Annual Report 2008

Inter-American Development Bank

The Year in Review

FINANCIAL SUMMARY 2004–2008

ORDINARY CAPITAL

(In millions of U.S. dollars)

	2008	2007	2006	2005	2004
Operational Highlights					
Loans and Guarantees Approved[1,2]	$11,085	$ 8,577	$ 5,632	$ 6,448	$ 5,468
Loan Disbursements	7,149	6,725	6,088	4,899	3,768
Loan Repayments	4,740	5,265	8,615	5,224	5,199
Balance Sheet Data					
Cash and Investments–Net, After Swaps	$16,371	$16,301	$16,051	$13,717	$13,046
Loans Outstanding	51,173	47,954	45,932	48,135	49,842
Undisbursed Portion of Approved Loans	19,820	16,428	16,080	17,000	16,093
Total Assets	72,510	69,907	66,475	65,382	67,346
Borrowings Outstanding, After Swaps	47,779	45,036	43,550	43,988	45,144
Equity	19,444	20,353	19,808	18,727	18,511
Income Statement Data					
Loan Income	$ 2,355	$ 2,436	$ 2,466	$ 2,413	$ 2,498
Investment Income (Loss)	(973)	487	619	403	288
Borrowing Expenses, After Swaps	1,764	2,135	2,070	1,733	1,572
Operating Income (Loss)	(972)	283	627	712	862
Ratio					
Total Equity to Loans Ratio (TELR)	35.3%	40.2%	40.8%	37.3%	36.1%

FUND FOR SPECIAL OPERATIONS

(In millions of U.S. dollars)

	2008	2007	2006	2005	2004
Operational Highlights					
Loans and Guarantees Approved	$ 138	$ 152	$ 605	$ 410	$ 552
Loan Disbursements	415	393	398	424	463
Loan Repayments	229	275	290	301	294
Balance Sheet Data					
Cash and Investments, Net	$ 1,355	$ 1,565	$ 1,592	$ 1,564	$ 1,559
Loans Outstanding, Net[3]	4,101	3,966	3,733	6,878	6,971
Undisbursed Portion of Approved Loans	1,502	1,783	2,229	2,051	2,083
Total Assets	6,289	6,305	6,148	9,391	9,592
Fund Balance	5,786	5,878	5,758	9,046	9,124
Income Statement Data					
Loan Income	$ 91	$ 90	$ 152	$ 149	$ 145
Technical Cooperation Expense	33	23	19	28	31
Debt Relief Expense	-	-	(3,306)	1	10
General Reserve Transfers	50	50	61	62	73
Net Income (Loss)	(72)	9	(3,267)	10	(10)

[1] Excludes guarantees issued under the Trade Finance Facilitation Program (TFFP).
[2] Years 2005 to 2007 previously included lines of credit approved under the TFFP.
[3] Net of allowance for debt relief.

Letter of Transmittal

As required under the By-laws of the Inter-American Development Bank, the Board of Executive Directors hereby submits to the Board of Governors the Annual Report of the Bank for 2008. The two-volume report contains a review of the Bank's operations in 2008 (loans, guarantees and grants) and, in a separate volume, Management's Discussion and Analysis: Ordinary Capital; the financial statements of the Bank; and general appendices.

February 17, 2009

IDB

A Partner for Latin America and the Caribbean

Annual Report 2008

The Year in Review

Inter-American Development Bank

50 YEARS as a partner for Latin America and the Caribbean

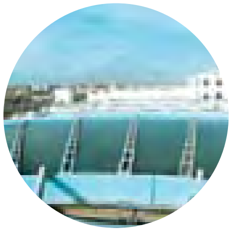
1959

Agreement Establishing the Bank is ratified by 18 countries. Initial $1 billion authorized for Ordinary Capital and Fund for Special Operations.

1960

Felipe Herrera of Chile named first president. Initial Annual Meeting held in El Salvador.

1961



First loan for water and sewerage in Arequipa, Peru. United States creates IDB-administered Social Progress Trust Fund.

1964

First increase in Ordinary Capital resources of $1.3 billion. Lines of credit for export financing benefit Argentina, Brazil, Chile and Mexico.

1967

Trinidad and Tobago first member country from English-speaking Caribbean.

1970

Antonio Ortiz Mena of Mexico elected second president.

1976

First group of European countries, plus Israel and Japan, join Bank.

1978

Governors stipulate 50 percent of operations must benefit low-income groups. Small Projects Program assists farmers and small businesses.

1985

Inter-American Investment Corporation charter finalized, for development of private sector and capital markets.

1988

Enrique V. Iglesias of Uruguay becomes president. Japan Special Fund for technical assistance.

1990

First sector and microenterprise global loans approved. Regional research network on economic policy.

1993

Multilateral Investment Fund begins operations, promoting inclusive growth through private sector development.

1995

Eighth increase in resources takes effect. First US-dollar window loans for private sector operations.

1998

Emergency loan facility established; annual approvals top $10 billion. Reconstruction programs following Hurricane Mitch, El Niño.

2005

Luis Alberto Moreno of Colombia elected president. Local Currency Facility launched. Republic of Korea second Asian member country.

2009

Amid global economic crisis and record lending volume, Governors commemorate 50th anniversary in Medellín. China becomes 48th member country.

About the IDB

The Inter-American Development Bank, the oldest and largest regional bank in the world, is the main source of multilateral financing for economic, social and institutional development in Latin America and the Caribbean.

Its loans and grants help finance development projects and support strategies to reduce poverty, expand growth, increase trade and investment, and promote regional integration, private sector development and modernization of the state.

By the end of 2008, the Bank had approved $169.3 billion in loans and guarantees to finance projects with investments totaling over $377 billion, as well as $2.5 billion in grants and contingent-recovery technical cooperation financing.

The IDB obtains its own financial resources from its 48 member countries, borrowings on the financial markets, and trust funds that it administers, and through cofinancing ventures. The IDB's debt rating is AAA, the highest available.

The IDB Group is composed of the IDB, the Inter-American Investment Corporation and the Multilateral Investment Fund. The IIC focuses on support for small and medium-sized businesses, while the MIF promotes private sector growth through grants and investments. The IDB is headquartered in Washington, D.C., and has Country Offices in all 26 of its member countries in Latin America and the Caribbean, as well as in Paris and Tokyo.

Member Countries

Argentina	Costa Rica	Honduras	Peru
Austria	Croatia	Israel	Portugal
Bahamas	Denmark	Italy	Slovenia
Barbados	Dominican Republic	Jamaica	Spain
Belgium	Ecuador	Japan	Suriname
Belize	El Salvador	Korea, Republic of	Sweden
Bolivia	Finland	Mexico	Switzerland
Brazil	France	Netherlands	Trinidad and Tobago
Canada	Germany	Nicaragua	United Kingdom
Chile	Guatemala	Norway	United States
China*	Guyana	Panama	Uruguay
Colombia	Haiti	Paraguay	Venezuela

* Effective January 12, 2009





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Note: This is the first of two volumes that constitute the Annual Report of the Inter-American Development Bank. The complete Management's Discussion and Analysis, audited financial statements and appendices are published in a separate volume as the *IDB Annual Report: Financial Statements and General Appendices.* The Annual Report is also available on the Bank's website at **www.iadb.org**.

COVER PHOTO: Young entrepreneurs harvest coffee cherries in Colombia. They are increasing their productivity and exports through innovation in marketing, production processes, and business models, in response to new trends in the international coffee market.

Photo by Patricia Rincon Mautner

MESSAGE FROM THE PRESIDENT

Luis Alberto Moreno, IDB President

In 1959, when the Inter-American Development Bank was just opening its doors to realize the long-held dream of the Latin American and Caribbean nations to have a "bank of their own," Brazil's president Juscelino Kubitschek was exhorting his country to achieve "50 years of progress in five." The Cold War between East and West soon came to dominate world headlines, casting a shadow over North-South relations and restricting the great vision of this world statesman to a matter of national pride. No matter that Brasilia, now a city of two and a half million, soon sprang into being; the issue was whether the region that had long been the perpetual "success of the future" could deliver on its promise, for its people and for the world.

Since that time, Latin America and the Caribbean has made great progress. The region today is recognized for the rule of law, for its world-class entrepreneurs, for the vibrancy of its cultural exports. While the deepening recession in the United States and other developed countries buffets us all—we, as a bank, have not been immune—the pace of our economic reforms over more than a decade has been steady.

Fast forward from 1959 to 2008. The region completed its fifth straight year of economic growth with low inflation, although growth slowed toward the year's end. At many points in the 50-year path of our region's economic fortunes, this would have been great news. But moderate growth is not sufficient to assure a decent standard of living to the estimated 125 million Latin American and Caribbean citizens who live on less than two dollars a day.

The Inter-American Development Bank has played a part in the region's successes while also remaining true to our mission of helping countries do the most for those who have the least. We have been a partner, as the expression goes, "through thick and thin." We have helped our countries weather economic crises either heaven-sent, or of our making, or like this one, originating abroad. We at the IDB should be proud of having helped to chart the course for regional progress for these past 50 years, but clearly, amid the steepest world economic decline in memory, the past is merely prologue. Now is the time when our relevance will be put to the test.

In 2008, the IDB Group delivered an operational program of loans, guarantees, grants, and investments totaling $12 billion, significantly eclipsing our previous record for loan volume and including the first two operations of the new Liquidity Program for Growth Sustainability at year's end. The IDB's operational program increasingly featured projects coherent with the strategic priority programs developed in previous years—the initiatives on Water and Sanitation, Sustainable Energy and Climate Change, and Opportunities for the Majority.

"Now is the time when our relevance will be put to the test."

The IDB's response to the effects of the global financial, economic, and social crisis on our region has been swift and sure. First, we buttressed our countries' defenses to the food price crisis with access to grant and loan finance. We sought to provide flexibility to those most in need—Haiti, for example—so that they could provide subsidies to producers and consumers whose credit had disappeared and whose families were at risk.

Second, we did what a regionally focused multilateral institution like ours should always do—we consulted with our clients and devised solutions to address the problems. The operational program benefited from the approval of the second phase of the Integrated Business Plan for Private Sector and Non-Sovereign-Guaranteed Operations, a new framework for technical assistance and three new thematic funds: AquaFund, the Aid for Trade Strategic Thematic Fund and the Cooperation Fund for Water and Sanitation, the latter a large-scale, grant-based initiative of the Government of Spain.

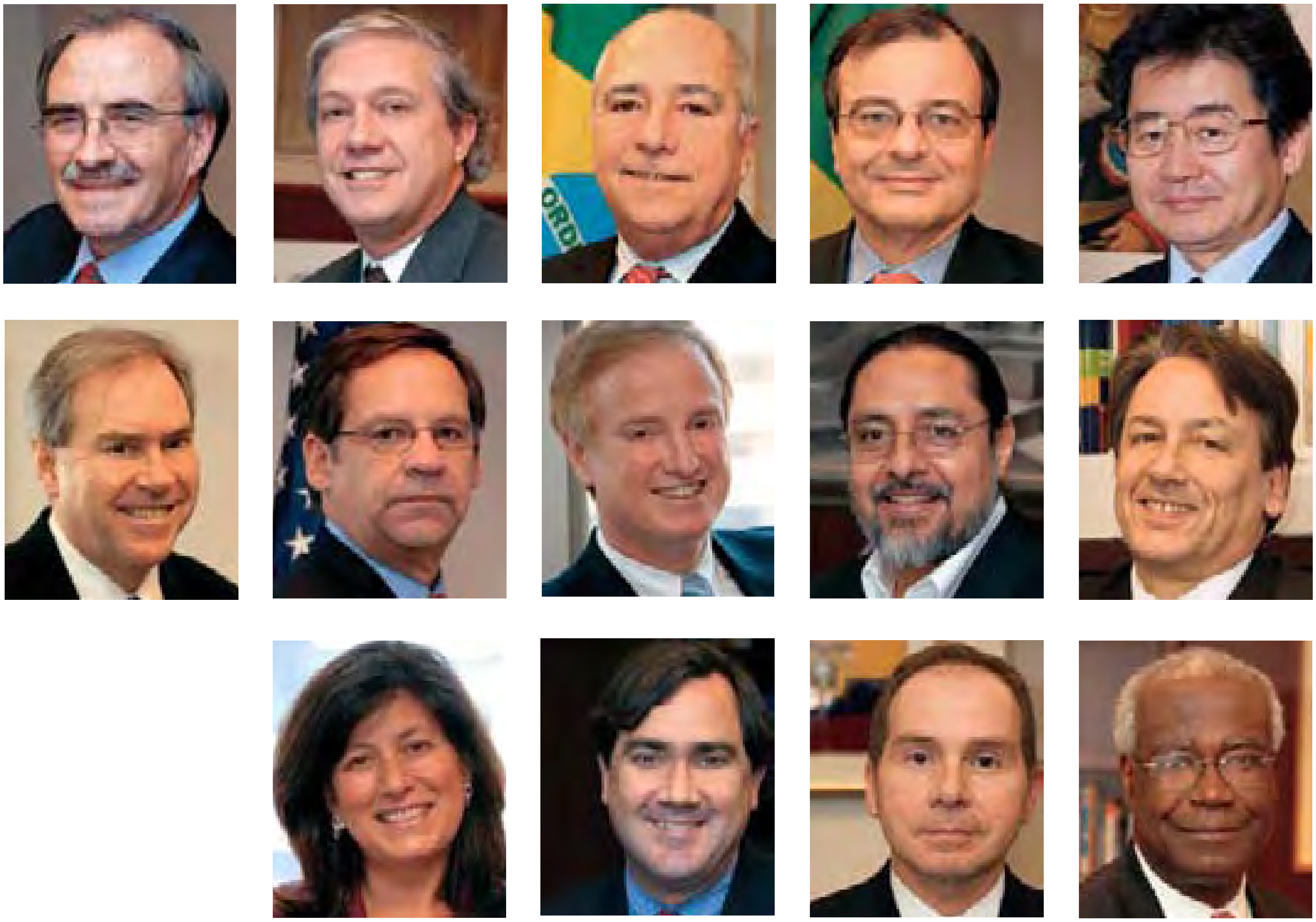
Lastly, we looked to the future, to the region's short- and longer-term agenda. To address head-on the short-term crisis, we must continue using the available resources our financial policies permit, establishing a lending program that is in line with both the needs of the region's economies and the Bank's capacity. For the longer-term needs—support for public policies that protect vulnerable groups, recognize environmental sustainability, improve competitiveness and champion mature, responsive public institutions—as was discussed in Miami last April, the region needs a Bank that is not only solid, innovative, and flexible, but also one with increased financial muscle.

We have laid the foundation to take on this larger role. We approved a new framework that will strengthen our development effectiveness. By year's end we had drawn together recommendations for a new operational framework—with more flexible lending limits and an enhanced capital adequacy policy and model—that underscores the countercyclical role the IDB must play. We are renewing our leadership as the partner of choice for the region's development, teaming with countries to bring innovation to the far corners of the region, to reach the poor and the underserved.

Our aim is to be true to the vision of President Kubitschek and others, who 50 years ago showed a fitting impatience with the regular rhythm of plodding growth and unequal progress. Amid the huge challenges faced by our region and the world, the need for the commitment, work and resources this institution is uniquely positioned to provide will be more vital than ever.

Luis Alberto Moreno
President
Inter-American Development Bank

THE BOARD OF EXECUTIVE DIRECTORS



Board Members, *on this page, left to right:*
First Row: Eugenio Díaz-Bonilla, Martín Bès, José Carlos Miranda, Sérgio Portugal, and Yasusuke Tsukagoshi
Second Row: Stewart Mills, Miguel San Juan, Marcelo Bisogno, Hernando Larrazábal, and Hans Hammann
Third Row: Francesca Manno, Alex Foxley, Xavier Santillán, and Winston A. Cox

The IDB shareholders—its 48 member countries—are represented by the Board of Governors, the highest decision-making authority of the Bank. The Governors delegate many of their powers to the Board of Executive Directors, whose 14 members they elect or appoint for three-year terms. Executive Directors for the United States and Canada represent their own countries; all others represent groups of countries. The Board of Executive Directors also includes 14 Alternates, who have full power to act when their principals are absent.

Board Members, *on this page, left to right:*
First Row: Richard Bernal, Nelly Lacayo-Anderson, Raúl Barrios, Cecilia Ramos, and Roberto B. Saladín
Second Row: Verónica Zavala, Luis Guillermo Echeverri, Vinita Watson, Peter Cameron, and Marc-Olivier Strauss-Kahn
Third Row: Elisabeth Gruber, Adina Bastidas, and Fernando Eleta (one seat was vacant)

The Board of Executive Directors is responsible for day-to-day oversight of the Bank's operations. It establishes the institution's policies, approves projects, sets interest rates for Bank loans, authorizes borrowings in the capital market, and approves the institution's administrative budget. The work of the Board of Executive Directors is guided by the Regulations of the Board of Executive Directors and the Code of Ethics for Executive Directors. The agendas and minutes of the Board of Executive Directors' meetings are public documents, as is the Board's annual work program with its quarterly updates as of December 17, 2008.

The Annual Report is produced by the IDB Office of External Relations.

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THE IDB IN 2008

Although Latin America and the Caribbean completed its fifth straight year of economic growth in 2008, with low inflation, the year ended with a marked slowdown, directly affecting the Bank's work in the region. The IDB's total loan approvals, at $11.2 billion, exceeded by more than 11 percent the amount authorized in any previous year, as the IDB sought to provide countercyclical financing and to expand and vary its successful new product lines. Disbursements totaled $7.6 billion, nearly $500 million more than the previous year.

