work better.

What is the importance of these consultations for the IDB?

We can always learn more, especially from people outside our institution who see our work in a different way. Civil society organizations watch the Bank's work closely, and listening to them is valuable for us. Our common goal is to promote social and economic development of our region, and the Bank's effectiveness in contributing to this process. We can always do more and do it better.

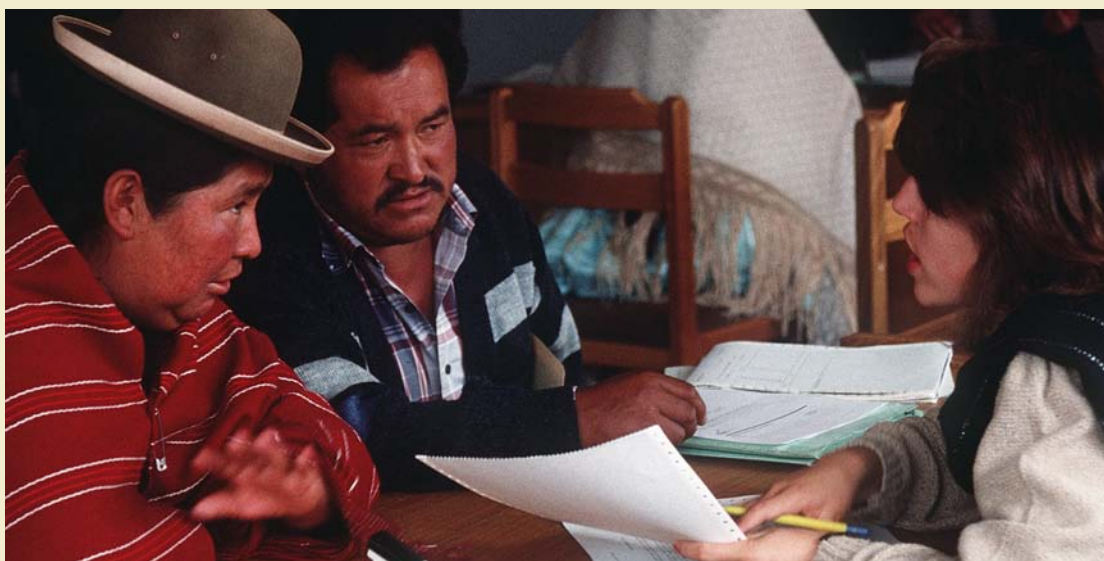
What challenges does the IDB face in order to promote development in the region?

Latin America and the Caribbean is a very heterogeneous region, and each country faces very different challenges. For some, the lack of infrastructure is a barrier to economic development and social inclusion. For others, the priority is to improve public health and education

outcomes. Each country sets its priorities differently.

During the past few months, we have been dealing with the world economic crisis and the immediate needs it generates. However, we must continue to keep in mind our countries' long-term objectives: social policies that promote equity and productivity; infrastructure that enhances competitiveness and social well-being; strong institutions; regional and global integration; and environmental protection, including climate change mitigation and adaptation.

Our challenge is to combine immediate action with programs that address long-term needs. To do this, we must be able to provide advice and economic analysis, as well as development finance, all in a way that is easily accessible to our borrowing countries and tailored to their specific circumstances.



Five institutional priorities of the IDB

Ferdinando Regalia, Advisor, Vicepresidency for Sectors



In the past two decades, Latin American and Caribbean (LAC) growth has lagged behind other important emerging economies. Higher growth was achieved from 2002 to 2008 due to improved macroeconomic management and unusually favorable international conditions, but growth slowed when the global financial crisis hit the region.

High inequality of opportunities is a root cause of the region's growth and social problems and its struggle to achieve sustainable poverty reduction. In fact, high inequities in access to quality education and health care, good jobs, credit and capital markets, and institutions in charge of enforcing the rule of law, among others, result in individuals forgoing economic opportunities with high potential yield and households and firms making inefficient production and investment choices.

The immediate test for the region is to weather the current crisis while maintaining its hard-won gains in macroeconomic stability. Beyond that, fostering equality of opportunities across a broad range of areas – including speeding up progress towards the MDGs

– and closing the growth gap with the rest of the world while contributing to global environmental sustainability, are the region's two main development challenges over the next decade. To effectively support LAC in tackling these challenges, the Inter-American Development Bank (IDB) has identified five institutional priorities to guide its actions:

- Social policy for equity and productivity. A new generation of social programs that foster equality of opportunities for everyone – regardless of labor status, race, ethnicity or gender – is needed to boost sustainable poverty reduction. These programs should strengthen the quality and relevance of education, improve health outcomes, protect households against risks, redistribute income effectively and contribute to making labor markets perform more effectively as judged by their capacity to create high productivity jobs with higher wages and social security coverage.
- Infrastructure for competitiveness and social welfare. Investments in productive infrastructure should be stepped up to close the gap with developed and emerging economies. Transportation is critical, given the large positive externalities associated with low transport costs. A dense network is important for balanced regional development and to break the geographical isolation of entire communities. Access to sustainable sources of energy and low-cost telecommunications contributes to raising labor and capital productivity, improving competitiveness and increasing households' welfare. Investment in basic infrastructure, such as water and sanitation, is also vital for raising households' welfare.
- Institutions for growth and social welfare. Effective institutions are critical to countries' development progress. Countries that have benefited more from economic reforms are those that have advanced the most in implementing successful institutional reforms. For example, successful decentralization in the delivery of services requires the existence of sub-national institutions that operate under a framework of transparency and accountability. In addition, strong private sector institutions and effective regulatory capabilities are indispensable for the development of credit and financial markets.
- Competitive regional and global international integration. Despite considerable progress



Taken together these five priorities will provide the strategic direction IDB needs

over the past two decades, LAC integration into the world economy and trade performance is still lackluster compared with that of emerging economies in Asia and the Pacific. Investment in areas such as administration and harmonization of rules of origin, customs procedures, sanitary and technical standards, upgrading of trade-related institutions, as well as in new areas associated with trade in services is needed to reap the benefits of market opening.

- Protecting the environment and responding to climate change. As the development bank with the largest lending portfolio in the region, the IDB needs to have a strong presence in areas such as environmental protection, renewable energy and energy efficiency, sustainable transport, and mitigation and adaptation to climate change in priority sectors such as water supply, agriculture and energy. It needs to help countries to understand these phenomena, develop their

institutional capacity and design adequate policies and regulatory frameworks to promote investments in these areas.

Taken together these five priorities will provide the strategic direction IDB needs to make substantive contributions to growth and equity in LAC in the decade ahead, both through the public as well as the private sector.

An Agenda for a Better Bank

Silvia Sitja and Jorge Olave, Office of Strategic Planning and Development Effectiveness

The agenda for a better Bank has two goals. The first is to create innovative products, services and ways to connect with our clients—who are becoming more diverse every day—in order to make all of the Inter-American Development Bank's (IDB) programs more effective.

The second focuses on confronting challenges with an eye toward a potentially major increase in the IDB's financing capacity. This consists

of adapting and adjusting the governance and management model, incorporating new tools for planning, revenue management and accountability, and maintaining the highest levels of ethics and risk management standards, as well as promoting a merit-based culture, diversity and performance-based incentives for employees. All of these measures will strengthen the Bank's operational capacity.

Much of this agenda is not new. In recent years, the IDB has put considerable effort into a number of initiatives for transforming its business model and management

processes, and for bringing its operational capacity up to date. Now these initiatives must be included within a context of capital-needs review.

Central to the IDB's vision is the creation of an evidence-based group of tools for designing, implementing and evaluating projects, in order to establish a clear commitment to results-based accountability for our projects. This group of tools, known as the Development Effectiveness Framework, also includes an effort to build capacity for evaluation, internally as well as in the borrowing countries.

An increase in capacity for evaluation requires training, coordination, and access to resources and knowledge. To do this, the IDB is preparing a series of guidelines for using evaluation methodologies in specific personnel sectors. It is also training counterparts within the countries. In addition, the IDB is planning to establish a Development Effectiveness Fund to enhance this work by financing activities that support evaluation design, application of impact assessments for key programs and increases in evaluation capacity throughout the region.

Specific activities that offer value added to knowledge products are combined in the proposal for a knowledge platform (KCP, its initials in Spanish). The IDB plans to use the platform to strengthen its role in channeling external resources to finance technical cooperation grants; this will entail applying funds from multiple donors to thematic funds, which have clear, well-regulated criteria.

Environmental and social sustainability of IDB programs is a fundamental element of the effectiveness framework. To add value to the environmental and social safeguards, the Bank has organized an independent sustainability advisory group to review implementation of the 2006 safeguards policy, as well as to advise on how to handle the new environmental challenges. The group's activities serve as a framework for the new Action Strategy for Climate Change and the new operational policy on gender. The latter includes gender safeguards that, once approved, will make the IDB the

first multilateral agency with this type of safeguard. The IDB has also designed a new Independent Consultation and Investigation Mechanism to give a voice to civil society and ensure that these safeguards are applied correctly.

Because the IDB evaluates the impact of its programs by focusing on results for the project cycle, it has become increasingly essential to align the Bank's work with a country's capacity to apply development programs. The Bank provides its services in a way that offers countries better capacity for managing their resources and information. For that reason, a strategy must be defined that will guide the IDB's support for strengthening national systems, including determination of the way the Bank uses these systems.

