Agreement Establishing
the Multilateral Investment Fund

Agreement for the Administration of
the Multilateral Investment Fund

Inter-American Development Bank
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THE MULTILATERAL INVESTMENT FUND

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1 The Table of Contents has been added for reference only. It was not part of the original document.
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AGREEMENT ESTABLISHING

THE MULTILATERAL INVESTMENT FUND
AGreement Establishing the Multilateral Investment Fund

WHEREAS, many leaders in Latin America and the Caribbean have embraced market-based economic reform, recognized the need to reduce external debt burdens to manageable levels and recognized the need for liberalized investment regimes;

WHEREAS, the need to attract private capital is critical to the economic development of the countries of Latin America and the Caribbean, and investment reform is needed to stimulate foreign and domestic-investment in these countries;

WHEREAS, the prospective donor members of the Inter-American Development Bank listed in Schedule A of this Agreement (each considered a "Donor" on adherence to this Agreement and so referred to hereinafter) have agreed to establish a multilateral fund in the Bank as a transitional measure to assist in investment reform;

WHEREAS, such a multilateral fund can provide critical resources to supplement and complement the activities of the Inter-American Development Bank, the Inter-American Investment Corporation and other multilateral development banks, to provide support for their policies and their initiatives to promote investment reform and stimulate in particular the activities of micro-enterprises;

WHEREAS, the Inter-American Development Bank (hereinafter referred to as the "Bank"), to fulfill its purposes and in pursuit of its objectives, has agreed to administer such a fund, and on February 11, 1992, has signed the Agreement for the Administration of the Multilateral Investment Fund (hereinafter referred to as the "Administration Agreement");

THEREFORE, the Donors agree to establish the Multilateral Investment Fund (hereinafter referred to as the "Fund") as follows:

**ARTICLE I**

**GENERAL PURPOSES**

The general purposes of the Fund are to:

(a) encourage the development and implementation of investment reforms and facilitate significantly increased levels of private investment, both foreign and domestic, thereby accelerating the economic and social growth and development in the regional developing member countries of the Bank, and the developing member countries of the Caribbean Development Bank;

(b) encourage those members in their efforts to implement development strategies based on sound economic policies which encourage increased private investment and an expanding private sector, as those policies will increase employment opportunities and foster small businesses and micro-enterprises, and thus help alleviate poverty, improve income distribution, and strengthen the role of women in development;

(c) stimulate micro-enterprises, small businesses and other entrepreneurial activities in those members;
(d) provide financing to help enable those members to
   (i) identify and implement policy reforms which will increase investment,
   (ii) bear certain of the costs associated with investment reforms and an expanding
     private sector, and
   (iii) broaden participation of smaller entrepreneurs in their economies; and
   (e) promote in the full range of its operations environmentally sound and sustainable
     economic development.

ARTICLE II
CONTRIBUTIONS TO THE FUND

Section 1. Instruments of Contribution.

(a) As soon as reasonably possible after depositing the instrument indicating that it has
    ratified, accepted, or approved this Agreement under Article VI, Section 1 (hereinafter
    referred to as an “Instrument of Acceptance”), but no later than sixty days after depositing
    that instrument, each Donor shall deposit with the Bank an Instrument of Contribution in which
    it agrees to pay to the Fund the amount set forth for it in Schedule A in five equal annual
    installments (such Contribution hereinafter referred to as an “Unqualified Contribution”).
    Donors which have deposited an Instrument of Contribution prior to the date this Agreement
    enters into force pursuant to Article V, Section 1 (hereinafter referred to as the “Effective
    Date”) may postpone payment of the first installment until the 30th day after that date. Donors
    depositing an Instrument of Contribution on or after the Effective Date shall pay their first
    installment within 30 days after such deposit, but no later than the first anniversary of the
    Effective Date or such later date as determined by the committee established under Article IV
    (hereinafter referred to as the “Donors Committee”). Donors shall pay each subsequent
    installment before or on the corresponding anniversary of the first installment.

(b) Notwithstanding the provisions of paragraph (a) of this Section regarding Unqualified
    Contributions, as an exceptional case, each Donor may deposit an Instrument of Contribution
    in which it agrees that payment of all installments except the first is subject to subsequent
    budgetary appropriations, and in which it undertakes to seek to obtain the necessary
    appropriations to pay the full amount of each installment by the payment dates set out in
    paragraph (a) (such Contribution hereinafter referred to as a “Qualified Contribution”).
    Payment of an installment due after any such date shall be made within 30 days after the
    requisite appropriations have been obtained.