While the region proved resilient to many of the initial effects of the global downturn, overall growth, at 4.6 percent, was just over one percentage point slower than in the previous two years. The crisis led to a drop in commodity prices and diminished access to international finance.

Economic growth in the region is expected to slow further in 2009, to 1.1 percent, according to projections by the International Monetary Fund. Although inflation is expected to return to the lower levels of 2007, inflationary expectations remain volatile in many countries.

Because the crisis is largely externally induced and is sharply affecting trade, domestic spending, and credit availability, Latin American and Caribbean economies are likely to see significant impacts in trade-affected sectors, industries, and services that sell directly to the OECD economies (e.g., automobiles). The impact is being felt not just in the large and medium-sized export-oriented firms, but also in the smaller firms that serve as suppliers to these industries and the local employment that depends on the buying power of their workers.

Among the various initiatives the IDB undertook in response to the export dimension of the crisis was a rapid expansion of its successful Trade Finance Facilitation Program, through which the Bank provides guarantees to regional commercial lending institutions' financing of international trade transactions.

The adverse international environment added a new short-term dimension to the challenges the region had been facing in terms of sustainable and inclusive growth, as a result of the liquidity needs generated first by the food crisis and then by the international financial instability. These were addressed through a number of specific actions, including the approval in October of a $6 billion Liquidity Facility for Growth Sustainability, and creation of a $500 million Food-Price Subsidy Fund, in addition to the support provided as part of the IDB's annual work program, which focuses on the priority areas described below.

Priority Areas

The IDB partners with countries to combat poverty and promote social equity through programs tailored to local conditions. Working with governments as well as with the private sector and civil society, the Bank seeks to promote sustainable economic growth, increase competitiveness, modernize public institutions, and foster free trade and regional integration.

The Bank's priority areas include:

Poverty Reduction
Sustainable Energy and Climate Change
Water and Other Infrastructure
Education and Innovation
Opportunities for the Majority

Poverty Reduction

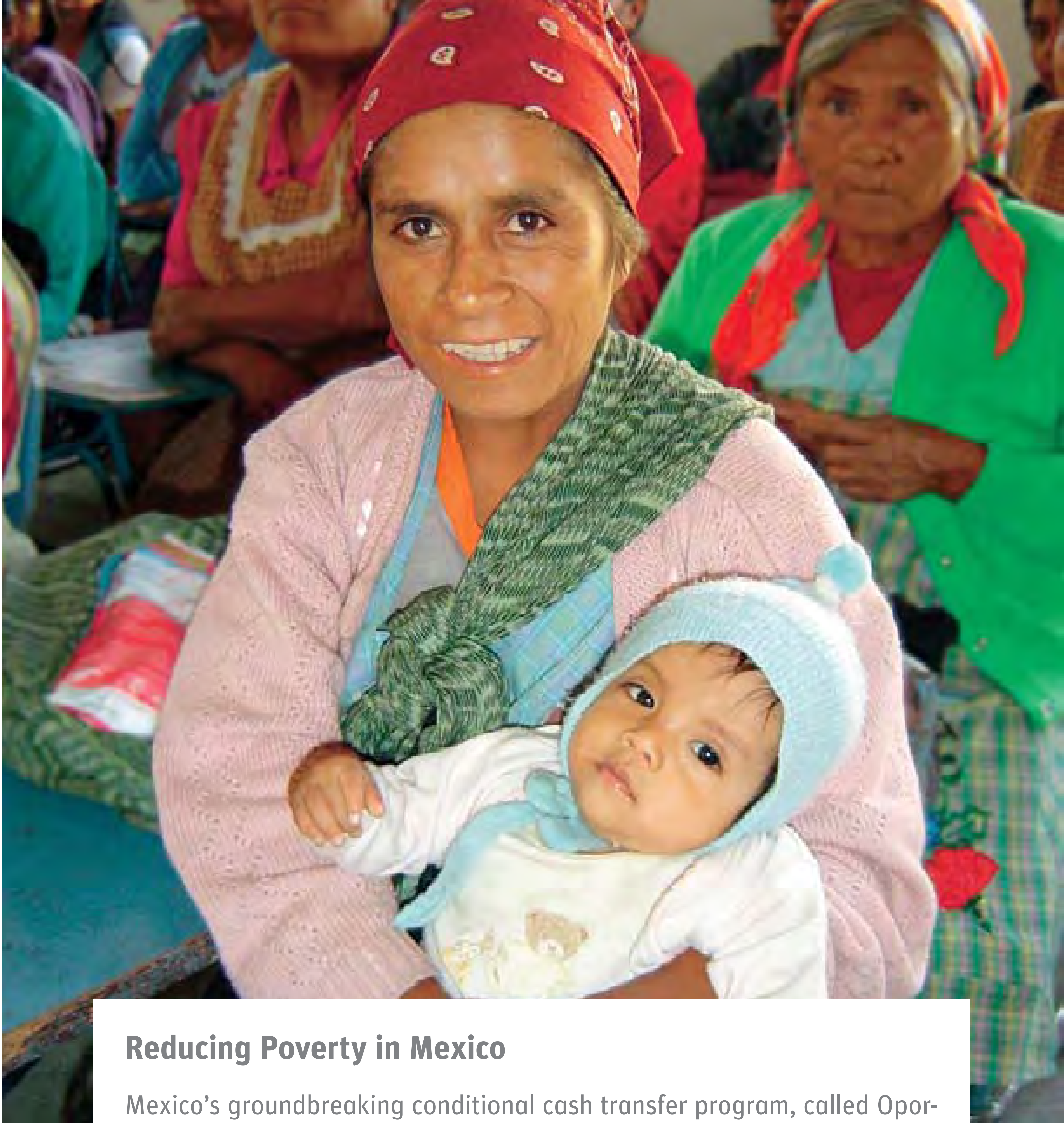
An overarching goal of the IDB is to fight poverty. Of the total amount in financing approved in 2008, $3.9 billion (34.8 percent) was for projects that included components to reduce poverty and/or enhance social equity, close to the indicative target of 40 percent of the total volume. During the year, the IDB approved 28 operations totaling $2.6 billion that were specifically targeted to reducing poverty.

A key set of projects focused on reducing the short-term poverty impact of increasing food prices and the financial crisis through conditional cash transfer programs. Such programs have proven effective in promoting human capital accumulation among the poor, and the IDB is a

Children in a rural school in the Dominican Republic eat nutritious school lunches as part of a program to enhance equity in basic education (kindergarten through eighth grade).

leader in their development, having provided more than $5 billion in financing for them. In 2008, loans were approved in support of programs in Colombia, Guatemala, Honduras and Mexico. The Mexican program, known as *Oportunidades*, featured the introduction of a number of innovations to improve program effectiveness in urban areas, such as concentrating scholarships among older children with higher school dropout risk, switching from cash payments to debit cards, and moving away from the distribution of calorie-dense nutritional supplements toward more effective micronutrient supplementation.

In Peru, IDB support is strengthening the Seguro Integral de Salud, a comprehensive package of cost-effective health services targeted to poor mothers and children, with a measurable impact on improving health care utilization and restraining out-of-pocket spending. The IDB continues to help finance the successful Guyana nutrition program, which, like the project in Mexico, includes micronutrient supplements for pregnant women, in an innovative and more palatable form known as “sprinkles.”



Reducing Poverty in Mexico

Mexico's groundbreaking conditional cash transfer program, called Oportunidades, serves five million poor families nationwide. Mothers receive cash payments in exchange for ensuring their children get medical checkups and attend school.

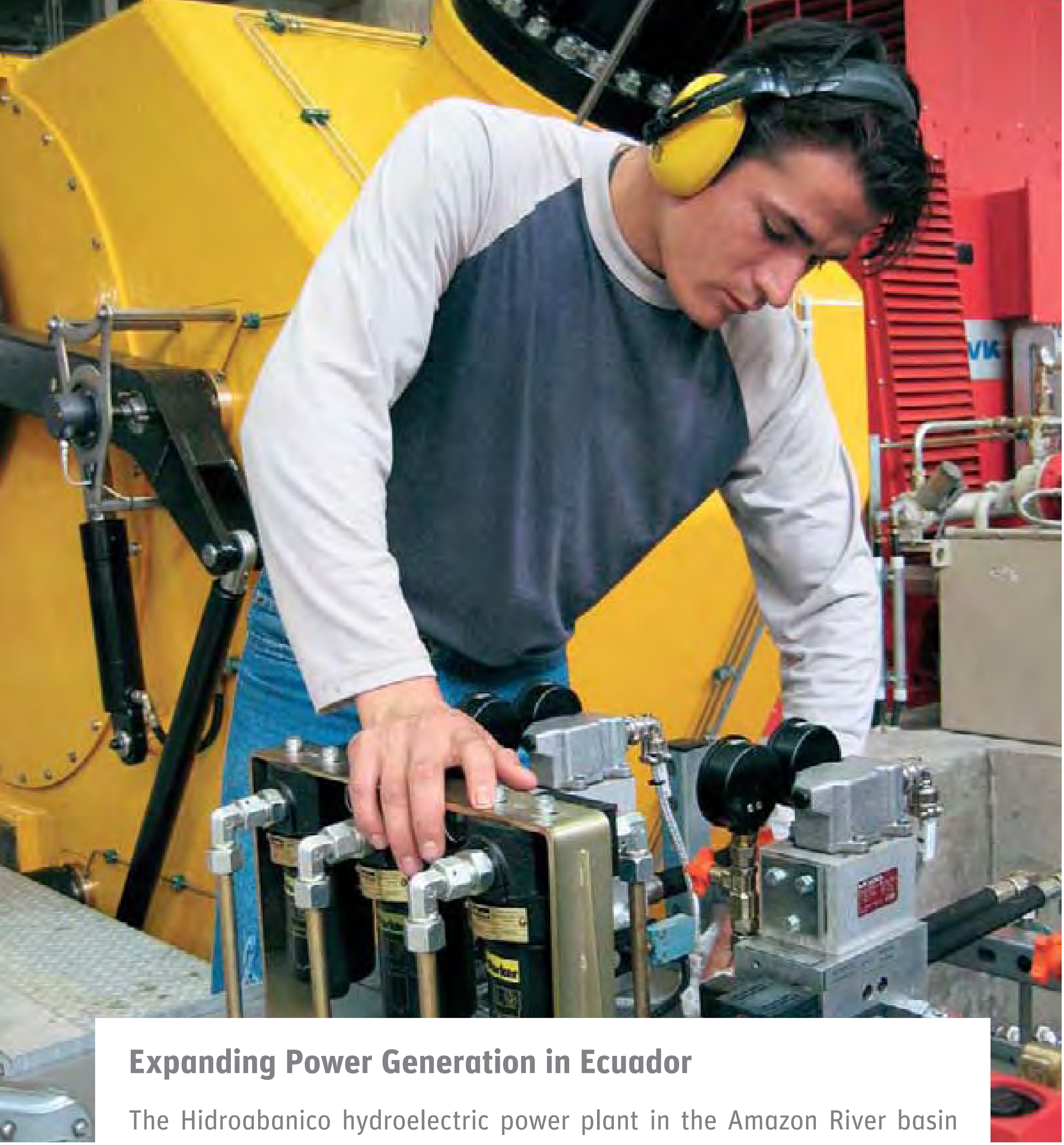
Sustainable Energy and Climate Change

The core objectives of the Sustainable Energy and Climate Change Initiative (SECCI) are to expand the development and use of renewable energy sources, energy efficiency technologies and practices, and carbon finance in Latin America and the Caribbean, and to promote and finance adaptation strategies that reduce the region's vulnerability to climate change.

The PROMATA program in Brazil includes environmental projects for recovery of degraded areas in order to increase the amount of reforested land in the Atlantic forest region.

The IDB generates value added through programmatic policy-based loans to help governments in the region implement their climate change agendas, investment loans with SECCI components, and knowledge and innovation. During the year, two policy-based loans for climate change totaling $500 million were approved, including a $200 million project for Mexico to finance the first national study on the economic impact of climate change and measures to mitigate it. In addition, nine loans totaling $610 million were approved for renewable energy, energy efficiency, and biofuel projects, along with 38 grants totaling $21.3 million for SECCI projects.

An example of a nonfinancial product produced during the year is the "Biofuels Sustainability Scorecard," an interactive web-based tool (http://www.iadb.org/scorecard/) to ensure that biofuel investments produce social, economic and environmental benefits.



Expanding Power Generation in Ecuador

The Hidroabanico hydroelectric power plant in the Amazon River basin was expanded with financing from the IDB Group's Inter-American Investment Corporation, replacing polluting energy sources with clean energy.

Water and Other Infrastructure

To close the coverage gap in water and sanitation services in the near future, the IDB launched its Water and Sanitation Initiative in 2007, with special financial products to support solutions tailored to each country's needs. By year-end 2008, the Bank had approved projects in 70 cities included in the "100 Cities" program to provide water and sanitation to poor communities in cities with more than 50,000 people, and in 720 of the "3,000 Rural Communities" that run their local water and sanitation systems. The Bank has assisted 11 priority microwatersheds under the Water Defenders program and supported water and sanitation operators under its Efficient and Transparent Utilities program.

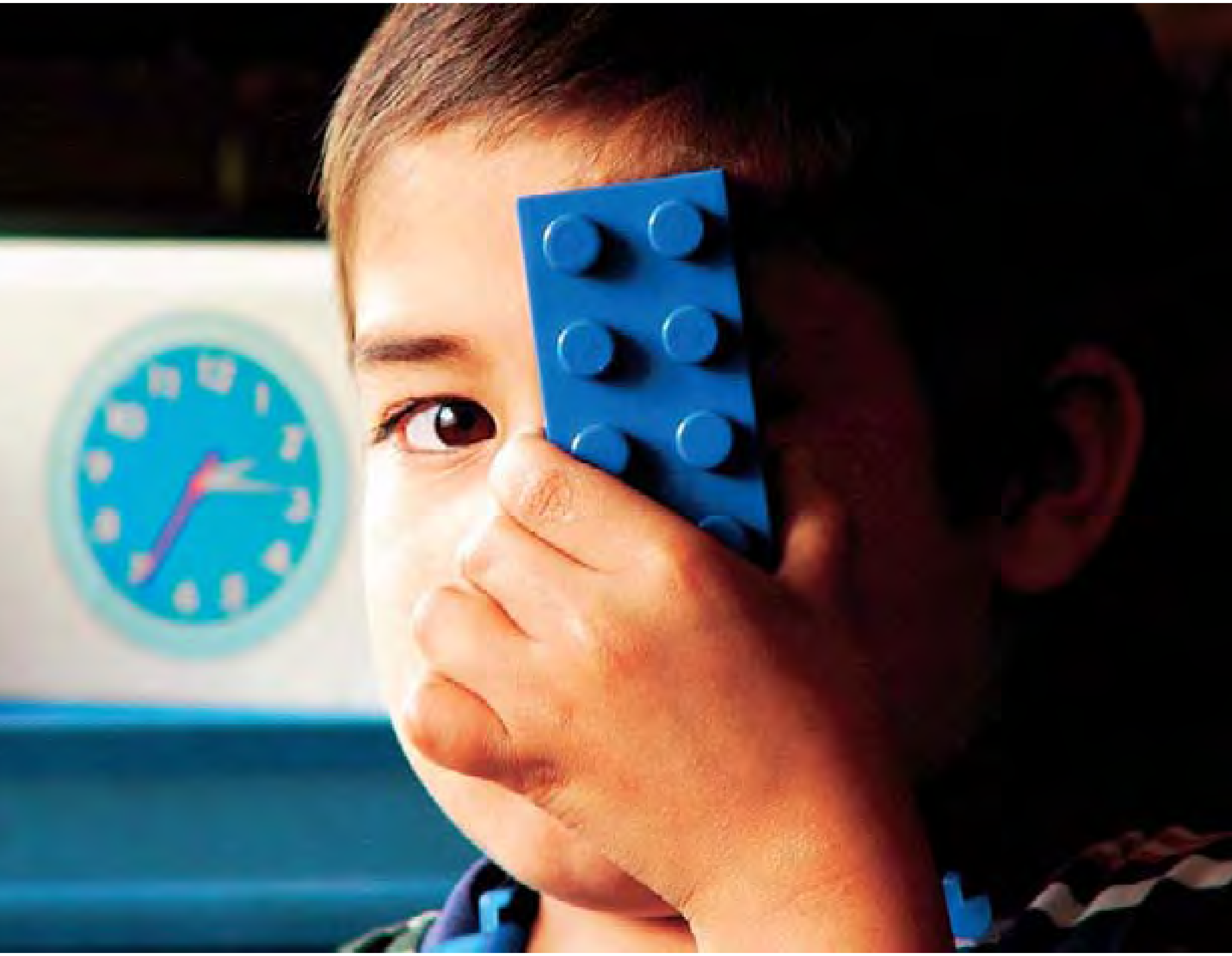
Seawalls in The Bahamas that were damaged by Hurricane Floyd have been restored to pre-hurricane height. The Infrastructure Rehabilitation Project also included drainage works and rehabilitation of roads, docks and causeways.

In 2008, the IDB approved close to $1.2 billion in loans and $11.2 million in technical cooperation funding for water and sanitation projects. It also launched AquaFund, a multi-donor fund that provides grants for technical cooperation and project preparation. The IDB also leveraged a variety of partnerships with donors and organizations, such as the Water Operator Partnership program with the United Nations and the Cooperation Fund for Water and Sanitation, a Spanish initiative to provide $1.5 billion in grants for the sector in the region over the next four years.

