

**FORTY-SIXTH ANNUAL MEETING OF THE BOARD OF GOVERNORS
OF THE INTER-AMERICAN DEVELOPMENT BANK**

**TWENTIETH ANNUAL MEETING OF THE BOARD OF GOVERNORS
OF THE INTER-AMERICAN INVESTMENT CORPORATION**

Okinawa, Japan

General Summary

I. INTRODUCTION

1.1 The Forty-sixth Annual Meeting of the Board of Governors of the Inter-American Development Bank and Twentieth Annual Meeting of the Board of Governors of the Inter-American Investment Corporation were held in Okinawa, Japan, from 10 to 12 April 2005.

A. Agendas

1.2 The agenda of the Forty-sixth Annual Meeting of the Bank comprised the following items:

1. Report of the Chairman of the Board of Governors on the work done since the last annual meeting
2. Election of the Chairman of the Board of Governors
3. Annual Report of the Bank. Financial statements for 2004:
 - Ordinary Capital
 - Fund for Special Operations
 - Intermediate Financing Facility account
4. Selection of outside auditors for 2005
5. Lending framework
6. Election of the Executive Directors for the period 2005-2008

7. Sites and dates of the Forty-seventh and Forty-eighth Annual Meetings of the Board of Governors
 8. Site and date of future annual meetings of the Boards of Governors of the Inter-American Development Bank and the Inter-American Investment Corporation
- 1.3 The agenda of the Twentieth Annual Meeting of the Inter-American Investment Corporation comprised the following items:
1. Report of the Chairman of the Board of Governors on the work done since the last annual meeting.
 2. Election of the Chairman of the Board of Governors
 3. Annual Report of the Corporation. Financial statements for 2004
 4. Election of the Executive Directors for the period 2005-2008

B. Meeting location

- 1.4 The inaugural session was held in the Okinawa Convention Center Theater. The plenary sessions of the Boards of Governors of the Bank and the Corporation, as well as the meetings of the respective committees, were held in the Plenary Room of Building A of the Okinawa Convention Center.

II. PROCEEDINGS

A. Preliminary session of heads of delegation of the Bank and the Corporation

- 2.1 At this session, which was held on Friday, 8 April 2005, at 2:45 p.m., under the chairmanship of Mr. Pedro Pablo Kuczynski, Governor for Peru, the following matters were considered:

1. Presentation of the list of Governors

- 2.2 Pursuant to Section 3 of the Regulations of the Board of Governors, the list of the Governors, Alternate Governors, and Temporary Alternate Governors who had registered by 8 April 2005 was submitted (documents AB-2379 and CII/AB-960).
- 2.3 On the basis of these documents, it was concluded that the requisite quorum was present for opening the Forty-sixth Annual Meeting of the Board of Governors of the Inter-American Development Bank and the Twentieth Annual Meeting of the Board of Governors of the Corporation, as provided in Article VIII, Section 2(e), of the Agreement Establishing the Bank and Article IV, Section 2(e), of the Agreement Establishing the Corporation.

2. Consideration of the draft agendas

- 2.4 The draft agendas of the meetings of the Boards of Governors of the Bank and the Corporation (documents AB-2356-1 and CII/AB-953) were considered, which had been drawn up by the President in consultation with the Board of Executive Directors, pursuant to Section 2(a) of the Regulations of the Board of Governors.
- 2.5 The draft agendas were approved in principle, and it was agreed that they would be submitted to the Boards of Governors at the inaugural session for formal adoption.

3. Report of the outgoing Chairman of the Boards of Governors of the IDB and the IIC

- 2.6 It was noted that the outgoing Chairman of the Boards of Governors of the Bank and the Corporation would present a report at the inaugural session on the activities since the last annual meeting.¹

4. Nomination of a candidate for Chairman of the Boards of Governors

- 2.7 Pursuant to Section 4(a) of the Regulations of the Board of Governors, the Governor for Chile moved that, at the inaugural session, the Governor for Japan be elected Chairman of the Boards of Governors of the Bank and the Corporation until the next regular meeting. The Governor for Italy seconded the motion. The Governor for Honduras also seconded the motion and moved that the election be by acclamation. The Chairman asked the Governors for Chile, Italy, and Honduras to repeat their motions at the inaugural session.