(c) If any Donor which has made a Qualified Contribution has not obtained the
    appropriations to make payment in full of any installment by the dates indicated in paragraph
    (a), then any Donor which has paid the corresponding installment on time and in full, may,
    after consultation with the Donors Committee, direct the Bank in writing to restrict commit-
    ments against that installment. That restriction shall not exceed the percentage which the
    unpaid portion of the installment, to be paid by the Donor which has made the Qualified
    Contribution, bears to the entire amount of the installment to be paid by that Donor, and shall
    be in effect only for the time that unpaid portion remains unpaid.
(d) Any member of the Bank which does not appear on Schedule A, and which becomes a Donor in accordance with Article VI, Section 1, shall make a contribution to the Fund by depositing an Instrument of Contribution in which it agrees to pay an amount and on dates and on conditions approved by the Donors Committee under that Article.

(e) The Fund shall not be increased beyond the total of the amounts set out in Schedule A plus the amounts set out in Instruments of Contribution deposited pursuant to paragraph (d).

Section 2. Payments.

(a) Payments due under this Article shall be made in any freely convertible currency determined by the Donors Committee, or in non-negotiable non-interest-bearing promissory notes (or similar securities) denominated in such currency and payable on demand in accordance with criteria and procedures to be established by the Donors Committee to meet the operational commitments of the Fund. Payments to the Fund in a freely convertible currency, which are transferred from a trust fund of a Donor, shall be deemed to be paid towards the amount due from that Donor when transferred.

(b) Such payments shall be made to an account or accounts established specially for that purpose by the Bank, and such notes shall be deposited in that account or with the Bank, as the Bank shall determine.

(c) To determine amounts due for each Donor paying in a convertible currency other than the United States dollar, the U.S. dollar amount opposite its name in Schedule A shall be converted into the currency of payment at the IMF representative exchange rate for that currency calculated by averaging those rates on a daily basis during the six-month period ending on November 30, 1991.

ARTICLE III
OPERATIONS OF THE FUND

Section 1. General.

The operations of the Fund shall be managed through three Facilities, namely, the Technical Cooperation Facility, the Human Resources Facility and the Small Enterprise Development Facility. It is the responsibility of the Donors Committee to ensure that all Fund operations shall be consistent with the Bank Group's general programs and policies applicable to its own operation, and the Bank Group's strategy and program for the respective country resulting from the continued policy dialogue and the development priorities of the country concerned through the formal mechanisms set out in the Administration Agreement.

Section 2. The Technical Cooperation Facility.

Under the Technical Cooperation Facility, grants shall be provided for technical cooperation, as appropriate, to governments, government agencies, privatization agencies, stock exchanges or others, to achieve the purposes of the Fund, and, in particular, to finance:

(a) country diagnostic studies to identify investment constraints, including legislative, financial and regulatory impediments to investment;
(b) the development of national country plans for comprehensive reform of the policy and legal environment for investment, in conjunction with, and complementary to, Bank country programs;

(c) advisory services to implement plans mentioned in paragraph (b), which may involve advice on reforming investment laws, laws on intellectual property rights, commercial laws, tax systems, labor laws, laws to protect the environment and legal procedures, as well as advice on implementing those laws, and regulatory agencies;

(d) advice on the design and implementation of privatization programs, including advice on the valuation and techniques for privatizing particular enterprises; and

(e) assistance on developing and strengthening financial systems

(i) to remove impediments (such as interest rate distortions) and support healthy competition;

(ii) to develop sound prudential safeguards, including accounting and disclosure standards, and institutions to administer them;

(iii) to expand the capabilities of the banking sector and capital markets by more direct, transparent and technically-current information networks; and

(iv) to take other measures to strengthen the financial sector, such as advice on the creation and development of capital or commodity markets.

Section 3. The Human Resources Facility.

Under the Human Resources Facility, grants shall be provided, as appropriate, to governments, government agencies, educational institutions or others, to develop the human resource base needed for increased investment flows and an expanded private sector, and, in particular, to finance:

(a) the training of workers who may be displaced as governments implement investment reforms, reduce public expenditures, restructure or privatize;

(b) the training of workers and managers to assure that skilled workers and managers are available to meet the manpower needs of investors and an expanded private sector, and that managers are familiar with international practice in such areas as finance, accounting, planning, marketing and distribution, management information systems and so forth;

(c) the training of individuals who can serve those regulatory functions essential for the operation of a market-oriented system, including training in such disciplines as consumer protection, worker protection, the administration of competition laws and the protection of the environment;

(d) the training of professionals who are considered important to the development of the local economy, through strengthening the scientific, technical and managerial capabilities of the human resource base; and

(e) the strengthening of vocational training and other institutions which will serve the purposes set out in (a), (b), (c) and (d).
Section 4. The Small Enterprise Development Facility.