The Bank supports water and other infrastructure in the region by focusing on access to high-quality infrastructure to improve the competitiveness of individual countries and the region as a whole. Support is provided through loans to public or private entities, with or without sovereign guarantees. The Bank also provides analytical support and intellectual leadership to help countries find innovative solutions to their infrastructure needs. The Infrastructure and Environment Sector is the Bank's lead department for water, sanitation and other infrastructure, working with other parts of the Bank. "Other infrastructure" includes energy, transportation, agricultural infrastructure (such as that for irrigation), and tourism. All told, the Bank approved $3.9 billion in 2008 in loans for other infrastructure besides water and sanitation: $2.5 billion in sovereign-guaranteed loans plus $1.4 billion in non-sovereign-guaranteed loans.

Improving Substandard Housing in Brazil

The PROSAMIM project upgraded substandard squatter settlements along flood-prone creeks, plagued by pollution and waterborne diseases. Thirty-six thousand residents will benefit from drainage systems, resettlement in areas with basic services and low-cost land zoned for residential use.



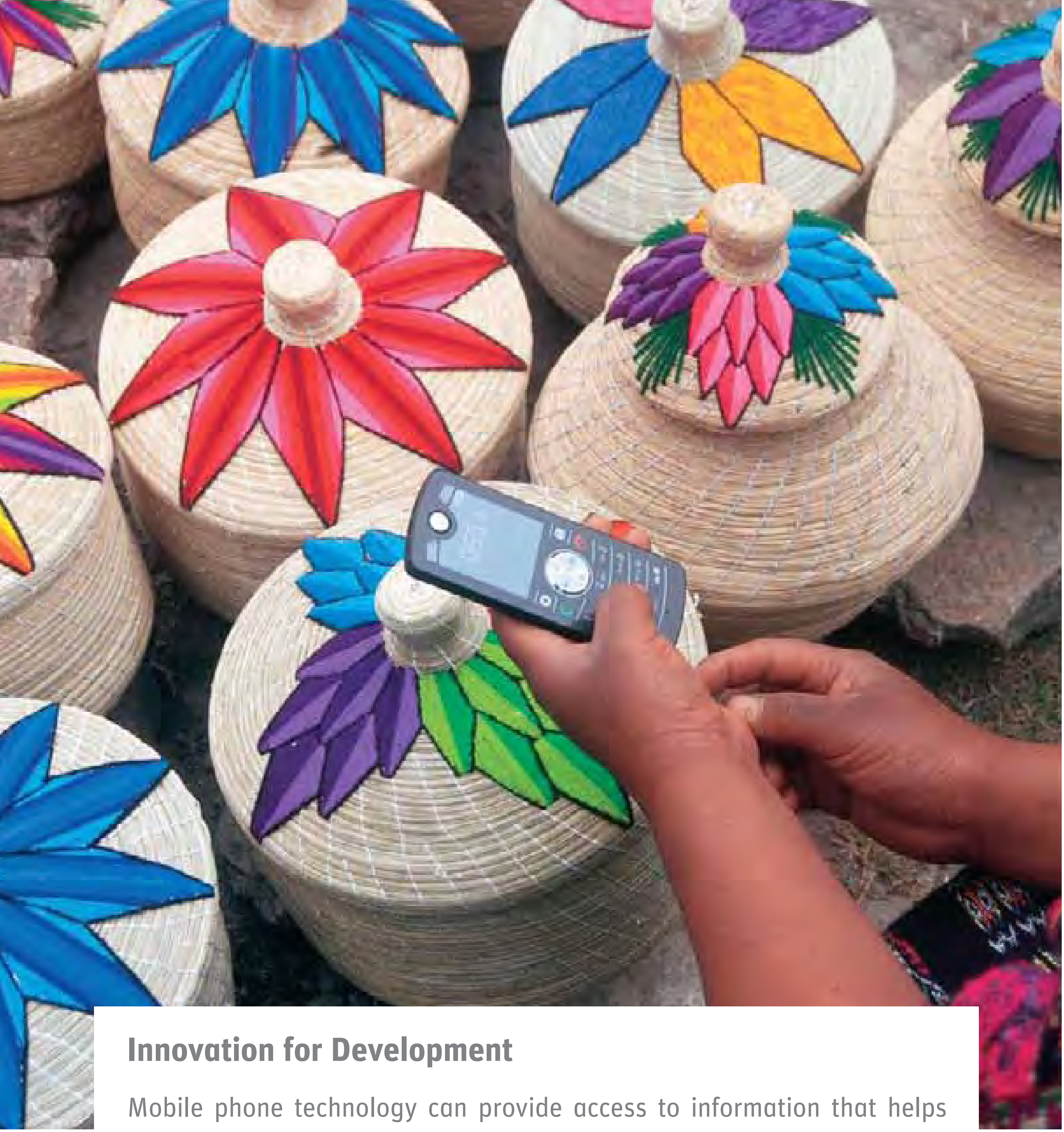
Education and Innovation

In 2008 the IDB approved five loans, 15 grants for individual countries, and three grants for regional projects for education, totaling over $890 million. The projects support overall sector policy reform, preschool through secondary education, and nonformal youth training. The grants were for technology in education, mathematics, and science and pioneering initiatives in such areas as school retention, youth and early childhood development, and gender and diversity.

The Education Reform Program in Bolivia includes installation of a computer network connected to the Internet and training for teachers, students, and administrative staff to ensure effective use of the resources. The project is part of a long-term strategy to fight poverty and focuses on the eight grades of compulsory basic education.

During the year, two science and technology loans were approved by the Bank: a multiphase loan in Panama ($29 million) and a performance-driven loan in Uruguay ($34 million). Both projects will contribute to the strengthening of technological innovation in the private and public sectors. The projects focus on cooperation between the productive sector and universities to ensure that research responds to actual needs in the country.

The Bank also launched an initiative for inclusive innovation in 2008, helping underserved groups to use mobile phone technology to improve access to health information (m-Health) and government services (m-Government).



Innovation for Development

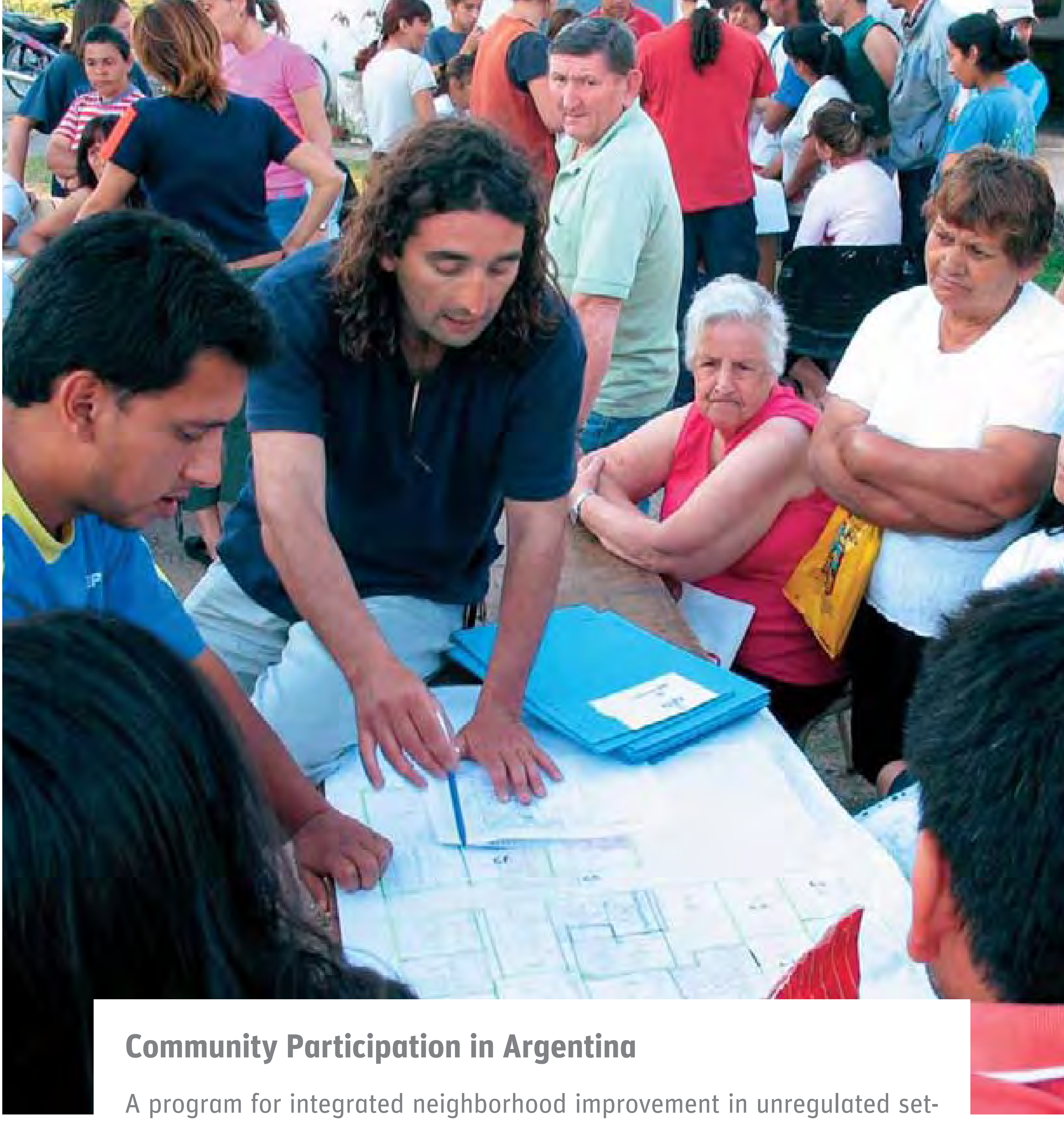
Mobile phone technology can provide access to information that helps increase income in low-income communities by reducing the disparity in market prices and enabling producers to adjust production to demand. Mobile phones can also expand access to public services.

Opportunities for the Majority

By "majority" the IDB refers to the 360 million people—around 70 percent of the Latin American and Caribbean population—who live on less than $300 per month. The Bank's Opportunities for the Majority Initiative seeks to engage low-income communities and the private sector in the creation of jobs and the development and delivery of quality products and services, and to involve the majority of citizens in the mainstream of the productive sector so they will receive its benefits and contribute to growth. The IDB has a $250 million facility to finance projects under the initiative. To qualify for IDB financing, projects must be innovative, targeted to low-income communities at the "base of the pyramid" and replicable on a larger scale.

Neighborhood improvement works in Uruguay are directly benefiting nearly 10,000 families in some 100 irregular settlements. In addition to infrastructure, they include community facilities, resettlement, and land titling.

The first four projects under the Opportunities for the Majority Financing Facility, totaling $49 million, were approved in 2008. They represent innovative approaches to investing in low-income communities and have the potential to be expanded within a single country or in several countries. A $10 million partial credit guarantee to Cemex in Mexico will finance half the cost of street paving borne by residents belonging to the program, known as *Mejora tu Calle*. In Guatemala, a $10 million loan to Banco G&T Continental will expand credit for microenterprises and small businesses.



Community Participation in Argentina

A program for integrated neighborhood improvement in unregulated settlements in the municipality of Rosario combines infrastructure investments with social development initiatives, such as community participation in project planning.

Microenterprise Development in Mexico

The IIC supports Banco Compartamos, Mexico's leading microcredit institution, which provides loans to over 600,000 small companies owned primarily by women living in rural areas, helping to boost income and employment among the poor.

Other Key Areas

Private Sector Development

The IDB provides financing without sovereign guarantees to private enterprises and other private concerns, as well as to regional and local governments, for projects designed to promote social and economic development in the region. To achieve its objectives, it leverages synergies among its private sector windows: the Structured and Corporate Finance Department, the Multilateral Investment Fund (MIF) and the Inter-American Investment Corporation (IIC), as well as the Opportunities for the Majority Initiative.

Structured and Corporate Finance

In 2008, the IDB approved 27 operations for $2.1 billion in non-sovereign-guaranteed financing in 15 countries. Also authorized were 13 trade-finance guarantee lines of credit for $207 million and a $15 million increase in existing lines of credit, as well as five facilities to provide partial credit guarantees for $687 million. More than 80 percent of the dollar amounts of these operations was for infrastructure and financial and capital markets development. The remaining 20 percent was for "green" investments, including biofuel plants, energy efficiency programs, and equipment for renewable energy production. Disbursements for structured and corporate finance projects during the year totaled $1.3 billion. A new Development Effectiveness Matrix was developed as a tool to help measure results for these types of projects.

Multilateral Investment Fund

The MIF provides financing to banks and other institutions to increase the flow of small business and microfinance loans, and to expand coverage of such services to underserved communities, especially in rural areas. The MIF also uses grants to improve the competitiveness of businesses in the region.

During the year, the MIF approved 145 projects for a total of $165 million, of which 131 were grants totaling $107.8 million and 14 were investments totaling $57.2 million. Of the 131 grants, 42 were "mini-MIFs" under the MIF's Country Office delegation program. Total MIF disbursements for the year were $112 million.

Among several new clusters of projects launched in 2008 were operations involving franchising, as a way of helping small firms to expand, family business protocols, and small firm governance, to help them survive and thrive, and economic inclusion projects, to help mainstream the poor into supply chains for larger firms.

The MIF's remittances program completed the last of its large-scale surveys of remittance senders and recipients during the year. In part as a result of these surveys, the cost of sending remittances decreased from 15 percent per transaction in 2000 to 5.6 percent in 2008. This represented a savings of approximately $6.25 billion for migrant workers and their families in 2008.

Inter-American Investment Corporation

The IIC fosters economic development in its Latin American and Caribbean member countries by promoting the creation, expansion, and modernization of small and medium-sized enter-

Small garment-making companies in Gamarra, Peru, are receiving support from a grant from the IDB's Multilateral Investment Fund for cooperative business networks. The financing will help improve efficiency and optimize market access for over 100 member enterprises.

prises. The IIC provides loans to and invests directly in small and medium-sized companies. Indirectly, it provides financing through financial intermediaries and equity funds.

In 2008, the IIC approved 64 projects, through which it channeled a total of $601.1 million to small and medium-sized enterprises in the region ($300.5 million from the IIC plus $300.6 million from other sources mobilized by the IIC). IIC income in 2008 totaled $83.4 million. Capital gains, dividends, and other income from its equity investment portfolio totaled $2.5 million for the year. Total administrative expenses were $24.7 million, producing a net profit of $13.9 million, compared with $83.4 million in 2007 (2007 results reflected the sale of an equity investment at a significant gain). There were 102 disbursements for the year, totaling $256.1 million.

For more detailed information on the IIC's operations, see its 2008 Annual Report, which is published separately. For general information on the IIC and for data on its operations, visit its website at http://www.iic.int/.

Institutional Capacity and Finance

The Bank's Institutional Capacity and Finance Sector conceptualizes, prepares, supports the execution of, and supervises the IDB's sector operations, including governance, public sector strengthening and reform, decentralization, and fiscal and economic issues, as well as the de-

Through IDB support for Fundación Fortalecer, over 500 small and medium-sized producers and agribusinesses in Argentina are well on their way towards developing and executing export business plans.

velopment of capital markets and financial institutions, and competitiveness at the national, regional and local levels.

Sovereign-guaranteed loans are sometimes designed to provide support to the private sector. A case in point was the $1 billion credit to Brazil's BNDES for onlending to an estimated 30,000 micro-, small and medium-sized businesses.

The Bank's work with civil society organizations was reinvigorated in 2008. The eighth IDB–Civil Society Meeting was held in Montevideo, leading to the drafting of a roadmap guiding Bank relations with regional and international organizations on selected topics. During the year, 41 loans totaling $4.8 billion and 103 grants for $41.9 million were approved for institutional capacity and finance projects in 20 countries.

Regional Integration

The IDB actively supports integration and trade in the region through loans and technical assistance to help member countries build the capacity they require to implement and benefit from trade both with other Latin American and Caribbean countries and with other regions in the world. During the year, the Bank approved two loans totaling $25.4 million and 35 grants totaling $9.8 million for trade- and integration-related projects.

A program to enhance the competitiveness of small businesses in Honduras is raising productivity and improving working conditions through on-the-job training in production methods and an occupational safety and health system.

These included a trade and integration support program in Guatemala, centered on good practices in trade negotiations and implementation; promoting exports, especially from small and medium-sized enterprises; and attracting investments. Among the technical cooperation projects for trade across the region, one in Peru will help the country's small businesses benefit from its free-trade agreement with the United States.

The Bank has played a central role in the global Aid for Trade initiative aimed at expanding the trade capacity of developing countries and spearheaded by the World Trade Organization, organizing high-level dialogues and participating in the global reviews of aid-for-trade practices. Additionally, in 2008, the Bank established the new multidonor Aid for Trade Strategic Fund.

Trade facilitation has become a key issue for governments and companies in Latin America and the Caribbean. An IDB study entitled *Unclogging the Arteries: The Impact of Transport Costs on Latin American and Caribbean Trade*, published in 2008, found that the region spends more on transportation costs than most other regions of the world.

The IDB has also pioneered innovative work on trade and poverty, successfully committing the resources of the Trade and Poverty Trust Fund, entrusted by the United Kingdom's Department for International Development. In 2008, it published a report entitled *Trade and Poverty in Latin America* that surveys most of the available literature on the topic and provides a framework for policy action.