Broader accountability through dissemination of information is attained through greater transparency vis-à-vis society. The main characteristic of information policy is its emphasis on publicizing information.

Also, in 2008 an external review group evaluated the IDB's integrity framework, giving it positive marks and recommending improvements designed to maintain the Bank's leadership position. The overall goal is to improve the way responsibilities are distributed, as well as the efficiency and technical capacity of IDB units based on judicial precedent concerning fraud and corruption.

The agenda for a better Bank includes a revamped Human Resources Management

Framework in order to create a culture of results-based accountability. Human resources have remained stable during the Eighth Replenishment, even though operations increased substantially. The most visible change in human resources occurred during the July 2007 realignment, which entails greater specialization and a critical mass of technical capacity in operating functions. This new structure has enabled the Bank to achieve impressive growth in operations, increasing from \$8.8 billion in approvals and \$7.1 billion in disbursements in 2007 to an estimated \$14.6 billion in approvals and \$13.2 billion in disbursements for 2009.

Growth in the IDB's operational activities demands an even stronger capacity for responding effectively to increased demand and new forms of client participation. The Bank must therefore set up a system of incentives that will attract and retain the best talent. Its installed capacity represents the region's diversity. With that in mind, the employees must reflect the focus on gender, the richness of multiple nationalities, and the cultural and ethnic variety of the IDB's member countries, both within the region and elsewhere.



Actions for improving efficacy and efficiency within the IDB

The IDB needs a framework for medium-term results that is linked to regional development challenges. Because the Bank will support it with more financial capacity, the framework will be an accountability mechanism enabling the IDB's shareholders and society in general to evaluate its contribution to development. These are the types of actions being focused on:

- Establishing mechanisms for planning, programming and budgeting over a multi-year cycle.
- Strengthening results-based accountability for development, with more transparent public information.
- Adopting a new framework for revenue management.
- Strengthening the institutional integrity framework.
- Improving the IDB's risk management capacity with a variety of policies and support instruments.
- Attracting and retaining sufficient, well-trained human resources in order to meet these new challenges, which will require policies that can guarantee a merit-based culture, diversity and results-based accountability.



*Public consultation
schedule for 2009*

**Face to face public
consultations:**

Washington, DC

– October 30

Mexico, Guadalajara

IX Annual Meeting

IDB-Civil Society

– November 5

France, Paris

– November 9

Peru, Lima

– November 13

Jamaica, Kingston

– November 19

Colombia, Bogotá

– November 23

Uruguay, Montevideo

– November 25

**Videoconference
public consultations:**

Guatemala

– November 16

Costa Rica

– November 17

Brazil

– November 19

Paraguay

– November 23

For more information:

www.iadb.org/consultation

Voices of the Ninth General Capital Increase

Karla Chaman, Civil Society Coordinator, Office of External Relations

For the first time in the IDB's history, the Bank has planned a public consultation process open to both civil society organizations and other development actors.

Whether forceful or gentle, critical or congenial, all of these voices will now have an opportunity to make themselves heard and express their opinions about ways for the Bank to progress and improve its operations prior to the Ninth General Capital Increase (GCI-9).

Rarely have institutions such as the IDB undertaken a consultation process on such a large scale. This effort will set a precedent within the Bank, for its future procedures, and also set one outside of it, by becoming an international reference point for openness and acceptance of diverse viewpoints within

a very important institutional decision-making process.

However, this process is only the beginning of the path our institution has already begun to follow in order to maintain an interaction that is genuine, systematic and, above all, set within a unified vision of civil society. The beginning of the GCI-9 consultation process, approved by the Board of Executive Directors on September 2, has as a precedent the recently concluded Independent Consultation and Investigation Mechanism (ICIM). By the time this edition of PUENTES goes to press, we will have begun the public consultation process for review of the Gender Equality Policy, approved on September 22, 2009, and in a few months we will begin reviewing one of the pillars of good governance and transparency in any institution: the Information Disclosure Policy.

The path we are following at the IDB for setting high standards of openness and inclusion through public consultation processes demands action by additional groups. It is essential for civil society organizations and other sectors involved in development to participate actively and consistently. The success of these processes lies in their capacity to bring together a large number of interested actors. Moreover, once they come together, they must be able to participate and contribute from an informed base. Only in this way will the process be constructive and beneficial, and earn legitimacy and credibility among all actors.

We know that the processes implemented by the IDB tend to be complex, and the language is not necessarily familiar to all of the participants. The Bank will work on that. We want the documents to be easy to read, yet not oversimplified.



If less technical versions are needed, we will produce them. What is important is that they are able to be reviewed and analyzed by the highest number of organizations, actors and interest groups. All voices, regardless of country or sector of origin, are important to us, and we learn from all of them.