(a) Under the Small Enterprise Development Facility, financing shall be provided to indigenous micro-enterprises and smaller businesses directly or through intermediaries, and to institutions serving them, to achieve the purposes of the Fund, as set out below.

(b) For the purposes set out in paragraph (a), grants may be provided for technical cooperation to non-governmental organizations and domestic financial institutions (including financial intermediaries) to expand the volume and range of services available to micro-enterprises or smaller businesses. Such grants for technical cooperation may be used to help those organizations and institutions to:

(i) improve financial and business practices so that they may become self-sustaining;

(ii) develop innovative financial services, such as leasing and rediscount facilities, and participate in interbank markets; and

(iii) develop services to assist micro-enterprises or smaller businesses to prepare business plans, identify business opportunities and sources of financing, and solve particular marketing or other business problems.

(c) To also achieve the purposes of paragraph (a), a Small Enterprise Investment Fund shall be established, and shall at all times and in all respects be held, used, obligated, invested and accounted for separately from other resources of the Multilateral Investment Fund. The resources of the Small Enterprise Investment Fund may be used to make loans, equity investments, and quasi-equity investments to smaller business and micro-enterprises, and to non-governmental organizations and domestic financial institutions which are creating or expanding services to micro-enterprises or smaller businesses, or which are lending to or investing in micro-enterprises or smaller businesses. The Donors Committee shall determine the basic terms and conditions of such loans and investments. Any amounts, whether dividends, interest or otherwise, received by the Bank from the operations of the Small Enterprise Investment Fund shall be deposited to the account of the Multilateral Investment Fund, for allocation by the Donors Committee pursuant to Article IV, Section 3.

Section 5. Principles for Fund Operations.

(a) Financing from the Fund shall be provided under the terms and conditions of this Agreement consistent with the rules set out in Articles III, IV and VI of the Agreement Establishing the Inter-American Development Bank (hereinafter referred to as the “Charter”), the policies of the Bank applicable to its own operations, and the rules and policies of the Inter-American Investment Corporation where relevant. In addition, while all developing member countries of the Bank are potentially eligible recipients, financing from the Fund shall be provided only if

(i) in the case of grant assistance, the recipient has established that the assistance will likely have a catalytic impact on investment flows;

(ii) the developing member country of the Bank, in the territory of which the resources will be utilized, either

(A) is in compliance with an investment sector loan agreement between that country and the Bank, or
(B) (1) in the case of financing under Section 2(a), (b) or (c) of this Article, is committed to sound macroeconomic policies and to investment reform; or

(2) in the case of any other financing under this Agreement, is implementing both sound macroeconomic policies, and policies and practices which have removed and continue to remove impediments to increased investment flows, and which are resulting in a significant expansion of the private sector; and

(iii) the developing member country of the Bank, in the territory of which the resources will be utilized, is in compliance with agreements with relevant international financial institutions.

(b) In deciding on providing grant funds, the Donors Committee shall pay particular attention to the commitment of specific member countries to poverty reduction and investment reform, the social costs of economic reforms, the financial needs of the prospective recipients and the relative levels of poverty in specific member countries.

(c) Financing in the territories of countries which are members of the Caribbean Development Bank, but not the Inter-American Development Bank, shall be conducted in consultation and agreement with, and through, the Caribbean Development Bank and under such conditions, consistent with the principles of this Section, as the Donors Committee shall decide.

(d) Fund resources shall not be used to finance or pay for project expenses which have been incurred prior to the date the Fund resources may be made available.

(e) Grants from a Facility may be made available on a basis which permits contingent recovery in appropriate cases of funds disbursed. Any amounts so recovered shall be deposited to the account of the Multilateral Investment Fund, for allocation by the Donors Committee pursuant to Article IV, Section 3.

(f) Only nationals or companies from Donors, or regional developing countries which are members of the Bank, shall be eligible for procurement from Fund resources, except that developing member countries of the Caribbean Development Bank shall be eligible for procurement from financing provided pursuant to paragraph (c) of this Section.

(g) The Fund shall not be used to finance any undertaking in the territory of a regional developing member country of the Bank if that member objects to such financing.