5. Annual Reports of the Bank and the Corporation. Financial statements for 2004

- 2.8 Note was taken of the Annual Report of the Bank and the financial statements of the Ordinary Capital resources, the Fund for Special Operations, and the Intermediate Financing Facility account for 2004. These statements were submitted to the Board of Governors in accordance with Article VIII, Section 2(b)(viii), of the Agreement Establishing the Bank.
- 2.9 It was also noted that Resolutions AG-12/83, AG-3/90, and AG-9/95 and the mandate of the Board of Governors with respect to financing the Bank's participation in the Heavily Indebted Poor Countries (HIPC) Initiative required the Board of Governors to allocate an aggregate amount in convertible currencies to the Intermediate Financing Facility account from the General Reserve of the Fund for Special Operations each year at the time of approval of the financial statements.
- 2.10 It was agreed that the proposed resolutions on the approval of the financial statements, as contained in documents AB-2366, AB-2367, and AB-2368,

¹ See documents AB-2376 and CII/AB-958.

respectively, would be submitted to the Board of Governors for adoption at the second plenary session.

- 2.11 Note was taken of the Annual Report and financial statements of the Corporation for 2004. The statements were submitted to the Board of Governors pursuant to Article IV, Sections 2(c)(v) and 9(a), of the Agreement Establishing the Corporation.
- 2.12 It was agreed that the proposed resolution on the approval of the financial statements, as contained in document CII/AB-956, would be submitted to the Board of Governors for adoption at the third plenary session.

6. Selection of outside auditors of the Bank for 2005

- 2.13 It was agreed that the proposed resolution regarding the selection of outside auditors of the Bank for 2005, as contained in document AB-2369, would be submitted to the Board of Governors for adoption at the second plenary session.

7. Lending framework

- 2.14 It was agreed that the proposed resolution regarding the amendment of Resolution AG-1/02, adopted by the Board of Governors in March 2002, would be submitted to the Board of Governors for adoption at the second plenary session.

8. Election of the Executive Directors of the IDB and the IIC for the 2005-2008 period

- 2.15 It was recalled that, pursuant to the Regulations for the Election of Executive Directors of the Bank and the Corporation, the Secretary had advised the Governors on 10 January 2005 that the general election of Executive Directors of both institutions would be held during the Annual Meeting of the Boards of Governors in Okinawa and invited them to nominate candidates. The deadline for nominating candidates was 31 March 2005. As an exception, however, nominations could be submitted up until 10:00 a.m. on Sunday, 10 April 2005.
- 2.16 The Secretary recalled that in the **Bank** the Governors eligible to vote under Article VIII, Section 3(b)(ii), of the Agreement Establishing the Bank would elect 13 Executive Directors. In accordance with the Regulations for the Election of Executive Directors, the election would proceed as follows:
 - a. The Governor for Canada would elect one Executive Director with the votes of his country, in accordance with Section 2 of the Regulations.
 - b. The Governors for the regional developing member countries would elect nine Executive Directors, pursuant to Section 3 of the Regulations.
 - c. The Governors for the nonregional member countries would elect three Executive Directors, in accordance with Section 4 of the Regulations.

- 2.17 The Secretary recalled that in the **Corporation** the Governors eligible to vote under Article IV, Section 4(c), of the Agreement Establishing the Corporation would elect 12 Executive Directors. In accordance with the Regulations for the Election of Executive Directors, the election would proceed as follows:
- a. The Governors for the regional developing member countries would elect nine Executive Directors, as provided for in Section 2 of the Regulations.
 - b. The Governors for the nonregional member countries would elect three Executive Directors, as provided for in Section 3 of the Regulations.
- 2.18 It was noted that the Chairman of the Board of Governors had appointed the Governors for Japan and Peru to act as tellers to supervise the balloting and tally the votes; he would also take such other action as he deemed necessary for the proper conduct of the election. The results of the general election of Executive Directors of the Bank and the Corporation would be announced at the fourth plenary session.

9. Sites and dates of future annual meetings of the Boards of Governors of the Bank and the Corporation

- 2.19 It was noted that the following would be submitted to the Board of Governors for adoption at the fourth plenary session:
- a. A proposed resolution whereby Belo Horizonte, Brazil, would be approved as the site of the Forty-seventh Annual Meeting of the Board of Governors, to be held from 3 to 5 April 2006, and Guatemala City, Guatemala, would be approved as the site of the Forty-eighth Annual Meeting, to be held from 19 to 21 March 2007 (document AB-2371).
 - b. A proposed resolution taking note of the invitations presented by the Governors to host future annual meetings (document AB-2375).
- 2.20 It should be noted that Article IV, Section 2(d), of the Agreement Establishing the Corporation provides that the annual meetings of its Board of Governors are to be held jointly with those of the Inter-American Development Bank.
- 2.21 It was noted that the Governor for Uruguay had invited the Bank to hold its Annual Meeting in Uruguay in 2011.

