

RESOLUTION AG-7/22 AND CII/AG-3/22

New Value Proposition for the Inter-American Development Bank and the Inter-American Investment Corporation

WHEREAS,

The purpose of the Inter-American Development Bank (“IDB”) is to contribute to the acceleration of the process of economic and social development of its regional developing member countries in Latin America and the Caribbean, individually and collectively;

The purpose of the Inter-American Investment Corporation (“IDB Invest”) is to promote the economic development of its regional developing member countries by encouraging the establishment, expansion, and modernization of private enterprises, preferably those that are small and medium-scale, in such a way as to supplement the activities of the IDB;

Latin America and the Caribbean are at a critical juncture confronting the COVID-19 pandemic and its secondary effects, a complex and uncertain international situation given the Russian war on Ukraine, climate change, natural disasters, increased poverty, inequality and structural development challenges that continue to hinder the region in its progress and demand an unprecedented response;

Given the challenges facing Latin America and the Caribbean, while recognizing the opportunities present in the 21st century, the Board of Governors of each of the IDB and IDB Invest (together, “the Boards of Governors”) take note of the critical role that the IDB and IDB Invest, with the Multilateral Investment Fund (the “IDB Lab”), (together, “the IDB Group”) play in supporting the region;

The Boards of Governors, in the context of their 2021 Annual Meetings, adopted Resolution AG-7/21 and CII/AG-2/21 (“the Barranquilla Resolution”);

The Barranquilla Resolution mandated the Board of Executive Directors of the IDB and the Board of Executive Directors of IDB Invest (“the Boards of Executive Directors”) to direct Management of the IDB and IDB Invest (“Management”) to undertake an in-depth analysis of several subjects significant to the social and economic status of the regional developing member countries, their development challenges, and the strengths and comparative advantages of the IDB and IDB Invest (“the Analytic Work”) to be submitted to the Committees of the Boards of Governors, along with recommendations for review, discussion or consideration;

The Analytic Work was provided to the Committees of the Boards of Governors as documents CA-599 and CII/CA-203, CA-600 and CII/CA-204, CA-601 and CII/CA-205, CA-602 and CII/CA-206, CA-603 and CII/CA-207, CA-604 and CII/CA-208, and CA-605 and CII/CA-209;

The Committees of the Boards of Governors considered the documents referred to above during their meeting on March 15, 2022;

The Analytic Work presents findings relevant to the purposes and capacities of the IDB Group, which include, among others:

- (a) The challenges for the region, including poverty, inequality, inadequate social protection and low economic growth, and the adverse impacts of COVID-19 that aggravated deep-seated structural problems, as well as climate change, migration, the substantial infrastructure deficit and natural disasters, among others;
- (b) The heterogeneities among countries of the region;
- (c) The benefit of enhancing synergies across the IDB Group to provide the financial tools, knowledge and technical assistance necessary to develop solutions that address: the social agenda, the private sector and climate actions;
- (d) The need for a greater focus on climate change, green finance and biodiversity to strengthen the resilience and sustainability of the economy and social sectors, including the potential for employment generation;
- (e) The importance of a robust commitment to gender equity, diversity and inclusion as essential factors in social and economic growth;
- (f) An understanding that support to the private sector will play a critical role in the economic recovery of the region, complemented by public sector solutions to create an enabling environment for greater investment, where the IDB Group can provide support to promote sustainable investment;
- (g) The potential value of a new vision for the IDB Group to promote private-sector driven growth and a new business model for IDB Invest based on an enhanced risk and impact appetite and focused on origination of impactful operations, de-risking those operations and sharing with investors;
- (h) The need for IDB Group reform encompassing improved development effectiveness, measures to advance balance sheet optimization, operational and financial solutions to achieve better and sustainable results and maximize impact, better utilization of technical support and knowledge-sharing with the region;
- (i) The potential value of IDB Lab as an innovation hub to take risk and create scalability for IDB Group initiatives; and

Given the dire socio-economic crisis facing Latin America and the Caribbean and the findings of the Analytic Work, it is desirable to expand on the findings and reforms outlined in the Analytical Work, with a particular focus on development effectiveness, implementation of ambitious country-owned reforms, and support for the private sector, climate, and social agenda. Moving forward the IDB Group could improve its support to the region by strengthening a private

sector-led economic recovery, with the public sector improving business environments and human capital, to comprehensively address the region's vulnerabilities, particularly to climate change, and to deliver sustainable and inclusive socio-economic progress. Provision of technical and knowledge support should be a critical part of the IDB Group's support role.

THEREFORE,

The Boards of Governors, each separately and in accordance with the Agreement Establishing the Inter-American Development Bank and the Agreement Establishing the Inter-American Investment Corporation, respectively,

RESOLVE:

1. That the Boards of Governors reaffirm their commitment to the IDB Group and its continued critical role in promoting sustainable social and economic development and reducing poverty and inequality throughout Latin America and the Caribbean.

2. That the IDB Board of Governors mandate the IDB Board of Executive Directors to direct IDB Management to prepare a report advancing the operational and institutional reforms outlined in the Analytic Work, including plans for implementation and the obstacles and enablers for implementation, with a specific focus on: (a) improving the IDB's development effectiveness, with particular focus on addressing structural challenges, as well as the impacts of the COVID-19 pandemic; (b) assessing options for balance sheet optimization to further strengthen IDB's resilience to external shocks and maximize resources available for development-related financing; (c) reviewing IDB's current lending instruments, including the ways for strengthening policy-based lending; (d) reviewing IDB's country classification categories, while considering that the Group relies on a cooperative model; (e) enhancing the IDB's climate, green finance and biodiversity ambitions; (f) addressing the development needs of populations in fragile, conflict and violence-affected, and vulnerable situations, and small island developing states, consistent with IDB policies; and (g) comprehensively addressing poverty, inequality of income and opportunities, reducing informality in the labor markets, and developing social protection, health and education, while promoting resource mobilization, including of domestic resources, gender and diversity ambitions, and inclusion.

3. That the IDB Invest Board of Governors mandate the IDB Invest Board of Executive Directors to direct IDB Invest Management to present a proposal for a new vision and business model for IDB Invest, including an adequate identification of sectoral needs related to the heterogeneity of Latin America and the Caribbean, and the financial, resource, operational and institutional implications. This proposal should include a comprehensive report outlining how the new model will address regional development challenges in a sustainable, effective and impactful manner, particularly related to climate change, gender, inclusion, high-quality infrastructure, and formal job creation.

4. That the reports provided for under Sections 2 and 3, above, shall be delivered to the IDB and IDB Invest Boards of Executive Directors no later than September 30, 2022 for their review, consideration, and recommendations, which may be done jointly as appropriate, to the Committees of the Boards of Governors.

(Adopted on 28 March 2022)