ARTICLE IV

THE DONORS COMMITTEE

Section 1. Composition.

Each Donor may participate in and appoint a representative, on the basis of a nomination by its Governor of the Bank, to meetings of the Donors Committee.

Section 2. Responsibilities.

The Donors Committee shall be responsible for the final approval of all proposals for grants from the Technical Cooperation Facility, the Human Resources Facility and the Small
Enterprise Development Facility, and all proposals for loans, equity investments or other financings from the Small Enterprise Investment Fund.

Section 3. Allocation Among Facilities.

The Donors Committee may allocate the resources of the Fund at any time to any Facility, including the Small Enterprise Investment Fund, and may decide that a specific percentage of total Fund assets be reserved for a particular Facility, provided that no more than forty (40) percent of total resources of the Fund may be allocated to any Facility.

Section 4. Meetings.

The Donors Committee shall meet at the principal office of the Bank as often as the business of the Fund requires. The Secretary of the Bank (serving as Secretary of the Committee) or any Donor may call a meeting. As necessary the Donors Committee shall determine its organization, rules of operation and procedure. A quorum for any meeting of the Donors Committee shall be a majority of the total number of representatives representing not less than four-fifths of the total voting power of the Donors.

Section 5. Voting.

Unless otherwise specified in this Agreement, the Donors Committee shall reach decisions by a three-quarters majority of the total voting power. The total voting power of each Donor shall consist of the sum of its proportional votes and its basic votes. Each Donor shall have one proportional vote for each one hundred thousand United States dollars it has contributed in cash or notes (or similar securities) under Article II, Section 2, or the equivalent in cash or notes (or similar securities) which it has contributed in freely convertible currencies under Article II, Section 2. Each Donor shall also have basic votes consisting of such number of votes as results from the equal distribution among all the Donors of twenty (20) percent of the aggregate sum of the basic votes and proportional votes of all the Donors.


When approved by the Donors Committee the annual information statement submitted under Article V, Section 2(a) of the Administration Agreement shall be forwarded to the Bank’s Board of Executive Directors.

ARTICLE V
TERM OF THE AGREEMENT

Section 1. Entry into Force.

This Agreement shall enter into force on the date when at least five prospective donors listed on Schedule A, the proposed contributions of which on that Schedule total at least 800,000,000 United States dollars, have deposited the instruments referred to in Article VI, Section 1.
Section 2. Term of this Agreement.

This Agreement shall remain in force for a period of ten years after the Effective Date, and may be renewed for no more than one additional renewal period of five years. Prior to the end of the initial period, the Donors Committee shall consult with the Bank about the advisability of extending the operations of the Fund or any Facility for the renewal period. At that time the Donors Committee, acting by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors, may extend this Agreement or any of the operations of any Facility or Fund for the renewal period or a period shorter than the renewal period.

Section 3. Termination by the Bank or the Donors Committee.

This Agreement shall terminate in the event that the Bank suspends or terminates its own operations under Article X of the Charter. This Agreement shall also terminate in the event that the Bank terminates the Administration Agreement under Article VI, Section 3 of that Agreement. The Donors Committee may decide to terminate this Agreement or any Facility, or the Small Enterprise Investment Fund, at any time by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors.

Section 4. Winding up of Fund Operations.

(a) On termination of this Agreement, the Donors Committee shall direct the Bank to make a distribution of assets to Donors after all the liabilities of the Fund are discharged or provided for. Any such distribution of remaining assets shall be in proportion to contributions made by Donors in cash or by encashment of notes or similar obligations under Article II, Section 2. Balances remaining in any such notes or similar obligations shall be canceled.

(b) On termination of any Facility or the Small Enterprise Investment Fund, and after all relevant liabilities are discharged or provided for, the Donors Committee, by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors, may decide on the allocation or distribution of funds remaining in the Facility. Any distribution to Donors shall be in the proportions referred to in paragraph (a) above.

ARTICLE VI
GENERAL PROVISIONS

Section 1. Adherence to this Agreement.

This Agreement may be signed by any prospective donor. Any such signatory may become a Donor under this Agreement by depositing with the Bank an instrument of ratification, acceptance or approval, setting forth that it has ratified, accepted or approved this Agreement. Any member of the Bank not on Schedule A may adhere to this Agreement by depositing an Instrument of Acceptance and an Instrument of Contribution in an amount, and on dates and conditions, approved by the Donors Committee, which shall reach decision by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors.
Section 2. Amendment.