10. Program of activities

- 2.22 Note was taken that the program of sessions, seminars, presentations, and social events for the meeting was available electronically at the Annual Meeting's website.

B. Inaugural session (first plenary session)

2.23 The inaugural session opened on Sunday, 10 April 2005, at 9:30 a.m., under the chairmanship of Mr. Pedro Pablo Kuczynski, Governor for Peru. The session then proceeded as follows.

1. Call to order

2.24 Mr. Pedro Pablo Kuczynski noted that the statutory quorum was present and, accordingly, called to order the Forty-sixth Annual Meeting of the Board of Governors of the Bank and the Twentieth Annual Meeting of the Board of Governors of the Corporation.

2. Consideration of the draft agendas

2.25 The Boards of Governors respectively adopted the agenda of the Annual Meeting of the Bank, as set forth in document AB-2356-1, and the agenda of the Annual Meeting of the Corporation, as set forth in document CII/AB-953.

3. Report of the outgoing Chairman of the Boards of Governors of the Bank and the Corporation

2.26 Mr. Pedro Pablo Kuczynski referred to the IDB's achievements since the Annual Meeting in Lima, highlighting the admission of Korea, the replenishment of the resources of the MIF, and the lending framework. He also emphasized the measures adopted by the IIC to improve the way it served SMEs. He also referred to the international economic climate in which the region and the Bank would operate in the future, and to the performance of the Peruvian economy. Lastly, he expressed some thoughts regarding the role of the Bank, its relationship with the private sector, and the future of the institution (document AB-2382, CII/AB-963).

4. Election of the Chairman of the Boards of Governors

2.27 Upon a motion made by the Governor for Chile, seconded by the Governors for Italy and Honduras, Mr. Sadakazu Tanigaki, Governor for Japan, was elected Chairman of the Boards of Governors of the Bank and the Corporation by acclamation, to hold those offices until the next regular meeting of the Boards of Governors.

5. Recess to receive His Imperial Highness the Crown Prince of Japan and the Presidents of Honduras, Colombia, and Bolivia

2.28 The Chairman of the Boards of Governors declared a brief recess to receive His Imperial Highness the Crown Prince of Japan and the Presidents of Honduras, Colombia, and Bolivia.

6. Remarks by the Governor of Okinawa Prefecture

- 2.29 The Board of Governors took note of the remarks of Mr. Keiiche Inamine, Governor of Okinawa Prefecture.

7. Address by His Imperial Highness the Crown Prince of Japan

- 2.30 His Imperial Highness the Crown Prince of Japan expressed how gratified he was to be at the meeting. He underscored the contribution of the IDB and the IIC to the development of Latin America and the Caribbean. He recalled that he had welcomed the participants to the Annual Meeting in Nagoya in 1991 and stressed the significance of the Bank holding its Annual Meeting in Japan again. Lastly, he expressed the hope that this meeting would contribute further to improving the understanding between Asia and Latin America and the Caribbean.

8. Remarks by the Chairman of the Boards of Governors of the Bank and the Corporation

- 2.31 On behalf of the Governors, Mr. Sadakazu Tanigaki expressed his deep appreciation to His Imperial Highness the Crown Prince of Japan for his presence at the meeting and thanked the Governors for electing him as Chairman of the Boards of Governors.
- 2.32 He recalled that it had been 14 years since the Annual Meeting in Nagoya and he took stock of the changes in the economic situation since then and of the challenges facing the Latin American and Caribbean region. He referred also to the role of the Bank, highlighting the importance of having an appropriate mix of lending instruments and of intensifying efforts in support of private sector development and in the area of development effectiveness. He underscored the agreement reached on the replenishment of the MIF. Lastly, he referred to Japan's contribution to the Bank and concluded by emphasizing the importance of strengthening economic ties between Asia and Latin America and the Caribbean (document AB-2387, CII/AB-967).

9. Statement by the President of the Inter-American Development Bank and Chairman of the Board of Executive Directors of the Inter-American Investment Corporation

- 2.33 Mr. Enrique V. Iglesias referred to the dynamism demonstrated by the Latin American and Caribbean economies in 2004, which grew by 5.7% on average, in turn pushing per capita income up by more than 4 %. He added that under current circumstances, the economic policy agenda had a twofold objective: (a) strengthen macroeconomic stability, as a condition for economic growth and social progress; and (b) continue with reforms to make the region's economies more resilient to potential disturbances in the global cycle and mitigate their effects on sustainable development and poverty reduction. He then mentioned the importance of the following elements of economic policy to achieving those two objectives: (i) improve the investment climate; (ii) strengthen public finances; (iii) move

forward with institutional reforms in the financial system and capital markets; and (iv) take advantage of the business cycle peak to move on 'de-dollarizing' public and private debt.

