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## **Inter-American Development Bank Must Enact Reforms Before Replenishment**

### **U.S. Government Urged to Require Reforms Before Considering any IDB Capital Increase Request**

*Washington, D.C. (July 1, 2009)*– As the Inter-American Development Bank’s Board of Governors prepares to meet in Santiago, Chile on July 2 to discuss a proposed \$100-\$200 billion General Capital Increase (GCI), civil society groups issued a set of recommendations urging donor countries, in particular the U.S. Government, to insist on stronger commitments to sustainability and evidence-based results before considering the Bank’s request.

The civil society observations and recommendations were developed by nine organizations in four countries that monitor the Bank. Key observations include the Bank’s lack of transparency and adequate poverty reduction strategy, and lack of a comprehensive strategy that effectively integrates environment into its operations. The Bank is criticized for lagging behind other multi-lateral development banks in many areas including delivering results and giving proper attention to climate change issues.

Fossil fuel projects continue to dominate the Bank’s energy portfolio, with less than 10 percent devoted to renewable energy projects. Through its support of large-scale infrastructure projects for “regional integration”, the IDB is seen as “accelerating the causes of Amazon destruction without remedy.”

Civil society organizations are urging that the US Government, which controls 30 percent of the IDB as well as the 47 other member countries, to insist on a set of serious reforms before green-lighting a capital increase that could more than double the size of the Bank. **Proposed reforms include a full, independent performance review of compliance with the 1994 replenishment conditions, identification of meaningful corporate performance indicators, reorganization and strengthening of the internal and external performance evaluation function, a more comprehensive climate change strategy with robust targets to increase financing for renewable energy, the phasing out of support for fossil fuels, and the protection of indigenous rights in establishment of forest governance.**

Speaking at the IDB's 50<sup>th</sup> anniversary meeting in Medellín, Colombia, U.S. Secretary of Treasury Timothy Geithner outlined five central principles necessary for U.S. support. These included good governance and risk management, achievement of results and innovation, and sufficient focus on the poorest countries.

"If the Geithner Principles were applied as the stress test for multilateral banks, the IDB would fail," stated Vince McElhinny, IDB expert for the Bank Information Center. McElhinny points to a series of evaluation reports that underscore the Bank's conflation of effort and achievement.

Civil society's observations and recommendations, which were distributed to Bank governors and key members of U.S. Congress, outline a series of governance concerns about the Bank. These include a general lack of accountability, the Bank's tendency toward secrecy, the hasty creation of a climate policy without proper public consultation, and an expensive and ineffective structural reorganization. A proposal to reform the IDB's broken Independent Investigation Mechanism lacks sufficient independence to secure real accountability at the Bank. Lack of confidence in the IDB persists as a barrier in attracting the expertise the bank needs to respond to the most significant challenges in the region.

Additionally, the IDB also has a weak pro-poor focus, doing less than most other multilateral development banks to direct funds toward the poorest countries in terms of per capita income.

The active involvement of the U.S. Government will be central to IDB replenishment discussions. Civil society groups contend that U.S. needs to apply more leverage in favor of crucial reforms. "The IDB has failed to be accountable to past replenishment conditions. It ranks the lowest among multilateral banks on issues of sustainability, poverty alleviation, and transparency. The US Government and other donor countries need to insist on meaningful reforms, before giving the bank \$100-\$200 billion in new public monies," said Atossa Soltani, Executive Director of San Francisco based Amazon Watch.

The Santiago meeting is the first major discussion about the replenishment following the IDB's 50<sup>th</sup> anniversary meeting in Medellín. It is likely the first in a series of Board of Governors' meetings in preparation for the upcoming annual meeting scheduled for Cancún, Mexico in March of 2010. Replenishment proposals coming out of Cancún will then need to be approved by each donor country's legislatures of the Bank's donor countries.

"For a bank that lost close to \$2 billion in 2008, it would seem an awkward moment to request a capital increase," said Vince McElhinny of Bank Information Center noting that other multi-lateral banks lost significantly less as a function of having adopted more prudent investment strategies.

The observations and recommendations were developed by the following organizations: Amazon Watch, Bank Information Center, Both Ends, Center for International Environmental Law, Centro de Derechos Ambientales, Environmental Defense, M'Bigua Ciudadanía y Justicia Ambiental, Instituto Latinoamericano de Servicios Legales Alternativos, and Oxfam America.

For the texts of the recent civil society observations and recommendations on the IDB, please see [www.bicusa.org/en/Article.11274.aspx](http://www.bicusa.org/en/Article.11274.aspx). For additional background information, see [www.amazonwatch.org](http://www.amazonwatch.org). ###