The Bank continues to promote the production of regional public goods by supporting the collective action of countries that address transnational challenges with coordinated public pol-

The formalities for registering businesses are being streamlined in Colombia through business service centers in six cities. The program targets microenterprises and small and medium-sized firms, like this auto mechanic shop, that are experiencing difficulties in navigating the steps for business startup or formalization.

icy solutions. In 2008, all the regional member countries participated in regional public goods projects that included a regional framework for immigrant workers encompassing 16 countries and an energy information system for national and regional energy planning.

Oversight

The IDB Board of Executive Directors and the Bank's management have responsibility for oversight. The Board has primary responsibility for overseeing management's work in the attainment of the Bank's strategic objectives. Management has its own oversight mechanisms, through the Office of Risk Management, which is independent from the Finance Department, and the Office of Strategic Planning and Development Effectiveness, which is responsible for results-based evaluation of IDB projects and ongoing independent monitoring of management's ability to deliver agreed-upon targets. Additional units, including the Environmental and Safeguards Unit, the Legal Department and the Project Procurement, Financial Management and Portfolio Division, exercise further supervision. The Offices of the Auditor General, Institutional Integrity, and Ethics complete the oversight framework, with independent mechanisms to ensure the Bank's transparency and effectiveness.

Through its internal audit services, the Office of the Auditor General (AUG) supports the IDB Group in accomplishing its objectives. AUG applies a systematic, disciplined approach to

In Uruguay, beekeepers are among the 1,000 small agricultural producers with export potential receiving support for international marketing.

evaluate and improve the effectiveness of the Bank's risk management, control, and governance processes. It executes a risk-based integrated audit approach and collaborates with Bank oversight offices.

During 2008, AUG continued monitoring the Bank's realignment and the implementation of related projects and systems. In the operational departments, AUG audited more Country Offices than in previous years, conducting assessments of their control environments and identifying and reporting issues related to the implementation of the realignment. Country Office audits also covered control activities related to key fiduciary and operations supervision risks that would not be significantly affected by the realignment. In addition, AUG performed a functional review of the internal controls over projects involving Multi-Phase Lending, one of the Bank's new flexible lending instruments, and the process for supervision of Multilateral Investment Fund operations by Country Offices.

AUG also performed audits in nonoperational areas in 2008, including those of general controls in the Bank's information technology, its enterprise data warehouse, and its liquidity policy, as well as of the Bank's corporate procurement, human resources and governance. As part of the Bank's adoption of the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control integrated framework and the annual report on the effectiveness of internal controls over financial reporting, AUG tested Bank-wide controls and certain key business processes.

The IDB's Office of Institutional Integrity (OII), which reports to the Bank's President, is charged with preventing and investigating allegations of fraud and corruption in Bank-financed

A water treatment plant will help reduce pollution in Lake Managua and alleviate sanitation problems along the shoreline.

activities. OII's findings and recommendations are reported to the Oversight Committee on Fraud and Corruption, composed of senior Bank officers, and the Bank's Sanctions Committee. The names of firms or individuals sanctioned under the Bank's anticorruption policies are posted on the Bank's website. If it appears that a country's laws may have been violated, the results of OII investigations may be referred to national authorities.

At the outset of 2008, OII had 97 allegations open and under investigation. By year-end, it had received 122 new allegations, completed 150 investigations, and responded to 100 inquiries and requests for consultations. During the year, OII substantially expanded its efforts to prevent and mitigate risks of corruption in Bank-financed activities. These included the development of the Red Flags Matrix, a web-based tool to be piloted in selected countries in 2009, and dissemination of lessons learned from investigative findings and risk mitigation recommendations to operational staff. A report on the Bank's anticorruption framework, entrusted to an outside group headed by former U.S. Attorney General Richard Thornburgh, was considered by the Board toward the year's end.

The Bank promoted integrity in private-sector transactions in 2008 by identifying and mitigating risks in both project preparation and execution through the implementation of the Bank's Integrity Due Diligence Framework. During the year, external experts reviewed both the Bank's anticorruption mechanisms and the Integrity Due Diligence Framework for private sector activities.

In 2008, the IDB Ethics Office implemented the changes made in the Bank's Code of Ethics and Professional Conduct at the end of 2007 and responded to 160 requests for ethics consulta-

The Adopt-a-Farm program in Trinidad and Tobago spreads the benefits of tourism to the wider community by matching supply with demand from hotels for fresh produce.

tions and 59 allegations of misconduct. The Ethics and Professional Conduct Committee found that in 14 percent of these allegations, misconduct did occur. Disciplinary action was carried out in all cases and ranged from reprimands to termination of employment.

The Ethics Office has also assigned priority to prevention, mainly through training. During the year, the office conducted ethics workshops both at headquarters and in Country Offices and oversaw prevention work on domestic abuse.

Development Effectiveness

Evaluation at the IDB is a shared responsibility between the Bank's management and its Office of Evaluation and Oversight (OVE). Management focuses on project evaluations and monitoring portfolio performance. OVE is independent of management and reports to the Bank's Board of Executive Directors. Its activities include ensuring that strategies, policies, and programs comply with the IDB's objectives and mandates.

In 2008, OVE contributed to the Bank's mitigation of risks through oversight studies to address the systems and processes used to compile, record, and disseminate information on portfolio performance, such as its "Evaluation of the New Lending Framework 2005–2008" and "Review of the Bank's Investment Policy," the latter conducted by an outside group. In addition, four country program evaluations were completed. These exercises are designed to inform the Bank and the borrowing member countries regarding the risks and results that were actually realized in the previous programming cycle, in order to improve performance in the next one.

Improving the rural road network in Paraguay will help develop agriculture and improve living standards among the low-income population.

In 2008, the Board of Executive Directors approved the Bank's Development Effectiveness Framework, which sets standards for all IDB activities, with a view to achieving maximum development impact. This has become particularly critical with the global financial crisis, which is expected to generate greater demand for Bank resources.

Risk Management

The challenges posed by the current market volatility and the increased convergence of credit and market risks require flexibility and agility in how the IDB addresses the fast-evolving risk dynamics. In terms of risk related to the Bank's own investment portfolio, the Finance Department and Office of Risk Management began holding daily position meetings this past year to discuss market developments, assess their possible impact on the Bank's investment portfolio, funding, and liquidity, and take short-term tactical measures. A review of several risk policies is under way to set priorities and identify short- and medium-term actions.

In terms of credit risk, during the year, the Bank began implementing its new Credit Risk Classification System, which is now being used to rate new projects and borrowers for non-sovereign-guaranteed operations. A new Capital Adequacy and Portfolio Analytics Project should begin to yield results in late 2009. A working group was established in 2008 to map out the IDB's approach to operational risk in a blueprint that reflects the Bank's unique size, nature and mission.

Agribusiness Reengineering in El Salvador

Reconstruction of irrigation and drainage infrastructure adversely affected by the earthquakes in early 2001 is part of a program to promote higher incomes from agricultural and forestry activities by developing greater efficiency and higher value added.

The Year's Lending

Loans and Guarantees

The 2008 loans and guarantees approved by the Bank and cumulative totals, as of December 31, 2008, less cancellations, came from the following sources:

- Ordinary Capital (OC): 131 loans for $11.1 billion and one guarantee for $10 million brought the cumulative total of loans to 2,077 for $147.5 billion and the cumulative number of guarantees to 13 totaling $1.5 billion.
- Fund for Special Operations (FSO): 19 loans totaling $138 million brought the cumulative total of loans to 1,235 for $18.5 billion.
- Other funds: There were two loans approved in 2008. Cumulative total loans were 215 for $1.8 billion.

Total Cost of Projects

The $11.2 billion in Bank loans and guarantees approved in 2008 will help to finance projects involving a total investment of more than $24.9 billion. The Bank's loans cover only a part of the total cost of the projects being carried out by the borrowing countries, which supply the majority of the balance.

Disbursements

The Bank's disbursements on approved loans amounted to $7.6 billion in 2008, compared with $7.1 billion in 2007. As of December 31, 2008, cumulative disbursements, including exchange adjustments, totaled $146.5 billion, or 87 percent of the loan amounts approved by the Bank. The 2008 disbursements and cumulative totals as of December 31, 2008, by source include:

- Ordinary Capital: $7.1 billion, bringing the cumulative total to $127.7 billion.
- Fund for Special Operations: $415 million, bringing the cumulative total to $17 billion.
- Other funds: $44 million, bringing the cumulative total from funds administered by the Bank to $1.7 billion.

Repayments

Loan repayments amounted to $5 billion in 2008. Cumulative payments as of December 31, 2008, were $86.1 billion. Repayments received by the Bank during the year, and cumulative as of December 31, 2008, were as follows:

- Ordinary Capital: $4.7 billion, bringing the cumulative total, before repayments to participants, to $76.4 billion.
- Fund for Special Operations: $229 million, for a cumulative total of $8.1 billion.
- Other funds: $4 million, bringing the cumulative total to $1.6 billion.

Information on IDB projects is available at www.iadb.org/projects/.

The Year in Graphs

Figure 1. Lending by Sector, 2008

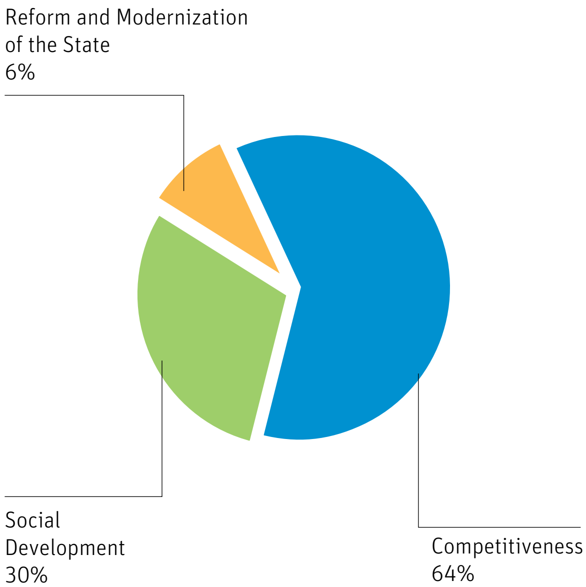


Figure 3. Lending and Disbursements, 1999–2008
(in millions of U.S. dollars)

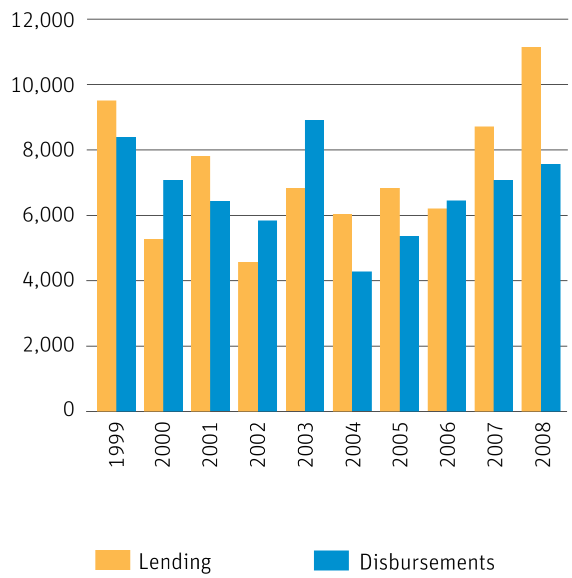


Figure 2. Lending by Sector, 1961–2008

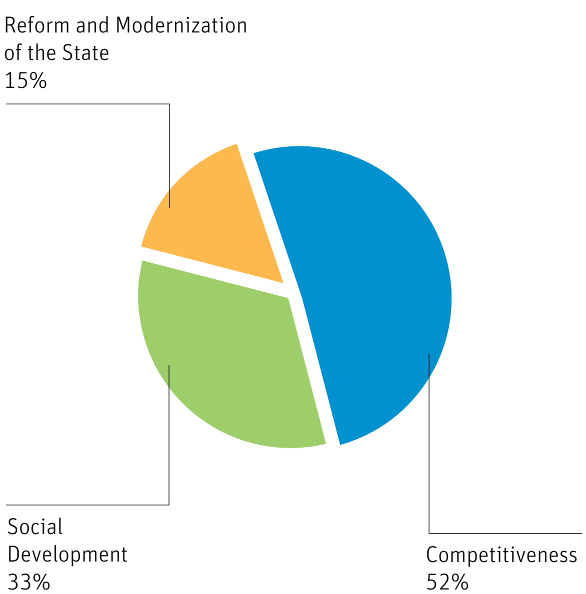


Figure 4. Nonreimbursable Technical Cooperation by Sector, 2008

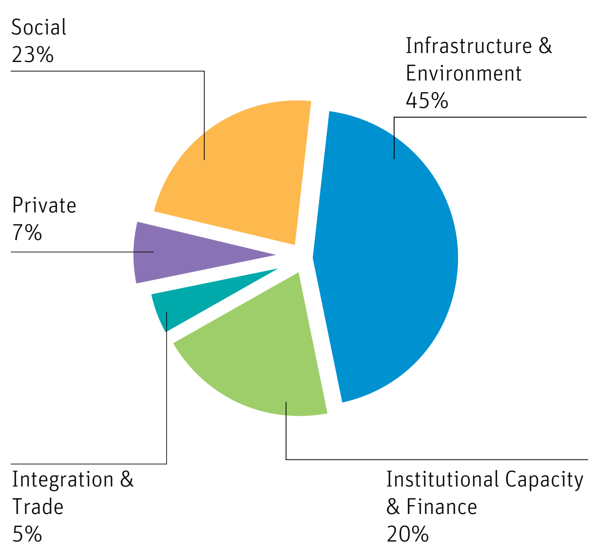


TABLE I • DISTRIBUTION OF LOANS AND GUARANTEES BY SECTOR OF ACTIVITY[1]

(In millions of U.S. dollars)

SECTOR	2008	%	1961–2008	%
Competitiveness	**$ 7,213.7**	**64.3**	**$ 87,351.5**	**51.6**
Energy	540.7	4.8	23,032.6	13.6
Transportation and Communication	2,414.9	21.5	20,990.0	12.4
Agriculture and Fisheries	567.1	5.1	15,014.2	8.9
Industry, Mining, and Tourism	204.4	1.8	13,563.9	8.0
Multisector Credit and Preinvestment	188.4	1.7	4,913.4	2.9
Capital Markets	2,198.5	19.6	3,077.9	1.8
Productive Infrastructure	1,046.0	9.3	2,739.8	1.6
Science and Technology	53.7	0.5	2,081.9	1.2
Trade Financing	0.0	0.0	1,937.8	1.1
Social Development	**3,305.3**	**29.4**	**55,676.7**	**32.9**
Social Investment	444.5	4.0	20,971.7	12.4
Water and Sanitation	797.2	7.1	11,164.7	6.6
Urban Development	761.1	6.8	9,019.5	5.3
Education	893.5	8.0	6,777.7	4.0
Environment	394.0	3.5	3,835.9	2.3
Health	15.0	0.1	3,401.8	2.0
Microenterprise	0.0	0.0	505.4	0.3
Reform and Modernization of the State	**706.7**	**6.3**	**26,237.6**	**15.5**
Reform and Public Sector Support	25.4	0.2	11,828.2	7.0
Financial Sector Reform	105.0	0.9	7,966.9	4.7
Fiscal Reform	522.7	4.7	4,521.1	2.7
Decentralization Policies	13.5	0.1	1,122.7	0.7
Modernization and Administration of Justice	8.5	0.1	434.2	0.3
Planning and State Reform	1.2	0.0	158.6	0.1
Parliamentary Modernization	0.0	0.0	85.7	0.1
Trade Policy Support	25.4	0.2	50.7	0.0
E-Government	5.0	0.0	47.7	0.0
Civil Society	0.0	0.0	22.0	0.0
TOTAL	**$ 11,225.7**		**$ 169,265.8**	

[1] Categories reflect priority areas of activity according to the Bank's Institutional Strategy.