The GCI-9 public consultation process is an important milestone in the history of our institution. Similar to the ICIM process and to the process that will be implemented with the Gender policy, this process is centered on analysis, discussion and improvement of the GCI-9 background document, entitled *Primer documento de trabajo. Evaluación de la necesidad de un Aumento General de Capital del Capital Ordinario y una Reposición de Recursos del Fondo para Operaciones Especiales: Avances y próximos pasos*. In order for participation to be

broad and constructive, this consultation process has been divided into two stages. The first, called “informational,” provides interested actors with documentos relacionados al GCI-9 so that they can participate in an informed manner and thus be productive and contribute to the process. This informational stage will last approximately 30 days and promote reading of the key GCI-9 documents; those who are interested will be invited to participate in a encuesta about the Bank’s priorities and institutional aspects.

The second stage, which is the actual consultation, will seek opinions, suggestions and recommendations concerning three critical aspects of the GCI-9 process:

1. Institutional priorities: Does the document identify the correct priorities? Should we revise them? Why should they be revised?

2. The IDB’s comparative advantages vis-à-vis other similar agencies: In what areas are we much stronger technically and financially

3. Better Bank: The specific measures being implemented by the IDB. Are they the right ones for improving the Bank’s performance? Should they be revised? Why?

In this stage, interested actors can use an online form created for this purpose to submit their comments and suggestions, or they can participate in the face-to-face reuniones and videoconferences that have been scheduled. Also, the IX Reunión del BID con Sociedad Civil in Guadalajara, to be held November 5 and 6, will include a question-and-answer period about the GCI-9.

A number of parallel processes are taking place, and they

will nourish and enrich each other. Around November 15, we will make the first cut to review and summarize the principal input for the GCI-9 public consultation, as well as the ICIM and the Gender Policy public consultations, in order to prepare a preliminary report that will provide information for the final report on the review of the Bank’s need for a general capital increase. This final report will be prepared by an IDB team.

The path has been set. We are continuing to move forward vigorously, and we are optimistic that these public consultations have the necessary voices. We hope that this spirit inspires you and moves you to participate in an active manner, to provide constructive criticism, and to be eloquent in your proposals. In short, we hope that you make your voice heard—because your voice counts.

The IDB and Its Contribution to the Integration of Regional Infrastructure in South America

Cristian Franz, Environment Specialist, IIRSA

At their first meeting, held in Brasilia in the second half of 2000, South America's presidents decided to make a firm commitment to specific measures that would promote regional integration.

The leaders agreed that more was needed than improvements to physical infrastructure (transportation, energy and telecommunications). Also necessary were integrated logistical platforms, upgraded information systems and border-area regulations, development of information technology, promotion of multimodal transportation, and harmonization of air, multimodal and maritime transportation. Social and environmental components had to be incorporated as well, and a coordinated, focused strategy enabling civil society and other interest groups to participate would have to be designed.

Their efforts led to the creation of the Initiative for Integration of Regional Infrastructure in South America (IIRSA, its initials in Spanish), whose basic premise is that integrated physical infrastructure can go beyond national borders and become a decisive factor in promoting production and trade. IIRSA will encourage sustainable economic growth in a region whose population tops 350 million people, with a combined GDP of \$1.15 trillion.

Three regional financial institutions—the Inter-American Development Bank (IDB), the Andean Development Corporation (CAF, its initials in Spanish) and the Financial Fund for the Development of the Río de la Plata Basin (Fonplata, its abbreviated title in Spanish)—were invited to the region's First Presidential Meeting, to participate actively in the Initiative's technical and financial aspects. In particular, they were to help identify priority projects and supply financial

support. The three institutions are members of IIRSA's Technical Coordination Committee and have worked together to support the Initiative from the beginning. Still, everyone must understand that the Initiative belongs to the countries, and therefore they are the ones who determine its pace and direction.

Yet even as the region's political situation changes, IIRSA's working agenda has been able to maintain its focus on an integrated physical infrastructure. Here, the Bank's support for the Initiative has been undeniable, introducing innovative tools and other actions that established a variety of milestones, all of which translate into an important stimulus for the process of regional integration.

The advances made and successes achieved, as well as the accumulated knowledge and the experiences and best practices shared by



these countries, show that IDB participation is not only desirable but necessary for regional integration and for the countries of South America. Still, this does not mean that we should overlook a group of issues that the IDB must continue working on to help countries progress in the integration process and participate more effectively in the Initiative.

In today's context, we believe that the integration process in South America must be strengthened because it is a key factor in the pathway to sustainable development and equity for the entire region. It therefore needs the Bank's support and decisive stimulus.