(a) This Agreement may be amended by the Donors Committee, which shall reach decision by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors. The approval of all Donors shall be required for an amendment to this Section, to the provisions of Section 3 of this Article which limit the liabilities of Donors, or an amendment which increases the financial or other obligations of Donors, or an amendment to Article V, Section 3.

(b) Notwithstanding the provisions of paragraph (a) of this Section, any amendment which increases the existing obligations of the Donors under this Agreement or involves new obligations of the Donors shall take effect for each Donor which has notified its acceptance in writing to the Bank.

Section 3. Limitations on Liability.

In the operations of the Fund, the financial liability of the Bank shall be limited to the resources and reserves (if any) of the Fund, and the liability of Donors as Donors shall be limited to the unpaid portion of their respective contributions that has become due and payable.

Section 4. Withdrawal.

(a) After full payment under a Qualified or Unqualified Contribution, any Donor may withdraw from this Agreement by delivering to the Bank at its principal office written notice of its intention to do so. Such withdrawal shall become finally effective on the date specified in the notice but in no event less than six months after the notice is delivered to the Bank. However, at any time before the withdrawal becomes finally effective, the Donor may notify the Bank in writing of the cancellation of its notice of intention to withdraw.

(b) When a Donor has withdrawn from this Agreement, it shall remain liable for all its obligations under this Agreement which shall have been in effect before the effective date of its notice of withdrawal.

(c) Arrangements for settling respective claims and obligations, entered into by the Bank and a Donor pursuant to Article VII, Section 7 of the Administration Agreement, shall be subject to approval by the Donors Committee.

IN WITNESS WHEREOF, each of the prospective donors, each acting through its authorized representative, has signed this Agreement.

Done at Washington, District of Columbia, on February 11, 1992, in a single original, whose English, French, Portuguese and Spanish texts are equally authentic, which shall be deposited in the archives of the Bank which shall transmit a duly certified copy to each of the prospective donors listed in Schedule A of this Agreement.
AGREEMENT FOR THE ADMINISTRATION OF
THE MULTILATERAL INVESTMENT FUND
AGREEMENT FOR THE ADMINISTRATION OF
THE MULTILATERAL INVESTMENT FUND

WHEREAS, many leaders in Latin America and the Caribbean have embraced market-based economic reform, recognized the need to reduce external debt burdens to manageable levels and recognized the need for liberalized investment regimes;

WHEREAS, the need to attract private capital is critical to the economic development of the countries of Latin America and the Caribbean, and investment reform is needed to stimulate foreign and domestic investment in these countries;

WHEREAS, a group of members of the Inter-American Development Bank (hereinafter referred to as the “Bank”) have agreed to establish a multilateral fund (hereinafter referred to as the “Fund”) in the Bank as a transitional measure to assist in investment reform pursuant to the Agreement Establishing the Multilateral Investment Fund (hereinafter referred to as the “Fund Agreement”);

WHEREAS, such members, as prospective donors listed in Schedule A of the Fund Agreement (each considered a “Donor” on adherence to the Fund Agreement and so referred to hereinafter) have adopted the Fund Agreement on February 11, 1992;

WHEREAS, the Fund can provide critical resources to supplement and complement the activities of the Inter-American Development Bank, the Inter-American Investment Corporation and other multilateral development banks, to provide support for their policies and their initiatives to promote investment reform and stimulate in particular the activities of micro-enterprises;

WHEREAS, the Bank, to fulfill its purposes and in pursuit of its objectives, has agreed to administer the Fund pursuant to and in accordance with the Fund Agreement;

THEREFORE, the Bank and the Donors have agreed as follows:

ARTICLE I
GENERAL

The Bank shall administer the Fund in accordance with the Fund Agreement and provide depositary and other services in connection with that Agreement.

ARTICLE II
ADMINISTRATION OF THE FUND

Section 1. Administration of the Three Facilities and the Small Enterprise Investment Fund.

The Bank shall administer the Technical Cooperation Facility, the Human Resources Facility, the Small Enterprise Development Facility, and shall administer the Small Enterprise Investment Fund, pursuant to the Fund Agreement.
Section 2. Operations.

(a) In administering the Fund, the Bank shall undertake the following duties:

(i) to develop, prepare and propose operations to be financed with the resources available under each of the Facilities of the Fund;

(ii) to prepare memoranda on proposed activities for the committee established under Article IV of the Fund Agreement (hereinafter referred to as the “Donors Committee”) to transmit not less than every quarter to the Board of Executive Directors for its information;

(iii) to present proposals for specific operations to the Donors Committee for final approval;

(iv) to execute or arrange for the execution of all operations approved by the Donors Committee; and

(v) to administer the accounts of the Fund, including investment of funds as specified in Article IV, Section 1(c) hereof.