TABLE II • YEARLY (2008) AND CUMULATIVE (1961–2008) LENDING[1,2]

(In millions of U.S. dollars)

	TOTAL COST OF PROJECTS		LOANS AND GUARANTEES APPROVED[3]					DISBURSEMENTS				
	Total Amount		Total Amount		Ordinary Capital	Fund for Special Operations	Funds in Administration	Total Amount		Ordinary Capital	Fund for Special Operations	Funds in Administration
Country	2008	1961–2008	2008	1961–2008	1961–2008	1961–2008	1961–2008	2008	1961–2008	1961–2008	1961–2008	1961–2008
Argentina	$ 1,843.8	$ 52,100.0	$ 1,186.2	$ 27,014.8	$ 26,320.8	$ 644.9	$ 49.1	$1,216.0	$ 22,380.2	$ 21,686.2	$ 644.9	$ 49.1
Bahamas	100.0	696.7	100.0	495.4	493.4	0.0	2.0	16.2	353.0	351.0	0.0	2.0
Barbados	53.3	830.9	41.1	452.4	392.4	41.0	19.0	18.5	368.4	308.4	41.0	19.0
Belize	29.5	199.7	24.4	136.7	136.7	0.0	0.0	2.6	110.6	110.6	0.0	0.0
Bolivia	89.4	6,357.1	78.1	3,945.2	1,432.5	2,441.1	71.6	43.0	3,441.4	1,326.7	2,043.1	71.6
Brazil	8,866.8	99,928.0	3,302.7	34,478.7	32,791.1	1,555.6	132.0	952.1	29,658.1	27,970.4	1,555.7	132.0
Chile	1,600.9	14,966.4	580.9	6,517.3	6,268.6	205.2	43.5	366.1	5,781.0	5,532.3	205.2	43.5
Colombia	1,411.2	27,460.7	1,074.2	15,079.3	14,249.7	765.9	63.7	1,163.3	14,381.3	13,551.7	765.9	63.7
Costa Rica	950.0	5,607.7	860.0	3,880.5	3,381.1	361.5	137.9	191.7	2,535.6	2,036.9	361.5	137.2
Dominican Republic	52.7	4,233.7	40.0	3,142.4	2,307.1	747.9	87.4	137.4	2,737.2	1,901.9	747.9	87.4
Ecuador	75.0	9,263.9	50.0	5,142.2	4,066.9	981.6	93.7	180.1	4,700.1	3,628.8	981.6	89.7
El Salvador	884.0	5,420.6	554.0	3,710.1	2,764.3	796.6	149.2	345.6	3,283.7	2,341.4	796.6	145.7
Guatemala	309.2	4,990.1	278.5	3,459.5	2,713.5	675.5	70.5	146.7	2,829.0	2,084.3	675.5	69.2
Guyana	32.9	1,339.1	33.0	1,136.5	159.6	970.0	6.9	46.1	907.5	130.2	770.4	6.9
Haiti	0.0	1,774.4	0.0	1,290.2	0.0	1,283.9	6.3	110.3	1,012.6	0.0	1,006.3	6.3
Honduras	133.1	4,824.7	111.2	3,078.5	743.3	2,266.9	68.3	112.2	2,605.3	596.7	1,947.0	61.6
Jamaica	205.0	2,580.3	205.0	2,060.2	1,690.2	171.1	198.9	144.2	1,907.9	1,537.9	171.1	198.9
Mexico	1,166.6	53,149.7	1,104.5	22,183.4	21,565.2	559.0	59.2	673.7	20,117.3	19,499.1	559.0	59.2
Nicaragua	80.7	3,935.0	80.7	2,653.7	379.2	2,206.8	67.7	88.7	2,286.4	301.5	1,921.0	63.9
Panama	5,616.2	11,168.7	600.2	3,251.6	2,916.1	293.4	42.1	183.9	2,272.6	1,938.1	293.4	41.1
Paraguay	110.4	3,228.5	97.8	2,415.5	1,764.2	639.4	11.9	85.9	1,965.0	1,332.2	620.9	11.9
Peru	513.4	19,437.6	215.0	9,079.4	8,421.8	436.6	221.0	566.8	8,218.1	7,560.5	436.6	221.0
Suriname	141.9	303.5	76.0	189.4	183.0	6.4	0.0	7.7	95.9	93.9	2.0	0.0
Trinidad and Tobago	35.0	1,711.7	24.4	1,151.4	1,095.6	30.6	25.2	44.6	1,027.4	971.6	30.6	25.2
Uruguay	514.2	6,173.0	382.8	4,787.0	4,640.9	104.3	41.8	337.2	4,149.0	4,002.9	104.3	41.8
Venezuela	0.0	16,351.2	0.0	5,119.3	4,945.1	101.4	72.8	305.8	4,512.1	4,337.8	101.4	72.9
Regional	125.0	19,144.3	125.0	3,415.2	3,168.8	232.8	13.6	120.9	2,824.3	2,579.2	231.5	13.6
TOTAL	**$24,940.2**	**$377,177.3**	**$11,225.7**	**$169,265.8**	**$148,991.1**	**$18,519.4**	**$1,755.3**	**$7,607.3**	**$146,461.0**	**$127,712.2**	**$17,014.4**	**$1,734.4**

[1] After cancellations and exchange adjustments. Detail may not sum to column totals exactly because of rounding.

[2] Detail includes non-sovereign-guaranteed loans, net of participations, and guarantees, as applicable.

[3] Excludes lines of credit approved and guarantees issued under the Trade Finance Facilitation Program (TFFP).

TABLE III • STATEMENT OF APPROVED OPERATIONS[1] (ABOVE $2 MILLION), 2008
(In millions of U.S. dollars)

Country	Project	Fund	Amount
Argentina	Program to Support a Policy on Improving Equity in Education	OC	630.0
	Provincial Agricultural Services Program (PROSAP II)	OC	200.0
	Agrifood Health and Quality Management Program (CCLIP)	OC	100.0
	Timbúes Crushing Project[2]	OC	75.0
	Extended School Day Program in Río Negro Province	OC	58.5
	Project to Integrate Small Producers into the Wine Production Chain	OC	50.0
	ADECO Project[3]	OC	31.0
	Loma Negra[4]	OC	25.0
	Norte Grande Competitiveness Program	OC	16.0
	PYMAR Venture Capital Fund for High-Growth Companies	MIF	5.0
	Improving the Quality of Science and Mathematics Education	OC	2.5
Bahamas	Supplementary Financing for New Providence Transport Program	OC	100.0
Barbados	Housing and Neighborhood Upgrading Program – Phase I	OC	30.0
	Modernization of the National Procurement System	OC	5.0
	Modernization of the Statistical Service	OC	5.0
Belize	Sustainable Tourism Program	OC	13.3
	Solid Waste Management Project	OC	11.2
Bolivia	National Irrigation Program with a Watershed Approach	OC	24.0
	Multiphase Neighborhood Improvement Program – Phase I	OC	21.0
	National Irrigation Program with a Watershed Approach	FSO	10.3
	Multiphase Neighborhood Improvement Program – Phase I	FSO	9.0
	Agricultural Health and Food Safety Program	OC	7.0
	Transmission Lines Project[5]	OC	3.8
	Agricultural Health and Food Safety Program	FSO	3.0
Brazil	BNDES: Third Program under the CCLIP Line to Support MSMEs	OC	1,000.0
	Fiscal Stability Consolidation Program to Develop the State of Bahía	OC	409.0
	Highway Rehabilitation Program in the State of São Paulo – Phase III	OC	194.0
	Urban Transportation Program for the Federal District	OC	176.8
	São Paulo Metropolitan Transportation Investment Program	OC	168.0
	Social and Environmental Program for the Igarapés in Manaus (PROSAMIM II)	OC	154.0
	Corporate Loan to the Companhia de Saneamento Básico do Estado de São Paulo[6]	OC	100.0
	Program to Expand the MERCOSUR Corridor: Florianópolis-Osório Highway	OC	100.0
	Campina Verde Bioenergy Project[7]	OC	95.4
	Ituiutaba Bioenergy Project[8]	OC	91.6
	Integrated Socio-Environmental Program for Porto Alegre	OC	83.3
	Itumbiara Bioenergy Project[9]	OC	82.0
	ATE III Transmission Project[10]	OC	72.0
	São Paulo Metro – Line 4 Project[11]	OC	69.2
	Estrada Nova Watershed Sanitation Program (PROMABEN)	OC	68.8
	TECSIS[12]	OC	60.0
	São Paulo Metro – Line 4 Project[13]	OC	59.5
	Macambira Anicuns Urban Environmental Program	OC	56.7
	Usiminas Energy Efficiency Investments[14]	OC	51.5
	Gerdau Açominas Investment Program[15]	OC	50.0
	Ceará State Fiscal Management Modernization Program	OC	41.0
	Vitória Urban Development and Social Inclusion Program	OC	39.1
	ATE III Transmission Project[10]	OC	23.5
	PROCIDADES: Campo Grande Integrated Development Program	OC	19.4
	Urban Development and Environmental Sanitation Program (PROSABEL) for the Municipality of Belford Roxo	OC	13.2
	Program to Support Fiscal Management Modernization and Transparency in the State of Pará (PROGEFAZ)	OC	10.0
	PROCIDADES: Urban Infrastructure Improvement Program for the Municipality of Ponta Grossa	OC	7.5
	PROCIDADES: Sustainable Socioeconomic Development Program for the Municipality of Toledo	OC	7.3
	Business Tourism to Enhance Territorial Competitiveness	MIF	2.8
	Program to Support Local Competitiveness Initiatives	MIF	2.7
	Poverty Reduction through Regional Integration of Local Capacities	MIF	2.5
	Socioeconomic Integration of Recycling Collectors	MIF	2.5
	Support for Promoting Private Initiatives in the State of Alagoas	MIF	2.2
	Creating and Investing in a Microfinance Institution in the Amazon Region	MIF	2.0
Chile	Transantiago	OC	400.0
	Comprehensive Solid Waste Management (CCLIP)	OC	100.0
	Heritage Preservation Program (CCLIP)	OC	80.0

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TABLE III • STATEMENT OF APPROVED OPERATIONS[1] (ABOVE $2 MILLION), 2008 *(continued)*
(In millions of U.S. dollars)

Country	Project	Fund	Amount
Colombia	Strengthening of Low-cost Housing and Territorial Development Policy	OC	350.0
	Social Reform and Equity Program II	OC	300.0
	Program to Support Consolidation of Reforms in the Water and Sanitation Sector – Phase I	OC	250.0
	Program for Investment Projects, Productive Restructuring, and Export Development	OC	100.0
	Lending Program for Public Service Providers	OC	50.0
	Program to Support Private Participation and Concessions in Infrastructure – Stage 3	OC	14.2
	Program to Help the Ministry of Transportation Execute the Regional Road Plan	OC	10.0
	Colombia Opportunity Fund – Equity Investment for Colombian SMEs	MIF	5.0
	Transformation of Fundación Mundo Mujer de Popayán into a Regulated Entity	MIF	4.0
Costa Rica	Liquidity Program for Growth Sustainability	OC	500.0
	First Road Infrastructure Program	OC	300.0
	Cantonal Road Network Program	OC	60.0
	Development of the Factoring Industry[16]	MIF	2.0
Dominican Republic	Electricity Distribution Network Rehabilitation Project	OC	40.0
Ecuador	Banco Pichincha Lending Facility[17]	OC	50.0
	Central Finance Facility and Financial and Technological Services for Savings and Loan Cooperatives	MIF	3.0
El Salvador	Liquidity Program for Growth Sustainability	OC	400.0
	Social Policy Support Program	OC	50.9
	A/B Loan to Banco Multisectorial de Inversiones[18]	OC	50.0
	Social Policy Support Program	OC	39.3
	Social Policy Support Program	FSO	9.8
	Banco Multisectorial de Inversiones Acting as Trustee	OC	4.0
Guatemala	Mi Escuela Progresa Program	OC	150.0
	Multiphase Rural Electrification Program – Phase I	OC	55.0
	Banco G&T Continental Lending Facility	OC	45.0
	Program to Support Trade and Integration	OC	20.0
	Support to Modernize the Ministry of Public Finance	OC	8.5
Guyana	Second Low-Income Settlement Program	FSO	14.0
	Second Low-Income Settlement Program	OC	14.0
	Financial Sector Reform Program	FSO	2.5
	Financial Sector Reform Program	OC	2.5
Haiti	Péligre Hydroelectric Plant Rehabilitation Program	GRF	12.5
	Strengthening Public Finance Management II	GRF	12.5
	Pilot Project of the One Laptop per Child Model	OC	3.0
Honduras	Energy Sector Support Program II – First Loan	OC	20.0
	Fiscal and Municipal Management Consolidation Program	OC	20.0
	Infrastructure Program for the San Pedro Sula Logistics Corridor	OC	14.0
	Integrated Support for the Social Safety Net Program	OC	14.0
	A/B Loan to Banco Financiera Hondureña S.A.[19]	OC	10.0
	Energy Sector Support Program II – First Loan	FSO	8.6
	Fiscal and Municipal Management Consolidation Program	FSO	8.6
	Infrastructure Program for the San Pedro Sula Logistics Corridor	FSO	6.0
	Integrated Support for the Social Safety Net Program	FSO	6.0
	Enhance Development Impact of Workers' Remittances	MIF	2.5
Jamaica	Public Financial and Performance Management Program	OC	60.0
	Transportation Infrastructure Rehabilitation Program	OC	50.0
	Competitiveness Enhancement Program	OC	30.0
	Education Sector Reform	OC	30.0
	Supplement to the Primary Education Support Project (PESP)	OC	14.0
	Youth Development Program – Phase I	OC	11.0
	Emergency Assistance in Response to Flood Damage	OC	10.0
Mexico	First Global Credit Program for Mortgage Market Development	OC	500.0
	Subnational Credit for Infrastructure, Public Services and Institution-Strengthening	OC	350.0
	Program in Support of Mexico's Climate Change Agenda	OC	200.0
	Program to Support Results-Based Budgeting – Phase I	OC	45.0
	Mejora Tu Calle Program	OC	9.6
	Equity Investment in the IGNIA Social Investment Fund	MIF	5.0
Nicaragua	Electricity Sector Support Program – Second Loan	FSO	20.1
	Electricity Sector Support Program – Second Loan	OC	20.1
	Program to Support Agrifood Production	FSO	10.0
	Program to Support Agrifood Production	OC	10.0
	Program to Support the Improvement of Fiscal and Social Management	FSO	10.0
	Program to Support the Improvement of Fiscal and Social Management	OC	10.0

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TABLE III • STATEMENT OF APPROVED OPERATIONS[1] (ABOVE $2 MILLION), 2008 (*continued*)

(In millions of U.S. dollars)

Country	Project	Fund	Amount
Panama	Corporate Loan to ACP to Support the Panama Canal Expansion Program	OC	400.0
	Banco General[20]	OC	50.0
	Sustainable Development Program for the Central Provinces	OC	43.0
	Program to Improve Housing Conditions	OC	30.0
	Global Bank Lending Facility[21]	OC	25.0
	Multiphase Program for the Sustainable Development of Colón Province – Phase I	OC	20.0
	Multiphase Technological Transformation Program – Phase I	OC	19.7
	Investment and Corporate Transformation Program for ETESA – Phase I	OC	12.5
Paraguay	First Loan to Provide Financing to Agencia Financiera de Desarrollo (AFD)	OC	40.0
	Banco Bilbao Vizcaya Argentaria Paraguay S.A.	OC	16.0
	First Loan to Provide Financing to Agencia Financiera de Desarrollo (AFD)	FSO	10.0
	Fiscal Management Strengthening and Modernization Program II (PROFOMAF II)	OC	7.6
	Program to Strengthen the Customs Revenue Administration	OC	7.2
	Program to Support the National Environmental System II	OC	6.4
	Fiscal Management Strengthening and Modernization Program II (PROFOMAF II)	OC	3.0
Peru	Sanitation Sector Reform Program II	OC	130.0
	Banco Continental Financing Facility[18]	OC	30.0
	Agricultural Health and Agrifood Safety Development Program	OC	25.0
	Banco Continental Financing Facility[18]	OC	15.0
	Second Phase of the Program to Support Health Sector Reform – PARSALUD II	OC	15.0
Suriname	Meerzorg-Albina Corridor Rehabilitation Project	OC	40.8
	Meerzorg-Albina Corridor Rehabilitation Project	OC	17.4
	Decentralization and Local Government Strengthening Program II	OC	13.5
	Meerzorg-Albina Corridor Rehabilitation Project	FSO	4.3
Trinidad and Tobago	Citizen Security Program	OC	24.5
Uruguay	CVU Highway Program	OC	100.0
	Montevideo Urban Transportation Program	OC	80.0
	First Neighborhood Improvement Loan	OC	70.0
	Integrated Sanitation Program for Ciudad de la Costa	OC	43.0
	Port of Montevideo Modernization Program	OC	40.0
	Technology Development Program II	OC	34.0
	Foreign Trade Management Support Program	OC	5.4
	Program to Support E-Government Management	OC	5.0
	Enhancing Fiscal Revenues of the Social Security System	OC	3.2
	Interconnection and Modernization of Civil Registration and Identification Processes	OC	2.4
	Program to Strengthen the Control and Budget Management Units	OC	2.2
Regional	IDB/IIC Subordinated Loan to the Currency Exchange Fund, N.V.	OC	100.0
	IGNIA Fund I, L.P.	OC	25.0
	Liquidity Fund for Microenterprise Recovery[22]	MIF	16.0
	Strengthening Grassroots Organizations to Fight Poverty	MIF	4.8
	Rural Expansion of a Comprehensive Microfinance System	MIF	4.3
	Liquidity Fund for Microenterprise Recovery[22]	MIF	4.0
	Purchase of Senior Note and Subordinated Note Issue by GPMFF 2008	MIF	3.5
	Financing Microenterprises and Small Businesses through Financial Intermediaries[23]	MIF	2.3
	Economic Inclusion of the Base of the Pyramid	MIF	2.2
	Financing Microenterprises and Small Businesses through Financial Intermediaries[23]	MIF	2.0
	Micro and Small Enterprise Financing through Formal Financial Intermediaries[23]	MIF	2.0
	Promoting Knowledge Management through Learning Communities	MIF	2.0
	Strengthening Employment Opportunities for People with Disabilities	MIF	2.0

Key: OC, Ordinary Capital; FSO, Fund for Special Operations; MIF, Multilateral Investment Fund; GRF, IDB Grant Facility.