IIRSA's Achievements

Below is a list of the advances achieved, for the first time in history, from a South American consensus on a portfolio of integration projects in transportation, energy and communications (IIRSA Project Portfolio), using the territorial planning process.

- Established the 2005–10 Consensual Implementation Agenda 2005–10 (CIA), which focuses efforts on carrying out the Initiative's projects.
- Supported horizontal cooperation among countries in order to reproduce successful practices in IIRSA countries (for example, the Exports through Postal Services Project, which enables micro and small businesses to expand markets and export their products worldwide).
- Developed new planning methodologies, especially planning that involves productive and logistical integration, and supported development of other methodologies, such as Environmental and Social Evaluation with a Strategic Focus (EASE, its initials in Spanish), which is a CAF program.
- Financed the South American Roaming Project (regional technical cooperation), enabling countries to identify actions that will strengthen the contributions of mobile telephone service to the process of regional integration.
- Conducted highly complex binational technical studies and projects, such as the Christ the Redeemer Border Crossing, Chile-Argentina Connectivity Study and Río Napo Navigability Project (between Ecuador and Peru).

In Search of Gender Equality in Latin America and the Caribbean

The Inter-American Development Bank Studies a New Policy

Recognizing that the advancement of women is a priority objective in development, the Inter-American Development Bank in 1987 approved its Operational Policy on Women in Development (OP-761), which focuses IDB support to member countries on increasing women's participation in development processes and improving their economic status.

Women's socioeconomic and political status in Latin America and the Caribbean has improved in the 22 years since then, and the region's governments have become more committed to equality between men and women, especially after the 1995 World Conference on Women in Beijing. During this same period, the methodological-conceptual framework has evolved on a world level to include both gender equality and empowerment of women as complementary goals.

This change was reflected in the Millennium Development Goals (MDGs), supported by all IDB member countries.

The Bank's progress in implementing the Operational Policy on Women in Development can be seen in the rising number and quality of programs that incorporate a gender perspective, as well as innovative projects that serve women's needs in particular. Overall, the IDB's greatest advances have been in the social sectors and in its support for microenterprise. It has faced challenges in areas that support the institutional capacity of the State, productivity and competitiveness, and execution and evaluation of gender elements incorporated into projects.

As announced at the VIII Annual IDB-Civil Society Meeting in Montevideo in October 2008, the Bank has begun to update its Policy on Women in Development so that it can achieve the potential of its contribution to gender equality, strengthen its commitment and meet the challenges presented. The new policy will reflect

the changes and advances that have taken place in the region, bring the conceptual-methodological framework in line with advances being made internationally, and settle on concrete mechanisms to ensure that it is applied effectively and its results evaluated.

From a strategic standpoint, the new policy will take proactive and preventive action. The proactive aspects will emphasize both direct investment in strategic areas for gender equality and empowerment of women as well as across-the-board integration of the gender perspective in relevant Bank projects. Preventive actions will introduce safeguards against risks of exclusion and negative impact based on gender distinctions.

The Board of Executive Directors authorized the IDB administration to initiate a public consultation with pertinent civil society organizations and other relevant actors.

Gabriela Vega,

Senior Specialist

in Gender and Diversity



- Supported countries in developing a new database with up-to-date information about the 520 IIRSA Portfolio projects, as well as publicity activities (workshops in 12 countries about the Strategic Vision for South America (VESA, its initials in Spanish), training workshops about EASE, videos, new website, etc.).
- Supported IIRSA Portfolio projects with funds from the Integration Fund (FIRII, its initials in Spanish), an important instrument that is supplying \$12.3 million for technical studies for 15 projects.

These studies cover technical, economic, financial, environmental and social aspects, among others. The Pasto-Mocoa project alone, for example, has received \$1.3 million from FIRII for an environmental and social management plan, making this project an unprecedented regional model. The IDB will also participate in 21 IIRSA Portfolio projects (12 of which are part of the CIA, which totals 31 projects), investing a total of \$7 billion and financing \$2.2 billion.



Ana Mita-Betancourt,
Coordinator, Independent
Investigation Mechanism

Independent Consultation and Investigation Mechanism

We Hear Your Voice: The Public Consultation Process

For four months beginning in May 2009, the Inter-American Development Bank (IDB) held public consultations for its proposed Independent Consultation and Investigation Mechanism (ICIM) in 12 countries, including the United States and France.

The Mechanism offers communities that feel they are affected by an IDB-financed project a way to express their concerns to the Board of Executive Directors. The Mechanism acts as an accountability system, verifying that IDB staff has followed the Bank's operational policies during the design and implementation of Bank-financed projects. The Mechanism is an important instrument that furthers the Bank's transparency and effectiveness.