(b) The Bank may request that the Inter-American Investment Corporation administer or execute operations or individual programs when those operations and programs fall within the capabilities and expertise of the Corporation.

(c) The Secretary of the Bank shall be secretary of the Donors Committee and shall provide secretariat services, facilities and other support services to facilitate the work of the Donors Committee. In that capacity the Secretary shall also call meetings of the Donors Committee, and at a minimum of fourteen days prior to a meeting, shall distribute the principal documents for the meeting and an agenda to the representative of each Donor designated pursuant to Article IV, Section 1 of the Fund Agreement.

Section 3. Limitations on Commitments.

The Bank shall restrict commitments to the extent directed by a Donor pursuant to Article II, Section 1(c) of the Fund Agreement.

ARTICLE III
DEPOSITORY FUNCTIONS

Section 1. Depositary for Agreements and Documents.

The Bank shall be depositary for this Agreement, the Fund Agreement, instruments of ratification, acceptance or approval deposited under Article VI, Section 1 of the Fund Agreement, and Instruments of Qualified or Unqualified Contributions deposited under Article II, Section 1 of that Agreement.

Section 2. Establishment of Accounts.

The Bank shall establish an account or accounts of the Bank as administrator of the Fund, to receive payments from Donors pursuant to Article II, Section 2 of the Fund Agreement. The Bank shall administer such accounts in accordance with this Agreement.
ARTICLE IV
AUTHORITY OF THE BANK AND OTHER MATTERS

Section 1. Basic Authority.

(a) The Bank represents that it has authority under Article VII, Section 1(v) of the Agreement Establishing the Inter-American Development Bank (hereinafter referred to as the "Charter") to carry out the provisions of this Agreement and that the activities undertaken pursuant to this Agreement will help fulfill the purposes of the Bank.

(b) Except as provided otherwise in this Agreement, the Bank shall have the authority to perform all acts and enter into all contracts necessary to carry out its functions under this Agreement.

(c) The Bank shall invest monies of the Fund, not needed in its operations, in the same type of securities in which it invests its own funds under its investment authority.

Section 2. Standard of Care.

The Bank shall exercise the same care in the discharge of its functions under this Agreement as it exercises with respect to the administration and management of its own affairs.

Section 3. Expenses of the Bank.

(a) The Bank shall be fully reimbursed from the Fund for both direct and indirect costs for its activities related to the Fund and those of the Inter-American Investment Corporation, including remuneration of staff of the Bank for the time actually dedicated to the administration of the Fund, travel, per diem, communication expenses and other similar directly identifiable expenses, calculated and recorded separately as expenses of administering the Fund.

(b) The procedure for determining and calculating the expenses to be reimbursed to the Bank, and the criteria governing reimbursement of the costs described in paragraph (a) shall be mutually agreed by the Bank and the Donors Committee in a period of not more than 90 days after the entry into force of the Fund Agreement. This procedure may be reviewed from time to time at the proposal of the Bank or the Donors Committee, and the application of any changes resulting from such review shall require agreement of the Bank and that Committee.

Section 4. Cooperation with National and International Organizations.

In the administration of the Fund, the Bank may consult and cooperate with national and international organizations, both public and private, operating in the fields of social and economic development, when that would help achieve the purposes of the Fund or maximize efficiency in the use of the resources of the Fund.

Section 5. Project Evaluation.

In addition to evaluations requested by the Donors Committee, the Bank shall periodically evaluate the operations it has undertaken under this Agreement and report those evaluations to the Donors Committee.
ARTICLE V
ACCOUNTING AND REPORTING

Section 1. Separation of Accounts.

The Bank shall keep separate accounts and records of the resources and operations of the Fund, and each of the Facilities of the Fund, in such a way as to permit the identification of the assets, liabilities, income, costs and expenses pertaining to the Fund, and each of its Facilities, separate and independent of all other operations of the Bank. The accounting system used shall also permit the identification and recording of the origin of the various resources received by virtue of this Agreement and the funds generated by them, as well as their application to each of the Facilities. The books of the Fund shall be kept in dollars of the United States of America, for which purpose translations between currencies shall be made at the rate of exchange in effect and used by the Bank at the time of each transaction.

Section 2. Reporting.