[1] Does not include authorized lines of credit under the Trade Finance Facilitation Program (TFFP).
[2] Complemented by a "B" loan syndication of approximately $45 million.
[3] Complemented by a "B" loan syndication of approximately $49 million.
[4] Complemented by a "B" loan syndication of approximately $75 million.
[5] Increase to line of credit authorized in 2004.
[6] Complemented by two "B" loan syndications of approximately $150 million.
[7] Complemented by a "B" loan syndication of approximately $124.2 million.
[8] Complemented by a "B" loan syndication of approximately $126.5 million.
[9] Complemented by a "B" loan syndication of approximately $128.5 million.
[10] Complemented by a "B" loan syndication of approximately $110 million.
[11] Complemented by a "B" loan syndication of approximately $240 million.
[12] Complemented by a "B" loan syndication of approximately $60 million.
[13] Complemented by a "B" loan syndication of approximately $43.4 million.
[14] Complemented by a "B" loan syndication of approximately $350 million.
[15] Complemented by a "B" loan syndication of approximately $150 million.
[16] Renewal of line of credit authorized in 2005.
[17] Complemented by a "B" loan syndication of approximately $25 million.
[18] Complemented by a "B" loan syndication of approximately $15 million.
[19] Complemented by a "B" loan syndication of approximately $10 million.
[20] Complemented by a "B" loan syndication of approximately $35 million.
[21] Complemented by a "B" loan syndication of approximately $20 million.
[22] Increase to line of credit authorized in 2003.
[23] Renewal of line of credit authorized in 2004.

TABLE IV • DISTRIBUTION OF NONREIMBURSABLE TECHNICAL COOPERATION[1]

(In thousands of U.S. dollars)

Country	2008	1961–2008
Argentina	$ 5,913	$ 80,042
Bahamas	700	19,696
Barbados	–	21,846
Belize	200	8,719
Bolivia	4,396	92,582
Brazil	11,079	185,856
Chile	1,217	23,295
Colombia	13,030	88,493
Costa Rica	3,349	58,699
Dominican Republic	1,948	61,514
Ecuador	8,232	88,266
El Salvador	7,401	70,907
Guatemala	15,075	85,303
Guyana	2,715	63,283
Haiti	5,683	67,789
Honduras	5,369	82,806
Jamaica	2,817	44,260
Mexico	10,660	47,295
Nicaragua	4,553	88,642
Panama	5,752	50,341
Paraguay	5,126	76,670
Peru	9,377	106,975
Suriname	950	35,942
Trinidad and Tobago	–	21,243
Uruguay	5,937	43,907
Venezuela	240	13,107
Regional	57,000	922,913
TOTAL	**$188,719**	**$2,550,391**

[1] Does not include the IDB Grant Facility or MIF. Includes the Global Environmental Fund (GEF) and the Social Entrepreneurship Program Financings. Detail may not sum to column totals exactly because of rounding.

TABLE V • COFINANCING IN 2008[1]

(In millions of U.S. dollars)

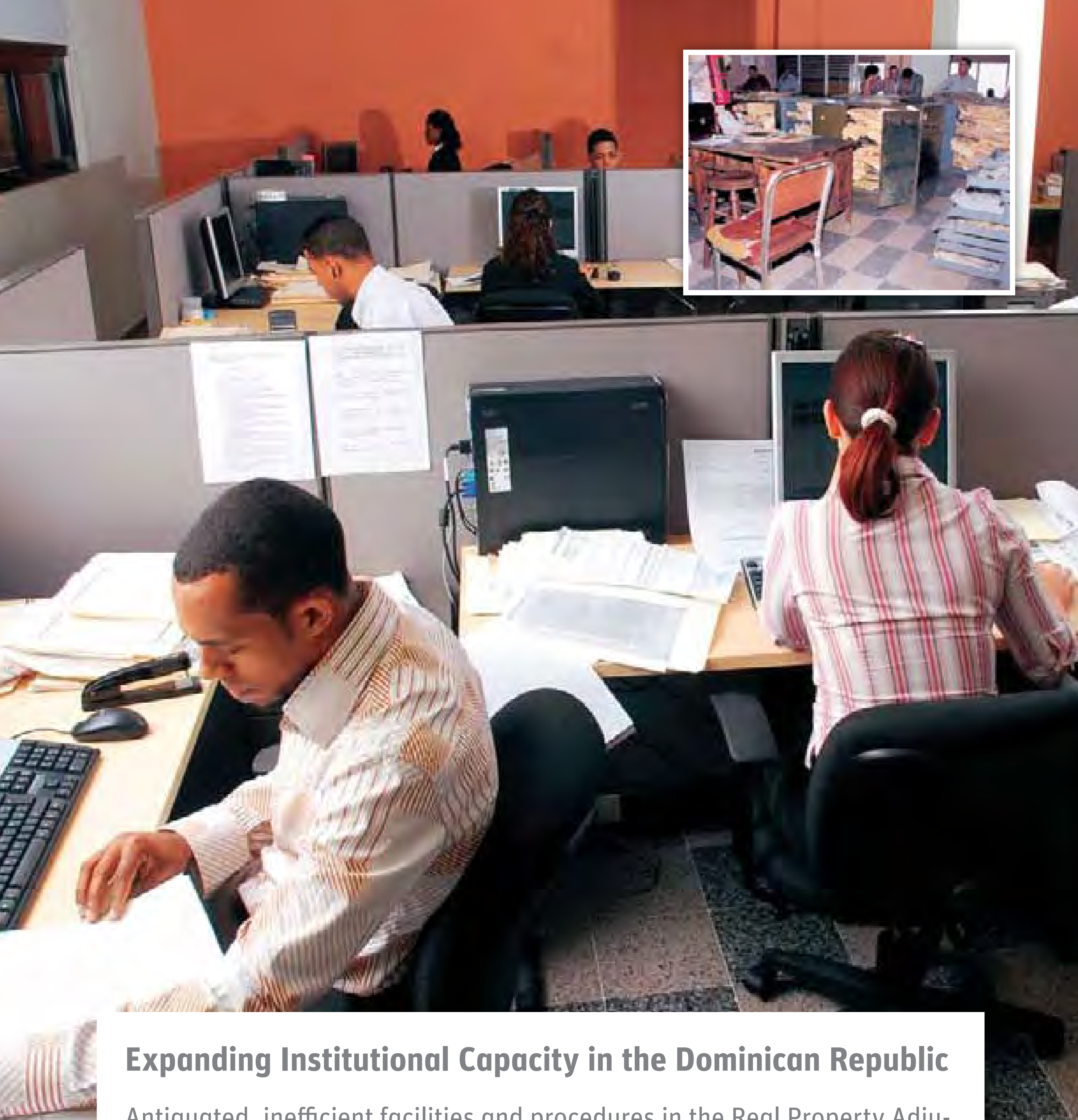
Cofinancier	Amount
ACCIÓN	$ 0.01
Andean Development Corporation (CAF)	0.03
Barrick Sudamérica	0.01
BBVA	0.02
Canadian International Development Agency (CIDA)	27.75
Caribbean Development Bank (CDB)	5.00
CEMEX	0.01
Central American Bank for Economic Integration (CABEI)	110.50
Deutsche Bank	0.01
European Commission (EC)	0.24
European Investment Bank (EIB)	20.40
Fundación Carolina	0.01
GTZ (German international aid agency)	0.07
HSBC	0.01
Incofin CVSO	0.02
Korea, Republic of	0.20
Microsoft	0.03
Netherlands Development Finance Company (FMO)	0.05
OPEC Fund for International Development (OFID)	63.26
Paraguay	0.13
Procter & Gamble	0.01
ProVent. Consort.	0.03
Swedish International Development Cooperation Agency (SIDA)	0.02
U.K. Department for International Development (DFID)	0.21
Wal-Mart	0.01
World Bank	1,241.00
World Savings Banks Institute (WSBI)	0.01
TOTAL COFINANCING IN 2008	**$1,469.02**

[1] This list represents funds committed by the donor in the year. Includes grant cofinancing contributions administered by the IDB.

TABLE VI • ACTIVE FUNDS IN ADMINISTRATION, 2008

Country	Name	Cumulative contributions[1] (US$ millions equivalent)
Canada	IDB-Canada Trade Fund	4.7
Chile	Chilean Trust Fund for Learning from International Best Practices	0.5
	Chilean Trust Fund for Supporting Technological Innovation in Central America	0.4
Denmark	Danish Consultants Fund	2.8
Finland	Finnish Technical Assistance Program	3.1
France	French Technical Cooperation Fund for Consultancy and Training Activities	19.5
Italy	Italian Consulting Firms and Specialized Institutions Fund	14.5
	Italian Trust Fund for MIF Project Preparation	3.2
	Italian Trust Fund for Microenterprise Development	8.8
	Italian Information and Communication Technology Fund	7.0
	Italian Trust Fund for Regional Competitiveness	6.0
Japan	Japan Special Fund	232.2
	IDB Graduate Scholarship Program	36.2
	Japanese Trust Fund for Consulting Services	42.1
Japan, Republic of Korea, Spain and Canada	Multidonor Disaster Prevention Trust Fund	9.0
Korea, Republic of	Knowledge Partnership Korea Fund for Technology and Innovation	33.0
	Korea Poverty Reduction Fund	30.6
Netherlands	Partnership Program in Environment	7.0
	Netherlands Water Management Partnership Program	8.7
Norway	Anticorruption Activities Trust Fund	3.3
	Norwegian Consulting Services Trust Fund	1.0
Norway and Canada	Social Capital, Ethics and Development Fund	1.8
	Gender Mainstreaming Trust Fund	7.3
Norway, United Kingdom and Canada	Social Inclusion Fund	8.0
Portugal	Portuguese Technical Cooperation Fund	1.6
Spain	Spanish Fund for Social Entrepreneurship Program	2.5
	Spanish Framework–General Cooperation Fund	41.8
	Spanish Fund for Consultants (ICEX)	13.8
Sweden	Swedish Framework–Sida-IDB Partnership Program	5.5
	Swedish Trust Fund for Consulting Services and Training Activities	3.1
Switzerland	Swiss Consultants Fund	5.2
United Kingdom	Markets and Governance for Poverty Reduction Trust Fund	6.8
	Trade and Poverty Trust Fund	1.6
United Kingdom, Spain, Italy and Germany	Sustainable Energy and Climate Multidonor Trust Fund	9.6
United States	Social Progress Trust Fund	525.0
Regional	Indigenous Peoples' Fund	19.2
	Regional Fund for Agricultural Technology (FONTAGRO)	52.3
World Bank	IDB/Global Environment Facility	27.1

[1] Amounts reflect historical exchange rates and do not reflect balance currently available.



Expanding Institutional Capacity in the Dominican Republic

Antiquated, inefficient facilities and procedures in the Real Property Adjudication and Registration System were replaced with new infrastructure, equipment, and systems to achieve efficiency and transparency under a program to modernization the judiciary.

Financial Highlights

Ordinary Capital

During 2008, the Bank approved 131 loans for $11.1 billion from the Ordinary Capital resources, including two loans for $900 million under the new Liquidity Program for Growth Sustainability (Liquidity Program), compared to 89 loans for $7.7 billion in 2007. The increase in loan approvals was due to an increase in investment, policy-based, and non-sovereign-guaranteed lending as well as approvals under the Liquidity Program. Also, disbursements totaled $7.1 billion, higher than the $6.7 billion disbursed in 2007. Undisbursed loans increased to $19.8 billion at year-end 2008 from $16.4 billion at year-end 2007.

The Bank's portfolio of non-sovereign-guaranteed loans increased by $1.2 billion in 2008 to $2.4 billion at year-end, compared to $1.2 billion at December 31, 2007. This reflects the Bank's increased emphasis on its non-sovereign-guaranteed operations, which, at December 31, 2008, accounted for 6.3 percent of outstanding loans and guarantees, not including emergency lending and loans under the Liquidity Program, compared to 3.5 percent at the end of the prior year.

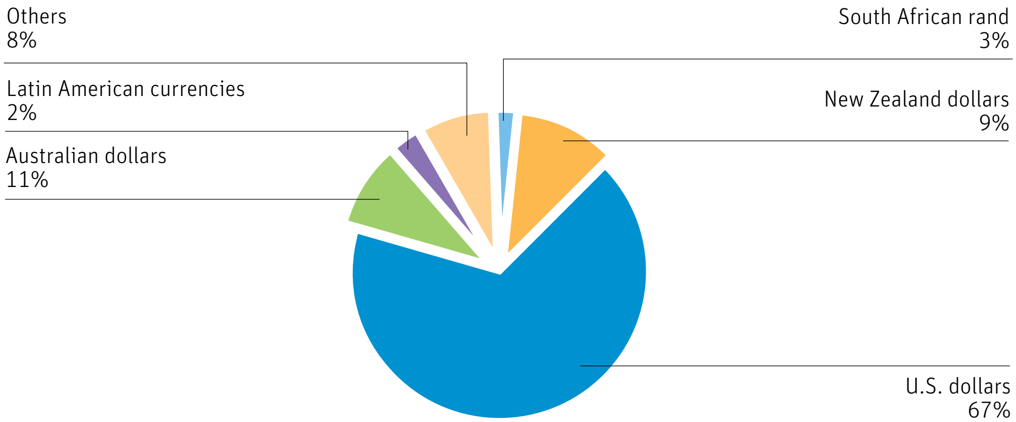
The Bank also approved one non-trade-related guarantee without a sovereign counter-guarantee for $10 million, in 2008, compared to four guarantees for $900 million in 2007. Under the Trade Finance Facilitation Program, the Bank issued 136 guarantees for a total of $203 million, compared to 68 guarantees for a total of $135 million issued in 2007.

Since the Bank's inception, there have been no write-offs in the sovereign-guaranteed loan portfolio, which, as of December 31, 2008, represented 95 percent of the $51.2 billion in loans outstanding. As of that date, all loans in the portfolio were performing. Allowances for loan and guarantee losses amounted to $169 million, compared to $70 million in 2007. The increase was mainly due to the growth in non-sovereign-guaranteed operations and a non-sovereign-guaranteed loan declared impaired at the end of the year.

In 2008, the Board of Executive Directors approved enhancements in the Local Currency Facility that increased the flexibility for local currency loans while reducing the cost to borrowers. During 2008, 20 new operations for $3.3 billion were approved under this facility for entities in Brazil, Chile, Colombia, Costa Rica, Mexico, Peru, and Uruguay. In addition, the Bank made a local currency conversion of an outstanding loan into Peruvian new soles for $85 million and additional disbursements in Mexican pesos of $54.6 million under a loan approved in 2006.

The Bank issued bonds in 2008 for a total face amount of $11.1 billion equivalent (2007—$6.1 billion) and proceeds of $10.7 billion (2007—$5.5 billion) with an average life of 4.8 years (2007—7.9 years). The increase in borrowings was mostly due to increased debt repayments and net increases in the outstanding loan balance (disbursements net of collections), as well as opportunities for prefunding of expected disbursements in 2009, mostly related to the Liquidity Program (see below under "Significant Developments in 2008"). Borrowings raised in any given year are used for general operations, including loan disbursements and refinancing of maturing debt.

Figure 5. Borrowings Issued in 2008, before Swaps



During the year, the Bank launched three strategic benchmark global bonds denominated in U.S. dollars with three-, five- and ten-year maturities for a combined amount of $3.75 billion, and issued its first-ever bond denominated in Indonesian rupiah. The Bank transacted other bonds denominated in Australian dollars, British pounds sterling, Euro, Icelandic krónur, Japanese yen, New Zealand dollars, Russian rubles, South African rand, Turkish liras, United States dollars, and certain borrowing member country currencies, as noted below.

Bonds denominated in borrowing member country currencies totaled $175 million (2007—$909 million), comprised of Brazilian reais $127 million and Chilean pesos $48 million (2007—Brazilian reais $197 million, Colombian pesos $30 million, Costa Rican colones $50 million, and Mexican pesos $632 million). Bonds denominated in currencies from borrowing member countries are issued on the basis of cost-effectiveness for the Bank, and their issuance contributes, in part, to the development of local capital markets and expands the effective foreign demand for local currencies.

Figure 5 shows the Bank's debt issues during 2008 by currency. All non–U.S. dollar issues were initially swapped to U.S. dollars. Tables VII and VIII provide more details on these borrowings, as well as outstanding borrowings by currency, before swaps, as of December 31, 2008.

The Bank continued to be rated triple-A or AAA/Aaa by the major rating agencies in 2008, as it has been since it was first rated.

Operating Loss for 2008 was $972 million, compared to Operating Income of $283 million in 2007. This income reduction of $1.3 billion was substantially due to unrealized losses of $1.6 billion in the trading investments portfolio, compared to $280 million in 2007. Since the current credit crisis began in July 2007, the Bank has realized losses of $79 million (relative to purchase price), related to a restructuring of $66 million of asset-backed commercial paper and to selective asset sales at discounted prices. As of December 31, 2008, all trading investment portfolio assets were performing, except for an asset-backed commercial paper with a fair value of $13 million.

During the first half of 2008, the Board of Executive Directors maintained the same level of loan charges as in the second half of 2007, at a 0.15 percent lending spread, a 0.10 percent credit commission, and no supervision and inspection fee. For the second half of 2008, as well as for the first half of 2009, standard loan charges were approved at a 0.30 percent lending spread, a 0.25 percent credit commission, and no supervision and inspection fee.