However, these goals—which are shared by both the Bank and civil society—cannot be achieved without appropriate channels for dialogue and consultation. Therefore, ICIM consultations took place with a broad range of organizations within civil society and the private

sector, as well as with project-execution agencies, academic institutions and other actors. These consultations were held in Washington, D.C., Peru, the Dominican Republic, France, Mexico, Colombia, Argentina, Bolivia, Brazil, Trinidad & Tobago, Jamaica and Honduras. The consultation plan, independent summaries of the meetings, photos, agendas and a matrix of all comments received are accessible on the Bank's Web site, underscoring the transparency of the process.

What have we heard in these consultations? One question that has come up repeatedly is how to be sure the communities know about the ICIM. "How can I find out if a project is being financed by the IDB, and how can I let them know about my concern, comment or complaint?" is another question that civil society organizations (CSOs) have raised during the consultation sessions. A number of comments have also been received about the ICIM's proposed scope, its institutional structure, its impact and its procedures. All of these concerns are important feedback for the ICIM's design and are being studied by the IDB.

The meetings have also discussed the role of civil society advisory councils (CSACs), which to date, have been functioning as platforms for dialogue between the IDB and CSOs. The CSAC reinforce the Bank's activities, but would not replace a formal instrument of last resort like the ICIM. The CSAC will have a valuable role in the outreach efforts for the ICIM and in ensuring that it becomes known to communities.

This public consultation process constitutes a comprehensive effort by the IDB to obtain input from civil society about a significant institutional policy. The effectiveness of the ICIM will depend on its transparency and credibility, goals that have been reinforced by this public consultation. The consultation has also provided the IDB with a first opportunity to use such tools as YouTube and Facebook to publicize the proposal. CSO in turn have had an opportunity to reflect on how to engage with the IDB.

The IDB expresses its appreciation for all of the contributions of civil society to this important process.

Final results

Public consultation for the Independent Consultation and Investigation Mechanism.

The public consultation process took place during four months, included face to face and video-conference meetings in 12 countries in which 226 people participated. In addition, 63 organizations sent written comments.

The Bank received more than 470 specific comments and suggestions about the draft Mechanism. All of these comments are being considered.



Climate Change in the IDB

Hilen Meirovich and Amal-Lee Amin, Sustainable Energy and Climate Change Initiative



Climate change is widely recognized as the greatest challenge facing the world today. Given that it is a global issue that threatens all countries' social, economic and environmental development, countries in the Latin America and Caribbean Region are at risk. Recognizing the urgency for strong and collective international action to reduce the causes of climate change (mitigation) as well as the need to increase resilience to the impacts of climate change (adaptation), Governments will come together at the Copenhagen meeting of the UN Framework Convention on Climate Change in December this year to forge a post-2012 agreement on long-term cooperative action for tackling climate change.

The IDB is responding to this challenge and has already begun to scale-up support for member country actions to address climate change. In 2007, the Sustainable Energy and Climate Change Initiative (SECCI) was created to mainstream climate change mitigation and adaptation throughout the IDB's operations. The IDB Board allocated US\$20 million of Ordinary

Capital (OC) resources for SECCI activities on climate change, which attracted US\$25 million in additional resources from partner countries. Since SECCI's launch, the IDB has focused on (i) developing and strengthening institutional and regulatory frameworks to foster investments, as well as (ii) providing financial resources for countries in the Region. SECCI has catalyzed a number of sustainable energy and climate change related investments in the energy, water and environmental sectors, and pioneered a new approach for the Bank in providing countries with Climate Change Policy-Based Loans.

On 1st January 2009, SECCI activities were consolidated in the Sustainable Energy and Climate Change Unit (INE/ECC) which was created within the Infrastructure and Environment Department. At present SECCI is working in more than 20 countries of LAC using different instruments such as technical cooperation projects, loans for direct investment, and policy-based loans.

During 2009 as Governments come together to agree on ways and means for accelerating and scaling-up international action on climate change, SECCI is working across the Bank on the development of an IDB strategy for tackling climate change and the development of a detailed Climate Change Action Plan (ICCAP) for the IDB Group. This ICCAP will need to identify sector-

specific actions, as well as the financial and non-financial instruments and tools for assisting countries with design and implementation of their country strategies for climate change. As new challenges and opportunities for IDB borrowing countries emerge in the context of a post-2012 climate change agreement, following the Copenhagen meeting SECCI will also identify new strategic areas in which the IDB will need to scale-up activities to support countries and stakeholders in the region.

Civil society has a dual crucial role in helping shape the climate change agenda and how actions are taken forward on the ground. Civil society – citizens' groups pursuing their common interests – has emerged as the main channel for citizens to share their concerns with governments and international organizations, and as an excellent training ground for the development of "good citizenship," that can transmit to every person a general awareness of the issue and knowledge of specific actions to be taken for combating climate change.