(a) As long as the present Agreement shall remain in force, the Administration of the Bank shall present the following information each year in an annual information statement to the Donors Committee within 90 days after the close of its fiscal year:

(i) a statement of assets and liabilities of the Fund and each Facility, a statement of cumulative receipts and expenditures for the Fund and each Facility and a statement of the origin and use of resources of the Fund and each Facility, with such explanatory notes as may be pertinent; and

(ii) information on the progress and results of the projects, programs and other operations of each Facility and on the status of applications presented to each Facility.

(b) The statements referred to in paragraph (a) of this Section shall be prepared according to the accounting principles used by the Bank in its own operations, and shall be presented together with an opinion issued by the same independent firm of public accountants as designated by the Board of Governors of the Bank for the auditing of the financial statements of the Bank. The fees of the independent firm of accountants shall be charged to the resources of the Fund.

(c) The Bank shall produce an annual report and quarterly reports containing information with respect to the receipts and disbursement of, and balances in, the Fund and each of its Facilities.

(d) The Donors Committee may also require the Bank, or the firm of public accountants referred to in paragraph (b), to provide other reasonable information concerning the operations of the Fund and the audit statements presented.

(e) The Small Enterprise Investment Fund shall be accounted for separately from other resources of the Fund.
ARTICLE VI
TERM OF THE AGREEMENT

Section 1. Entry into Force.

This Agreement shall enter into force on the date the Fund Agreement enters into force.

Section 2. Duration.

(a) This Agreement shall remain in force as long as the Fund Agreement remains in force. On termination of that Agreement, or on termination of this Agreement under Section 3 of this Article, this Agreement nevertheless shall remain in force until the Bank completes duties relating to the winding up of Fund operations or the settlement of accounts pursuant to Article VI, Section 4(a) of the Fund Agreement.

(b) Prior to the end of the initial ten-year period of the Fund Agreement, the Bank shall consult with the Donors Committee about the advisability of extending the operations of the Fund or any Facility for the renewal period specified in that Agreement.

Section 3. Termination by the Bank.

The Bank shall terminate this Agreement in the event that it suspends its own operations under Article X of the Charter, or in the event that it terminates its operations under that Article of the Charter. The Bank shall terminate this Agreement in the event the Fund Agreement is amended so as to require the Bank, in fulfilling the obligations of this Agreement, to act in contravention of the Charter.

Section 4. Winding up of Fund Operations.

On termination of the Fund Agreement or any Facility, or the Small Enterprise Investment Fund, the Bank shall cease all operations under this Agreement or the applicable Facility or the Small Enterprise Investment Fund except those incident to the orderly realization, conservation and preservation of assets and the settlement of obligations. After all relevant liabilities of the Fund or Facility, or the Small Enterprise Investment Fund are discharged or provided for the Bank shall make such allocations or distributions of remaining assets as directed by the Donors Committee under Article V, Section 4 of the Fund Agreement.

ARTICLE VII
GENERAL PROVISIONS

Section 1. Contracts of the Bank.

In the contracts it signs in administering the resources of the Fund, the Bank shall indicate clearly that it is acting in that capacity.
Section 2. Responsibilities of Bank and Donors.

The earnings, profits or benefits arising from financing, investment and other operations carried out with the resources of the Fund shall in no case benefit the Bank. No financing, investment or operation of any kind carried out with the resources of the Fund shall involve the financial obligation or responsibility of the Bank to the Donors and accordingly any loss or deficit that may arise as a result of an operation shall not entitle the Donors to claim indemnification from the Bank, except in cases in which the Bank has departed from the written instructions of the Donors Committee or has failed to act with the same care as it takes in the management of its own resources.

Section 3. Adherence to this Agreement.

Any prospective donor may adhere to this Agreement by signing it. Any member of the Bank not on Schedule A of the Fund Agreement may adhere to this Agreement after adhering to the Fund Agreement under Article VI, Section 1 of that Agreement. The Bank shall adhere to this Agreement by signature by a duly authorized representative.

Section 4. Amendment.

This Agreement may be amended only by agreement between the Bank and the Donors Committee, which shall reach decision by a vote of at least two-thirds of the Donors representing three-quarters of the total voting power of the Donors. The approval of all Donors shall be required for an amendment to this Section or which involves any financial or other obligations of Donors.

Section 5. Settlement of Disputes.

Any disputes arising under this Agreement between the Bank and the Donors Committee, which are not resolved by consultation, shall be settled by arbitration pursuant to Annex A of this Agreement. Any arbitral award shall be final and shall be implemented by a Donor, Donors or the Bank in accordance with its or their constitutional procedures or the Charter, respectively.