The Total Equity-to-Loans Ratio (TELR) is the Bank's measure of risk-based capital adequacy. In 2008, the TELR decreased to 35.3 percent from 40.2 percent in 2007, as a result of

TABLE VII • BORROWINGS,[1] FISCAL YEAR 2008

(Amounts in millions)

Type	Issue	Amount	Amount (US$ equiv.)
Australian dollars	6.37%, due 2010	133	$ 128
	4.01%, due 2010	11	7
	5.75%, due 2010	275	253
	6.39%, due 2011	215	191
	6.75%, due 2011	45	41
	6.58%, due 2011	21	20
	5.75%, due 2011	200	187
	7.17%, due 2018	380	362
	0.50%, due 2018	64	42
	0.50%, due 2023	30	29
Brazilian reais	11.50%, due 2010	100	60
	10.00%, due 2010	10	6
	9.00%, due 2011	6	3
	8.10%, due 2011	7	3
	11.00%, due 2013	33	21
	10.00%, due 2013	18	11
	9.50%, due 2013	17	9
	9.80%, due 2013	17	7
	0.50%, due 2013	18	7
British pounds sterling	Adjustable, due 2017[2]	32	64
Chilean pesos	6.00%, due 2013	23,500	48
Euro	Adjustable, due 2018[3]	20	26
Icelandic krónur	11.50%, due 2009	17,000	259
	9.86%, due 2010	1,760	26
Indonesian rupiah	0.00%, due 2013	2,205,010	238
Japanese yen	9.10%, due 2010	4,340	40
	8.33%, due 2010	1,196	11
	8.12%, due 2010	1,445	13
	Adjustable, due 2018[4]	12,179	117
	Adjustable, due 2023[5,8]	300	3
New Turkish liras	0.50%, due 2010	54	33
	2.00%, due 2011	46	39
	0.50%, due 2013	72	43
New Zealand dollars	7.41%, due 2010	415	323
	7.09%, due 2010	104	81
	7.07%, due 2010	400	313
	6.30%, due 2010	13	10
	6.76%, due 2010	86	67
	5.13%, due 2011	26	14
	1.00%, due 2013	15	12
	7.50%, due 2015	200	158
Russian rubles	7.75%, due 2013	1,000	42
	7.00%, due 2013	70	3
	7.10%, due 2013	70	3

(*continued on next page*)

TABLE VII • BORROWINGS,[1] FISCAL YEAR 2008 *(continued)*
(Amounts in millions)

Type	Issue	Amount	Amount (US$ equiv.)
South African rand	10.20%, due 2009	38	5
	9.75%, due 2010	190	24
	9.80%, due 2010	21	3
	10.22%, due 2010	315	40
	10.40%, due 2010	1,400	185
	9.76%, due 2010	424	41
	8.52%, due 2010	105	11
United States dollars	1.84%, due 2009	100	100
	2.37%, due 2009	100	100
	2.25%, due 2009	100	100
	Adjustable, due 2009[6]	12	12
	2.11%, due 2009	100	100
	3.13%, due 2010	500	500
	1.78%, due 2010	200	200
	3.00%, due 2011	500	500
	3.25%, due 2011	1,250	1,250
	2.64%, due 2012	17	17
	3.50%, due 2013	1,500	1,500
	3.13%, due 2013	300	300
	3.04%, due 2014	300	300
	2.51%, due 2014	300	300
	3.86%, due 2015	200	200
	3.76%, due 2016	300	300
	4.25%, due 2017	200	200
	Adjustable, due 2018[7]	50	50
	4.25%, due 2018	1,000	1,000
	2.62%, due 2037	78	78
	0.00%, due 2038[8]	280	280
TOTAL BORROWINGS			**$11,069**

[1] Medium- and long-term borrowings at face value, before swaps.
[2] Three-month GBP LIBOR, minus 0.3965%.
[3] Three-month Euribor, minus 0.64%.
[4] Formulaic.
[5] Formulaic, with a floor of 0%.
[6] Three-month USD LIBOR, minus 0.54%.
[7] Three-month USD LIBOR, minus 0.35%.
[8] The issuer has multiple call options.

an increase in loans outstanding and net guarantee exposure and a decrease in equity, reflecting mostly operating losses, a one-time write-off of previously deferred borrowing issue costs against beginning retained earnings, as part of the implementation of Statement of Financial Accounting Standards (SFAS) 159, and the exclusion from the calculation of Postretirement benefit liabilities in 2008. Despite the decrease, the TELR has held within the range of 32 percent to 38 percent.

In January 2008, the Bank adopted SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities," and recorded a cumulative-effect transition adjustment of $93 million (gain) to the opening balance of retained earnings, including the write-off of deferred issue costs of $163 million. Following SFAS 159 provisions, the Bank elected to measure borrowings that fund floating-rate assets at fair value to compensate for the related swaps changes in fair value recorded in income. As a result, in 2008, the Bank recorded losses from the changes in fair value of its borrowings resulting from changes in interest rates for an amount of $2 billion, which partially compensated for gains from changes in fair value of swaps due to changes in interest rates of $2.9 billion. Net gains of $939 million, mostly resulting from the Bank's credit spread widening at the end of the year, were credited to Net unrealized gains (losses) on nontrading derivatives and borrowings measured at fair value in the Statement of Income and Retained Earnings.

TABLE VIII • OUTSTANDING BORROWINGS[1] BY CURRENCY AS OF DECEMBER 31, 2008
(In millions of U.S. dollars)

Currency	Amount
Australian dollars	$ 4,227
Brazilian reais	605
British pounds sterling	1,467
Canadian dollars	4,221
Chilean pesos	47
Colombian pesos	87
Costa Rican colones	46
Euro	3,033
Hong Kong dollars	97
Icelandic krónur	30
Indian rupees	28
Indonesian rupiah	202
Japanese yen	3,030
Mexican pesos	1,097
New Turkish liras	177
New Zealand dollars	2,059
Peruvian new soles	103
Russian rubles	37
South African rand	796
United States dollars	25,902
TOTAL	**$47,291**

[1] Medium- and long-term borrowings at face value, before swaps.

Fund for Special Operations

In 2008, the Bank approved 19 parallel loans (2007—one regular loan and 18 parallel loans) for a total of $433 million, comprised of $138 million and $295 million from the resources of the Fund for Special Operations (FSO) and the Ordinary Capital, respectively (2007—total of $464 million, comprised of $152 million from the FSO and $312 million from the Ordinary Capital). As of December 31, 2008, outstanding loans, net of the allowance for debt relief, amounted to $4.1 billion (2007—$4.0 billion) and were fully performing. FSO operations generated Income before technical cooperation expense and general reserve transfers of $11 million compared to $82 million in 2007.

The Board of Governors approved the transfer of $50 million (2007—$50 million) from the FSO to the IDB Grant Facility (GRF) to provide grant resources to Haiti. In addition, the FSO delivered debt relief of $10 million to Haiti under the Enhanced Heavily Indebted Poor Countries Initiative, which was recognized against the Allowance for debt relief. Also, in December 2008, the Board of Governors amended previous Resolutions to provide that Haiti will be eligible to receive $100 million in grants for 2009.

Significant Developments in 2008

Financial Crisis

The current financial crisis began in mid-2007 when falling U.S. housing prices caused price declines for securities backed by subprime mortgages. In 2008, the credit crisis expanded worldwide, bringing unprecedented market volatility and stress to credit markets. Events accelerated in mid-September as financial markets worldwide experienced severely contracted liquidity,

TABLE IX • TRADING INVESTMENTS PORTFOLIO AS OF DECEMBER 31, 2008 AND 2007
(In millions of U.S. dollars)

	2008		2007	
Asset Category	Carrying Value	Unrealized Gains (Losses)	Carrying Value	Unrealized Gains (Losses)
Obligations of the United States government and its corporations and agencies	$ 2,678	$ 9	$ 454	$ 3
Obligations of non-U.S. governments and agencies	771	2	127	(1)
Bank obligations	4,781	(99)	4,707	4
Corporate securities	199	(2)	411	(5)
Asset-backed and mortgage-backed securities	4,184	(1,506)	6,608	(281)
Total trading investments	**$12,613**	**$ (1,596)**	**$12,307**	**$ (280)**

prompting massive government intervention in the financial sector, along with other measures, to make capital injections into banks. Throughout 2008, and as a result of the still-ongoing deleveraging of financial institutions, the fall in market pricing for structured securities continued and to a certain extent accelerated.

The effect of the persistent turbulence in the financial markets, characterized by lack of liquidity, higher volatility, and widening credit spreads, has continued to affect the Bank's ability to mitigate its credit risk by selling or hedging its exposures. Valuations continue to be impacted by market factors, external to the Bank, such as rating agency actions and the prices at which actual transactions occur. The Bank continues to maximize, where possible, the use of market inputs in the valuation of its investments, including external pricing services, independent dealer prices, and observable market yield curves.

In response to the crisis and the contagion effect across market sectors, the Bank has continued to closely monitor the asset quality of its investments portfolio, analyzing and assessing the fundamental value of its securities, with a particular focus on its asset-backed and mortgage-backed securities.

Performance and Exposure of Liquid Investment Portfolio

During the year, the Bank recognized $1.6 billion of unrealized losses in its trading investments portfolio, substantially all of which are related to the $4.2 billion asset-backed and mortgage-backed securities portion of the portfolio. Although liquidity for this portion of the portfolio remains poor and valuations highly discounted, as of December 31, 2008, 85 percent is still rated AAA, 97 percent is investment grade, and the entire portfolio is performing, except for an asset-backed commercial paper with a fair value of $13 million. Also during 2008, the Bank's holdings of these securities were reduced by repayments at par of $753 million.

The credit exposure for the entire investment portfolio amounted to $16.2 billion at year-end, unchanged from December 31, 2007. The quality of the overall portfolio continues to be high, as 84.9 percent of the credit exposure is rated AAA or AA, 12 percent is rated A, 1.6 percent carries the highest short-term ratings (A1+), and 1.5 percent is rated below A/A1+. Table IX shows a breakdown of the Bank's trading investments portfolio as of December 31, 2008 and 2007.

TABLE X • STATEMENT OF LOANS OUTSTANDING AS OF DECEMBER 31, 2008
(In millions of U.S. dollars)

Member in whose territory loans have been made	Ordinary Capital Sovereign-guaranteed	Ordinary Capital Non-sovereign-guaranteed	Ordinary Capital Subtotal	Fund for Special Operations[1]	Total
Argentina	$ 8,668	$ 1	$ 8,669	$ 89	$ 8,758
Bahamas	90	–	90	–	90
Barbados	140	–	140	9	149
Belize	94	–	94	–	94
Bolivia	161	73	234	295	529
Brazil	12,543	925	13,468	224	13,692
Chile	591	302	893	–	893
Colombia	5,620	125	5,745	94	5,839
Costa Rica	251	180	431	47	478
Dominican Republic	1,025	–	1,025	316	1,341
Ecuador	1,487	79	1,566	464	2,030
El Salvador	1,377	50	1,427	407	1,834
Guatemala	1,197	25	1,222	314	1,536
Guyana	3	–	3	188	191
Haiti	–	–	–	785	785
Honduras	75	–	75	363	438
Jamaica	627	–	627	32	659
Mexico	4,782	87	4,869	10	4,879
Nicaragua	77	–	77	463	540
Panama	911	50	961	26	987
Paraguay	705	–	705	283	988
Peru	3,957	401	4,358	38	4,396
Suriname	59	7	66	1	67
Trinidad and Tobago	396	–	396	7	403
Uruguay	2,056	–	2,056	13	2,069
Venezuela	1,329	–	1,329	–	1,329
Regional	419	128	547	56	603
Inter-American Investment Corporation	100	–	100	–	100
TOTAL	**$48,740**	**$2,433**	**$51,173**	**$4,524**	**$55,697**

[1] Excludes loan participations sold to the Social Progress Trust Fund for a total of $33 million, including $3 million to Costa Rica, $6 million to the Dominican Republic, $6 million to Ecuador, $10 million to El Salvador, $5 million to Guatemala, $2 million to Panama, and $1 million to Paraguay.

The investment portfolios of the Fund for Special Operations, the Intermediate Financing Facility Account (IFF), and other funds under the Bank's administration of approximately $2.1 billion at December 31, 2008, which included asset-backed and mortgage-backed securities of $526 million, generated unrealized investment losses of $145 million during the year.

Funded Status of the Bank's Pension and Postretirement Benefit Plans

Generally accepted accounting principles require the Bank to fully recognize in its Balance Sheet an asset for its Pension and Postretirement Benefit Plans' overfunded status (or a liability if the Plans are underfunded) through comprehensive income. The funded status of the Bank's Plans is established annually by subtracting the Plans' benefit obligations from the fair value of the Plans' assets.

At December 31, 2008, the Balance Sheet shows Postretirement benefit liabilities of $410 million compared with Postretirement benefit assets of $973 million at December 31, 2007. The reduction in the funded status of the Plans of $1.4 billion reflects a decrease in the Plans' assets of $1.2 billion, mostly resulting from investment losses, and the expected growth in benefit obligations. Also, at December 31, 2008, the Plans' assets represented 88 percent of the benefit obligations, compared with 130 percent at the end of the prior year (for further information refer to Note P of the financial statements of the Ordinary Capital).

Liquidity Program for Growth Sustainability

In November 2008, the Board of Governors approved the creation of the Liquidity Program, a program for up to $6 billion in loans to be approved by December 31, 2009, under the Bank's emergency lending category, designed to help borrowing member countries address the effects of the current international financial crisis on the region's economic and social progress by protecting the flow of credit to the economy through financial institutions. As of December 31, 2008, $900 million in loans under this program had been approved, including $500 million and $400 million to Costa Rica and El Salvador, respectively.

Membership of the People's Republic of China

On January 12, 2009, the People's Republic of China was admitted to membership in each of the Bank, the Inter-American Investment Corporation, and the Multilateral Investment Fund. Consequently, as of that date, the Bank's members include 26 borrowing member countries and 22 nonborrowing member countries.

Copies of the basic financial statements of the Ordinary Capital, the FSO, the IFF and the GRF appear on pages 54–61. The full set of financial statements, including Management's Discussion and Analysis, the external auditors' opinions and the financial statements and related notes, are presented in *IDB Annual Report: Financial Statements and General Appendices.*

TABLE XI • SUBSCRIPTIONS TO CAPITAL STOCK, CONTRIBUTION QUOTAS AND VOTING POWER AS OF DECEMBER 31, 2008

(In millions of U.S. dollars)

	Ordinary Capital Subscribed Capital Stock				
Member Countries	Paid-in	Callable	Total	Percent of Total Number of Votes[1,2]	FSO Contribution Quotas
Regional developing members					
Argentina	$ 465.1	$ 10,393.8	$ 10,858.9	10.752	$ 505.4
Bahamas	11.6	198.3	209.9	0.209	10.6
Barbados	5.6	124.3	129.9	0.130	1.8
Belize	7.2	103.5	110.7	0.111	7.6
Bolivia	37.3	834.4	871.7	0.865	48.7
Brazil	465.1	10,393.8	10,858.9	10.752	544.4
Chile	127.7	2,853.9	2,981.6	2.953	157.7
Colombia	127.7	2,853.9	2,981.6	2.953	153.7
Costa Rica	18.7	417.1	435.7	0.433	23.4
Dominican Republic	24.9	556.8	581.7	0.577	33.9
Ecuador	24.9	556.8	581.7	0.577	30.3
El Salvador	18.7	417.1	435.7	0.433	21.4
Guatemala	24.9	556.8	581.7	0.577	32.8
Guyana	7.8	153.8	161.6	0.162	8.3
Haiti	18.7	417.1	435.7	0.433	21.8
Honduras	18.7	417.1	435.7	0.433	26.5
Jamaica	24.9	556.8	581.7	0.577	28.8
Mexico	299.0	6,681.3	6,980.3	6.912	329.0
Nicaragua	18.7	417.1	435.7	0.433	24.2
Panama	18.7	417.1	435.7	0.433	25.4
Paraguay	18.7	417.1	435.7	0.433	27.9
Peru	62.3	1,390.7	1,453.0	1.440	79.8
Suriname	5.7	82.9	88.6	0.089	6.3
Trinidad and Tobago	18.7	417.1	435.7	0.433	20.9
Uruguay	49.9	1,114.3	1,164.2	1.154	55.9
Venezuela	249.3	5,568.5	5,817.8	5.761	315.3
Total regional developing members	**2,170.5**	**48,311.4**	**50,481.1**	**50.016**	**2,541.8**
Canada	**173.7**	**3,866.2**	**4,039.9**	**4.001**	**309.4**
United States	**1,303.0**	**29,006.7**	**30,309.7**	**30.007**	**4,839.0**
Nonregional members					
Austria	6.9	153.7	160.6	0.161	20.0
Belgium	14.2	316.8	331.0	0.329	42.5
Croatia	2.1	46.4	48.5	0.050	5.9
Denmark	7.3	163.4	170.8	0.171	20.0
Finland	6.9	153.7	160.6	0.161	19.0
France	82.3	1,831.4	1,913.7	1.896	221.1
Germany	82.3	1,831.4	1,913.7	1.896	230.0
Israel	6.8	151.5	158.3	0.158	18.0
Italy	82.3	1,831.4	1,913.7	1.896	215.7
Japan	217.1	4,833.2	5,050.3	5.001	591.9
Korea, Republic of	0.1	2.1	2.2	0.004	—
Netherlands	14.6	325.6	340.3	0.338	36.9
Norway	7.3	163.4	170.8	0.171	20.0
Portugal	2.3	51.7	54.0	0.055	7.8
Slovenia	1.3	28.1	29.4	0.031	3.4
Spain	82.3	1,831.4	1,913.7	1.896	215.8
Sweden	14.1	314.8	328.9	0.327	40.1
Switzerland	20.4	454.2	474.7	0.472	62.9
United Kingdom	41.8	929.9	971.7	0.964	175.3
Total nonregional members	**692.4**	**15,414.4**	**16,106.9**	**15.976**	**1,946.3**
GRAND TOTAL	**$ 4,339**	**$ 96,599**	**$ 100,938**	**100.00**	**$ 9,636**

[1] Data are rounded; detail may not sum exactly to subtotals and grand total because of rounding.