The IDB recognizes that civil society is a major player in the public realm. It expresses itself in the form of the fruitful dialogue that takes place among civil society organizations and between these organizations and persons in government, business and research institutes who work with them. In 2009 and

beyond SECCI will promote platforms for dialogue among all stakeholders, including those in the public, private and the third sector in order to receive their valuable input in an ongoing process to improve transparency and social participation, ensuring that these strategic actions are coordinated and implemented in an inclusive manner.

But most importantly, SECCI will continue to strengthen civil society organizations' capacities in their role as "schools of citizenship," able to increase awareness and consciousness at the individual level, a dimension without which the climate change agenda cannot be fruitful.





Road Map Montevideo 2008

INSTITUTIONAL

- Form IDB – CSO working group to prepare formal, planned meeting as part of the 2009 IDB Annual Meeting in Medellin
- Jointly finalize a comprehensive “map” of CSO for better information distribution.
- Define and standardize general guidelines for Civil Society Advisory Councils (CSAC) in each country, taking unique circumstances into account.
- Prepare and disseminate the First IDB – Civil Society Annual Report.

SESSIONS

DEVELOPMENT EFFECTIVENESS FRAMEWORK

- Provide CSOs with more information regarding development effectiveness activities implemented by the Bank.

SECCI

- Pilot program replicable elsewhere in Region on the Initiative. Initial pilot in AR and possibly one other country.
- Develop a project portfolio proposed by CSOs with governments' clearance, on SECCI's priority areas.
- Invitation to sector CSOs to participate in three (3) roundtables to present the Biofuels Scorecard

INDEPENDENT INVESTIGATION MECHANISM

- Better dissemination about the Independent Investigation Mechanism (website, workshops, brochures, etc)
- First draft of proposal for new IIM presented to Board prior to IDB Annual Meeting in Medellin (March 2009).



Status of the Montevideo Agreement

VII Meeting IDB – Civil Society

The VII Meeting IDB-Civil Society set a new stage in the relation between the Bank and Civil Society. This year was created a new methodology for elaborating the agendas for these meetings, in which CSO are polled so as to know about and incorporate their interests and concerns. In addition, Montevideo was an effective dialogue platform. Not only because the president of the IDB, Luis Alberto Moreno had an interesting conversation with the attendants, but because for the first time institutional

agreements were reached between the participating civil society. All IDB divisions that attended this event agreed to hold activities and tasks within the 12 months following the event.

The IDB has executed 19 institutional commitments. Many of them, like the RCIM, went even further than what it was agreed upon with Civil Society. There was a process of planned consultation that surpassed the expectations of participants, which have enriched the Mechanism with their feedback.

There are other commitments that are in the implementation phase and that have suffered

internal delays due to the participatory dynamic that is being implemented for this type of activities. This is the case of the revision and redefinition of the CSCG since there is a new proposal for realignment or general guideline that has been discussed internally before being shared with CSO.

The process took more time that originally envisioned because of the quality of feedback and the broad opportunity of participation.

Summary Annual Report

One of the agreements of Montevideo, attained on October 2008, involves the preparation, publication and distribution of the First Working Report of the IDB with Civil Society. This report has been elaborated with the information provided by the 26 regional Offices and the participation of different units within the Bank. The Report will be delivered to Civil Society Organizations during the first trimester of 2010. The main objective of this Report is to underline relevant information so as to develop, reinforce and consolidate the relation between the Bank and Civil Society Organizations (CSO).

To serve as a preview for this Report, this issue of Puentes highlights its main topics:

1. Report on Capital Increase: Information on the process, the main issues of the discussion on the future of the Bank and the development of CSO's participation in public consultations.
2. Institutional dialogues with Civil Society. Chapter that summarizes the event in Montevideo and its agreements. There will be relevant information on the meeting in Guadalajara, as well as the lessons learned and the areas in which communication and institutional interaction with different organizations across the region have to be developed and reinforced.
3. Policy, Strategies and Consultation Mechanisms. Detailed Report on the current situation and consultation process for the new Research and Consultation Independent Mechanism (RCIM), Sustainable Energy and Climate Change Initiative (SECCI), Strategic Environmental Assessment, Operative Policy on Equality and Gender in Development, and a better explanation of the Framework for Development Effectiveness in Development.
4. Civil Society partners and others. Multilateral Investment Fund (MIF) and Office of Outreach and Partnership (ORP) most relevant projects, among others, in addition to the Bank's activities with youth groups in the region.
5. Bank's work at a country level. How the Bank's Country Offices in the region integrate civil society in their activities at different levels, from Country Strategy and implementation of Civil Society Consulting Groups-CSCG (previously known as Advisory Councils of Civil Society) y different projects.