Section 6. Limitations on Liability.

In the operations of the Fund, the financial liability of the Bank shall be limited to the resources and reserves (if any) of the Fund, and the liability of Donors as Donors shall be limited to the unpaid portion of their respective contributions that has become due and payable under the Fund Agreement.

Section 7. Withdrawal of a Donor from the Fund Agreement.

On the date its notice of withdrawal has become effective under Article VI, Section 4(a) of the Fund Agreement, a Donor submitting such a notice shall be deemed to have withdrawn from this Agreement. Without prejudice to Article VI, Section 4(b) of the Fund Agreement, the Bank, subject to the approval of the Donors Committee, shall enter into an arrangement with such a Donor for the settlement of their respective claims and obligations.
IN WITNESS WHEREOF, the Bank and each of the prospective donors, each acting through its authorized representative, have signed this Agreement.

Done at Washington, District of Columbia, on February 11, 1992, in a single original, whose English, French, Portuguese and Spanish texts are equally authentic, which shall be deposited in the archives of the Bank which shall transmit a duly certified copy to each of the prospective donors listed in Schedule A of the Fund Agreement.
ANNEX A
ARBITRATION PROCEDURES

ARTICLE I
COMPOSITION OF THE TRIBUNAL

The Arbitration Tribunal to resolve disputes under Article VII, Section 5 of the Agreement for the Administration of the Multilateral Investment Fund (hereinafter referred to as the "Agreement") shall be composed of three members to be appointed in the following manner: one by the Bank, another by the Donors Committee, and a third, hereinafter called the "Referee", by direct agreement between the parties or through their respective arbitrators. If the parties or the arbitrators fail to agree on who shall be the Referee, or if one of the parties should not designate an arbitrator, the Referee shall be appointed, at the request of either party, by the Secretary General of the Organization of American States. If either of the parties fails to appoint an arbitrator, one shall be appointed by the Referee. If either of the appointed arbitrators or the Referee is unwilling or unable to act or to continue to act, his successor shall be appointed in the same manner as for the original appointment. The successor shall have the same functions and faculties as his predecessor.

ARTICLE II
INITIATION OF THE PROCEDURE

In order to submit the dispute to arbitration the claimant shall address to the other party a written communication setting forth the nature of the claim, the satisfaction or compensation which it seeks, and the name of the arbitrator it appoints. The party receiving such communication shall, within forty-five (45) days, notify the adverse party of the name of the person it appoints as arbitrator. If, within thirty (30) days after delivery of such notification to the claimant, the parties have not agreed as to the person who is to act as Referee, either party may request the Secretary General of the Organization of American States to make the appointment.

ARTICLE III
CONVENING OF THE TRIBUNAL

The Arbitration Tribunal shall be convened in Washington, District of Columbia, United States of America, on the date designated by the Referee, and, once convened, shall meet on the dates which the Tribunal itself shall establish.
ARTICLE IV
PROCEDURE

(a) The Tribunal shall be competent to hear only the matters in dispute. It shall adopt its own procedures and may on its own initiative designate whatever experts it considers necessary. In any case, it shall give the parties the opportunity to make oral presentations.

(b) The Tribunal shall proceed ex aequo et bono, basing itself on the terms of the Agreement, and shall issue an award even if either party should fail to appear or present its case.

(c) The award shall be in writing and shall be adopted with the concurrent vote of at least two members of the Tribunal. It shall be handed down within approximately sixty (60) days from the date on which the Referee has been appointed, unless the Tribunal determines that, due to special and unforeseen circumstances, such period should be extended. The award shall be notified to the parties by means of a communication signed by at least two members of the Tribunal.

ARTICLE V
COSTS

The fees of each arbitrator shall be paid by the party which appointed him and the fees of the Referee shall be paid by both parties in equal proportion. Prior to the convening of the Tribunal, the parties shall agree on the remuneration of the other persons who by mutual agreement they deem should take part in the arbitration proceedings. If such agreement is not reached in a timely manner, the Tribunal itself shall determine the compensation which may be reasonable for such persons under the circumstances. Each party shall defray its own expenses in the arbitration proceedings, but the expenses of the Tribunal shall be borne equally by the parties. Any doubt regarding the division of costs or the manner in which they are to be paid shall be determined, without appeal, by the Tribunal. Any fees or expenses due from the Donors Committee under this Article shall be paid from the Fund administered under the Agreement.