[2] Each member country's voting power is the same in making decisions concerning the operations of the Ordinary Capital and the FSO. Except where otherwise expressly provided in the Agreement Establishing the Bank, all matters are decided by a majority of the total voting power of the member countries.

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in millions of United States dollars

	December 31,			
	2008		2007	
ASSETS				
Cash and investments				
Cash	$ 301		$ 200	
Investments				
Trading	12,613		12,307	
Held-to-maturity	3,621	$16,535	3,858	$16,365
Loans outstanding	51,173		47,954	
Allowance for loan losses	(136)	51,037	(51)	47,903
Accrued interest and other charges				
On investments	92		103	
On loans	564		600	
On swaps, net	43	699	20	723
Receivable from members				
Non-negotiable, non-interest-bearing demand obligations	356		358	
Amounts required to maintain value of currency holdings	79	435	54	412
Currency and interest rate swaps				
Investments—trading	2		3	
Loans	43		4	
Borrowings	3,415	3,460	3,019	3,026
Other assets				
Postretirement benefit assets	—		973	
Property, net	303		296	
Unamortized borrowing issue costs	11		180	
Miscellaneous	30	344	29	1,478
Total assets		$72,510		$69,907
LIABILITIES AND EQUITY				
Liabilities				
Borrowings				
Short-term	$ 3,067		$ 2,204	
Medium- and long-term:				
Measured at fair value	34,350		—	
Measured at amortized cost	11,977	$49,394	44,845	$47,049
Currency and interest rate swaps				
Investments—trading	10		2	
Loans	107		16	
Borrowings	1,800	1,917	1,006	1,024
Payable for investment securities purchased		156		67
Postretirement benefit liabilities		410		—
Amounts payable to maintain value of currency holdings		383		616
Accrued interest on borrowings		559		596
Accounts payable and accrued expenses		247		202
Total liabilities		53,066		49,554
Equity				
Capital stock				
Subscribed 8,367,264 shares (2007—8,368,563 shares)	100,938		100,953	
Less callable portion	(96,599)		(96,613)	
Paid-in capital stock	4,339		4,340	
Retained earnings	14,647		14,576	
Accumulated other comprehensive income	458	19,444	1,437	20,353
Total liabilities and equity		$72,510		$69,907

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF INCOME AND RETAINED EARNINGS

Expressed in millions of United States dollars

	Years ended December 31,		
	2008	**2007**	**2006**
Income (loss)			
Loans			
Interest	**$ 2,301**	$ 2,404	$ 2,435
Other loan income	**54**	32	31
	2,355	2,436	2,466
Investments	**(973)**	487	619
Other	**11**	19	12
Total income	**1,393**	2,942	3,097
Expenses			
Borrowing expenses			
Interest, after swaps	**1,740**	2,074	2,015
Borrowing issue costs	**28**	49	55
Debt repurchase (income) costs	**(4)**	12	—
	1,764	2,135	2,070
Provision (credit) for loan and guarantee losses	**93**	(13)	(48)
Administrative expenses	**439**	500	414
Special programs	**69**	37	34
Total expenses	**2,365**	2,659	2,470
Income (loss) before net unrealized gains (losses) on non-trading derivatives and borrowings measured at fair value	**(972)**	283	627
Net unrealized gains (losses) on non-trading derivatives and borrowings measured at fair value	**950**	(149)	(384)
Net income (loss)	**(22)**	134	243
Retained earnings, beginning of year	**14,576**	14,442	14,199
SFAS 159 cumulative effect adjustment	**93**	—	—
Retained earnings, end of year	**$14,647**	$14,576	$14,442

STATEMENT OF COMPREHENSIVE INCOME

Expressed in millions of United States dollars

	Years ended December 31,		
	2008	**2007**	**2006**
Net income (loss)	**$ (22)**	$134	$243
Other comprehensive income (loss)			
Translation adjustments	**396**	280	149
Recognition of changes in Postretirement benefit assets/liabilities	**(1,371)**	130	—
Reclassification to income—cash flow hedges	**(4)**	1	8
Total other comprehensive income (loss)	**(979)**	411	157
Comprehensive income (loss)	**$(1,001)**	$545	$400

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS

Expressed in millions of United States dollars

	Years ended December 31,		
	2008	2007	2006
Cash flows from lending and investing activities			
Lending:			
Loan disbursements (net of participations)	**$ (7,149)**	$ (6,725)	$ (6,088)
Loan collections (net of participations)	**4,740**	5,265	8,615
Loan recoveries	**—**	—	3
Net cash provided by (used in) lending activities	**(2,409)**	(1,460)	2,530
Gross purchases of held-to-maturity investments	**(3,287)**	(2,378)	(2,049)
Gross proceeds from maturities of held-to-maturity investments	**3,299**	2,459	2,056
Purchase of property	**(22)**	(14)	(15)
Miscellaneous assets and liabilities	**(4)**	(7)	7
Net cash provided by (used in) lending and investing activities	**(2,423)**	(1,400)	2,529
Cash flows from financing activities			
Medium- and long-term borrowings:			
Proceeds from issuance	**10,793**	5,440	5,276
Repayments	**(8,321)**	(6,595)	(6,510)
Short-term borrowings:			
Proceeds from issuance	**11,588**	5,941	10,276
Repayments	**(10,707)**	(4,390)	(10,559)
Collections of receivable from members	**5**	5	12
Net cash provided by (used in) financing activities	**3,358**	401	(1,505)
Cash flows from operating activities			
Gross purchases of trading investments	**(14,210)**	(10,639)	(20,468)
Gross proceeds from sale or maturity of trading investments	**12,259**	10,761	18,672
Loan income collections	**2,412**	2,434	2,457
Interest and other costs of borrowings, after swaps	**(1,415)**	(1,953)	(1,857)
Income from investments	**568**	741	588
Other income	**11**	19	13
Administrative expenses	**(431)**	(433)	(367)
Special programs	**(20)**	(13)	(7)
Net cash provided by (used in) operating activities	**(826)**	917	(969)
Effect of exchange rate fluctuations on cash	**(8)**	6	(2)
Net increase (decrease) in Cash	**101**	(76)	53
Cash, beginning of year	**200**	276	223
Cash, end of year	**$ 301**	$ 200	$ 276

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in millions of United States dollars

	December 31,			
	2008		2007	
ASSETS				
Cash and investments				
Cash	**$ 365**		$ 374	
Investments	**990**	**$1,355**	1,191	$1,565
Loans outstanding	**4,524**		4,399	
Allowance for debt relief	**(423)**	**4,101**	(433)	3,966
Accrued interest and other charges on loans		**23**		25
Receivable from members				
Non-negotiable, non-interest-bearing demand obligations	**527**		545	
Amounts required to maintain value of currency holdings	**283**	**810**	200	745
Other assets		**—**		4
Total assets		**$6,289**		$6,305
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses	**$ 5**		$ 6	
Undisbursed technical cooperation projects and other financings	**91**		85	
Due to IDB Grant Facility	**73**		38	
Amounts payable to maintain value of currency holdings	**334**	**$ 503**	298	$ 427
Fund balance				
Contribution quotas authorized and subscribed	**9,636**		9,640	
General reserve (deficit)	**(3,952)**		(3,880)	
Accumulated translation adjustments	**102**	**5,786**	118	5,878
Total liabilities and fund balance		**$6,289**		$6,305

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF INCOME AND GENERAL RESERVE (DEFICIT)

Expressed in millions of United States dollars

	Years ended December 31,		
	2008	**2007**	**2006**
Income (loss)			
Loans			
Interest	**$ 80**	$ 79	$ 139
Other loan income	**11**	11	13
	91	90	152
Investments	**(18)**	56	60
Total income	**73**	146	212
Expenses			
Administrative expenses	**62**	64	93
Total expenses	**62**	64	93
Income before technical cooperation, debt relief, and transfers	**11**	82	119
Technical cooperation expense	**33**	23	19
Debt relief expense	**—**	—	3,306
Transfers to Intermediate Financing Facility Account	**—**	—	61
Transfers to IDB Grant Facility	**50**	50	—
Net income (loss)	**(72)**	9	(3,267)
General reserve (deficit), beginning of year	**(3,880)**	(3,889)	(622)
General reserve (deficit), end of year	**$(3,952)**	$(3,880)	$(3,889)

STATEMENT OF COMPREHENSIVE INCOME

Expressed in millions of United States dollars

	Years ended December 31,		
	2008	**2007**	**2006**
Net income (loss)	**$(72)**	$ 9	$(3,267)
Translation adjustments	**(16)**	34	54
Comprehensive income (loss)	**$(88)**	$43	$(3,213)

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS

Expressed in millions of United States dollars

	Years ended December 31,		
	2008	**2007**	**2006**
Cash flows from lending activities			
Loan disbursements	**$(415)**	$(393)	$ (398)
Loan collections	**229**	275	290
Loan participations, net	**(5)**	(2)	(2)
Net cash used in lending activities	**(191)**	(120)	(110)
Cash flows from financing activities			
Collections of receivable from members	**22**	28	101
Return of contribution quotas to members	**(1)**	—	—
Net cash provided by financing activities	**21**	28	101
Cash flows from operating activities			
Gross purchases of investments	**(586)**	(572)	(1,208)
Gross proceeds from sale or maturity of investments	**730**	625	1,233
Loan income collections	**91**	93	152
Income from investments	**23**	23	26
Administrative expenses	**(63)**	(65)	(99)
Technical cooperation and other financings	**(27)**	(23)	(29)
Cash transfers to the Intermediate Financing Facility Account	**—**	—	(61)
Cash transfers to the IDB Grant Facility	**(15)**	(12)	—
Net cash provided by operating activities	**153**	69	14
Effect of exchange rate fluctuations on cash	**8**	8	6
Net increase (decrease) in Cash	**(9)**	(15)	11
Cash, beginning of year	**374**	389	378
Cash, end of year	**$ 365**	$ 374	$ 389

INTERMEDIATE FINANCING FACILITY ACCOUNT
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in millions of United States dollars

	December 31, 2008	December 31, 2007
ASSETS		
Cash	**$ 1**	$ 2
Investments	**250**	303
Total assets	**$251**	$305
LIABILITIES		
Accounts payable and accrued expenses	**$ 3**	$ —
FUND BALANCE		
Fund balance	**248**	305
Total liabilities and fund balance	**$251**	$305

STATEMENT OF CHANGES IN FUND BALANCE

Expressed in millions of United States dollars

	Years ended December 31, 2008	2007	2006
Additions			
Transfers from Fund for Special Operations	**$ —**	$ —	$ 61
Income from investments	—	14	17
Total additions	—	14	78
Deductions			
Loss from investments	**7**	—	—
Interest paid on behalf of Ordinary Capital borrowers	**50**	48	43
Total deductions	**57**	48	43
Change in fund balance	**(57)**	(34)	35
Fund balance, beginning of year	**305**	339	304
Fund balance, end of year	**$248**	$305	$339

STATEMENT OF CASH FLOWS

Expressed in millions of United States dollars

	Years ended December 31, 2008	2007	2006
Cash flows from operating activities			
Transfers from Fund for Special Operations	**$ —**	$ —	$ 61
Income from investments	**3**	3	5
Interest paid on behalf of Ordinary Capital borrowers	**(47)**	(48)	(43)
Net (increase) decrease in investments	**43**	47	(28)
Net cash provided by (used in) operating activities and net increase (decrease) in cash	**(1)**	2	(5)
Cash, beginning of year	**2**	—	5
Cash, end of year	**$ 1**	$ 2	$ —

IDB GRANT FACILITY
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in millions of United States dollars

	December 31, 2008	December 31, 2007
ASSETS		
Due from Fund for Special Operations	$73	$38
Total assets	$73	$38
LIABILITIES AND FUND BALANCE		
Liabilities:		
Undisbursed grants	$73	$38
Fund balance	—	—
Total liabilities and fund balance	$73	$38

STATEMENT OF CHANGES IN FUND BALANCE

Expressed in millions of United States dollars

	Year ended December 31, 2008	From June 29, 2007 (inception) to December 31, 2007
Additions		
Transfers from Fund for Special Operations	$ 50	$ 50
Total additions	50	50
Deductions		
Grants	50	50
Change in fund balance	—	—
Fund balance, beginning of period	—	—
Fund balance, end of period	$—	$—

STATEMENT OF CASH FLOWS

Expressed in millions of United States dollars

	Year ended December 31, 2008	From June 29, 2007 (inception) to December 31, 2007
Cash flows from operating activities		
Transfers from Fund for Special Operations	$ 15	$ 12
Grants disbursements	(15)	(12)
Net cash flows from operating activities	—	—
Cash, beginning of period	—	—
Cash, end of period	$ —	$ —

TABLE XII • TEN YEARS OF IDB OPERATIONS, 1999–2008

(In millions of U.S. dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CAPITAL										
Subscriptions (End of Year)										
Ordinary Capital	100,881	100,959	100,959	100,951	100,951	100,951	100,953	100,953	100,953	100,938
Fund for Special Operations	9,638	9,635	9,636	9,636	9,636	9,637	9,639	9,639	9,640	9,636
Other Funds[1]	2,634	2,651	2,730	2,772	2,976	3,066	3,113	3,211	3,717	3,876
Total	**113,153**	**113,245**	**113,325**	**113,359**	**113,563**	**113,654**	**113,705**	**113,803**	**114,310**	**114,450**
BORROWINGS[2]										
Outstanding (End of Year)	38,784	41,394	42,186	47,471	50,821	48,886	46,433	46,396	47,771	47,291
Gross Annual Borrowings	8,865	8,139	7,097	9,340	9,109	4,710	4,937	5,419	6,089	11,069
OPERATIONS										
Loans and Guarantees Approved (Cumulative)[3]										
Ordinary Capital[4,8]	88,226	89,959	93,518	100,834	110,436	116,799	117,804	124,580	135,006	148,991
Fund for Special Operations	14,663	14,924	15,328	15,774	16,652	17,391	17,486	18,257	18,525	18,519
Other Funds	1,726	1,724	1,719	1,736	1,769	1,747	1,743	1,751	1,772	1,755
Total	**104,615**	**106,607**	**110,565**	**118,344**	**128,857**	**135,937**	**137,033**	**144,588**	**155,303**	**169,265**
Loans and Guarantees Approved (Annual)[5]										
Ordinary Capital[4,8]	9,061	4,969	7,411	4,143	6,232	5,468	6,448	5,632	8,577	11,085
Fund for Special Operations	417	297	443	406	578	552	410	605	152	138
Other Funds	8	–	–	–	–	–	–	2	6	3
Total	**9,486**	**5,266**	**7,854**	**4,549**	**6,810**	**6,020**	**6,858**	**6,239**	**8,735**	**11,226**
Loan Disbursements (Annual)[5]										
Ordinary Capital[4]	7,947	6,683	6,037	5,522	8,416	3,768	4,899	6,088	6,725	7,149
Fund for Special Operations	430	386	422	313	486	463	424	398	393	415
Other Funds	10	–	–	2	–	1	5	3	6	44
Total	**8,387**	**7,069**	**6,459**	**5,837**	**8,902**	**4,232**	**5,328**	**6,489**	**7,124**	**7,608**
Loan Repayments (Annual)[5]										
Ordinary Capital	1,988	2,312	1,926	4,106	7,279	5,199	5,224	8,615	5,265	4,740
Fund for Special Operations	289	289	268	256	296	294	301	290	275	229
Other Funds	29	15	14	13	12	9	5	3	4	4
Total	**2,306**	**2,616**	**2,208**	**4,375**	**7,587**	**5,502**	**5,530**	**8,908**	**5,544**	**4,973**
Loans Outstanding										
Ordinary Capital	38,552	41,872	44,951	47,958	50,655	49,842	48,135	45,932	47,954	51,173
Fund for Special Operations	6,955	7,025	6,047	6,198	6,670	6,971	6,878	3,733	3,966	4,101
Other Funds	164	146	133	118	104	98	94	94	96	126
Total	**45,671**	**49,043**	**51,131**	**54,274**	**57,429**	**56,911**	**55,107**	**49,759**	**52,016**	**55,400**
Nonreimbursable Technical Cooperation Approved (Annual)[6]										
Ordinary Capital	–	–	–	–	–	–	12	34	37	69
Fund for Special Operations	47	36	39	36	30	36	36	28	34	43
Other Funds	44	34	46	45	47	39	57	53	92	108
Total	**91**	**70**	**85**	**81**	**77**	**75**	**105**	**115**	**163**	**220**
IDB Grant Facility Operations Approved (Annual)	–	–	–	–	–	–	–	–	50	50
Multilateral Investment Fund Operations Approved (Annual)[7]	141	100	90	99	69	116	114	125	135	178
ADMINISTRATION										
Administrative Expenses										
TOTAL – ALL BANK FUNDS	**335**	**342**	**355**	**376**	**386**	**404**	**473**	**507**	**564**	**501**

[1] Includes the Multilateral Investment Fund.
[2] Medium- and long-term borrowings at face value, before swaps.
[3] Net of cancellations. Includes exchange adjustments.
[4] Net of non-sovereign-guaranteed loan participations.
[5] Based on original amounts in U.S. dollar equivalent.
[6] Includes Social Entrepreneurship Program financing, special programs and other grants, except IDB Grant Facility grants, which are presented separately.
[7] Includes technical cooperations, loans and equity investments, as well as increases to operations approved in prior years.
[8] Years 2005 to 2007 previously included lines of credit approved under the Trade Finance Facilitation Program.

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