Road Map Montevideo 2008

POLICY OF WOMEN IN DEVELOPMENT

- The Gender and Diversity Unit, together with the Vice-Presidency for Countries and the Civil Society Team, guarantees women, indigenous peoples and Afro-descendent communities participation in CSAC, taking into account local circumstances.
- The Gender and Diversity Unit will establish a virtual community to follow up on discussions and proposals from Montevideo 2008.

EAE

- The Bank will develop an SEA Methodological Guide to be applied to operations that require strategic decisions.

GOVERNANCE

- Prepare and conduct a meeting with relevant CS actors to present and discuss the Governance Evaluation and Democratic Institutionalization Methodology (governance profiles) before the next IDB-CS Meeting.

Examples in some countries that will be highlighted in the Annual Report:

Argentina: A total of 80 CSO have participated in the participation process of the IDB Country Strategy for Argentina. Period: 2008-2011

Guyana-Barbados: There have been consultations with Civil Society for the elaboration of the Country Strategy: 2008-2012 Guyana; and 2009-2013 Barbados.

Belize: Maya and Garifuna Organizations have participated in the consultation for the preparation of the Country Strategy.

Costa Rica: Donation in cash of the Bribi community, in conjunction with the IDB Cultural Development Program.

Mexico: Consolidation of an indigenous micro-enterprise network through the promotion of regional tourism.

Paraguay: Integration Corridors Program, Road Rehabilitation and Maintenance I

Peru: Conservatories on the Sustainable Energy and Climate Change Initiative as well as Trade and Poverty and Remittances.





Yo Amo América Campaign

Luisa Fernanda Rodriguez, Office of External Relations

Yo Amo América is an IDB campaign to promote change and development in Latin America by offering opportunities to the low-income population



"I tell microentrepreneurs that there are ways to get out of poverty, that they should look for help and dream. We should dream big because when you dream, you see things that don't exist yet—except inside of us. That's why we are entrepreneurs, agents of change, seeds for a better society."

Stuart Vardales (27), MIF beneficiary from Honduras.

At 27, Stuart Vardales still can't believe how he went from unemployed student to successful microentrepreneur. His life hasn't been easy.

As are most young people in Honduras who graduate from university and do not have a job, he was worn out by the lack of opportunities. He looked for financial help to start a business, but no one would listen. Still, Stuart didn't give up no matter how many doors he knocked on. Then he decided to apply for a loan through the Asociación de Cooperativas de Honduras, which is part of the IDB's Multilateral Investment Fund's (MIF) development program, to make his dream come true and start his business: a gym that could make money for him and also help the community.

"Like many people in Honduras, I was discouraged, in jobs where you don't earn more than \$200 working up to 14 hours a day. I wanted to have my own home and help my mother, but I didn't have the

money," said Vardales, holding back tears as he remembered the obstacles he had to face and the problems he shares with most people in his country, who suffer from lack of opportunities.

Stuart's story, like those of other young entrepreneurs, reached the public thanks to Yo Amo América.

Yo Amo América is an IDB campaign in association with three well-known performers and their foundations: Ricky Martin and the Ricky Martin Foundation; Juanes and Mi Sangre; and the Juan Luis Guerra Foundation. The campaign's goal is to promote policies and investments in strategic areas to give low-income people access to more and better services, including the civil registry, comprehensive services for children and financial services. The IDB is making significant investments in these areas in order to change the quality of life for millions of the region's people.

During an event at IDB Headquarters in Washington, D.C., Vardales said: "I met Juan, who told me that he worked in a restaurant washing vegetables. Whatever was left over or couldn't be used in the restaurant, he would keep for his family. It is very painful

to learn about the levels of poverty we experience in our countries. I invited Juan to come to my gym, and I helped him become an instructor. I know what he was living through because I'd been a Juan, too, and I'd gone through something very similar."

An \$8,400 loan enabled Stuart to buy 14 machines and open his gym. Nearly three years later, it's hard for him to believe how much opening that first business has changed his life and life in his neighborhood. Now he has 50 machines and works with the childcare centers in his neighborhood markets and churches. More than a thousand people have benefited directly (640 customers) or indirectly, through services or support groups that have formed nearby.

Stuart Vardales's story would not have come out without the help of the Yo Amo América campaign. Now other young people in the region can use his struggle as an example.

MORE INFORMATION ABOUT YO AMO AMÉRICA AT:
[HTTP://WWW.IADB.ORG/CAMPAIGN/YOAMOAMERICA](http://www.iadb.org/campaign/yoamoamerica)

MORE INFORMATION ABOUT THE MIF AT:
[HTTP://WWW.IADB.ORG/MIF](http://www.iadb.org/mif)



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