- 2.34 Mr. Iglesias shared some reflections on the Asian experience, highlighting as factors of its success both the role of government and the collaboration between the public and private sectors, which provided some lessons for Latin America and the Caribbean. He also referred to East Asia and the opportunities for trade and cooperation that it represented. He added that while that region's soaring demand for commodities was a significant growth factor for Latin America and the Caribbean, our countries needed to avoid overspecializing again in raw materials.
- 2.35 Mr. Iglesias also referred to the importance of politics and institutions in the search for more dynamic and equitable growth, concluding that good governance was not just a question of institutional design; it was a question of politics. In this regard, it was important to strengthen and deepen the democracy movement, so as to ensure democratic governments that were representative, accountable to the citizenry, able to protect civil rights and provide a stable framework for marketplace transactions, promote social justice, curb corruption, and withstand pressure from interest groups.
- 2.36 Lastly, Mr. Iglesias referred to the Bank's mission, emphasizing: (i) the successes in the area of development effectiveness; (ii) modernization of the investment loan instrument; (iii) efforts in the area of science and technology; (iv) the effort to carve out space for borrowing and lending in local currency; (v) approval by the Board of Executive Directors of the use of budget funds in support of the promotion of regional public goods; and (vi) the initiative to create an independent foundation to nurture cultural activities in the region (document AB-2391, CII/AB-971).

10. Remarks by His Excellency Carlos Mesa, President of the Republic of Bolivia

- 2.37 President Mesa thanked the Japanese authorities for their warm welcome and expressed deep appreciation to Japan for having forgiven Bolivia's entire bilateral debt with the country. He then mentioned that the challenge of successfully combating poverty and social exclusion required a more active role on the part of the State, which needed to take charge of guiding the mechanisms of an open economy. He referred to the Bolivian situation and the political and social crisis that had erupted, in the context of a very severe economic recession. The crisis needed to be resolved through democratic means, in a climate of respect for human rights.
- 2.38 He mentioned the efforts under way to move from a highly centralized State to a decentralized one, and highlighted the need to seek consensus in a multicultural society like Bolivia's. He underscored the economic improvements being achieved lately after four years of recession. He then referred to Bolivia's great prospects given its substantial natural gas reserves, which enabled it to play a key role as energy supplier and distributor, thanks to its central geographic location in South

America. In this regard, he anticipated a significant increase in investment in hydrocarbons and in the mining sector, which would help augur a turning point for the country's economy. Lastly, he called upon the international community to support Bolivia in its efforts to emerge from its geographical confinement.

11. Remarks by His Excellency Álvaro Uribe, President of the Republic of Colombia

2.39 President Uribe referred to three topics: (i) the IDB and Colombia; (ii) the situation in Colombia; and (iii) the IDB and the region. On the first topic, he mentioned that the IDB was the main source of financing for Colombia on all fronts, and singled out the projects to build six mass transit systems, the social safety net, and the State reform programs. He also underscored his country's prepayment of the emergency loan. On the second topic, he referred to the efforts undertaken to restore confidence in Colombia, which involved strengthening security and defeating drug trafficking and terrorism. He highlighted his administration's economic achievements in reducing the fiscal deficit, borrowing, and unemployment. He also mentioned the increases in social security and health care coverage and poverty reduction. As to the third topic, he mentioned the importance of accelerating programs to finance the South American infrastructure system and the basic infrastructure of the Puebla-Panama Plan. He felt that the highway through the ecological treasure of Darién, which was under discussion, was a challenge that needed to be resolved with IDB leadership.

2.40 Lastly, he made the following requests: (i) that the entire world actively help Colombia to defeat terrorism; (ii) that Japan and Asia resume their investments in Colombia; (iii) that the markets reduce Colombia's spreads and recognize it as an investment grade country; and (iv) that the IDB speed up the process of providing financing in local currency and that it finance strategic partnerships to improve the competitiveness of the manufacturing sector in the countries of the region.

12. Remarks by His Excellency Ricardo Maduro, President of the Republic of Honduras

2.41 President Maduro mentioned that, although Latin America had lately been improving its economic output, the poor had not benefited. He noted that the Americas had the worst income distribution in the world and that a high percentage of the population was living in poverty and extreme poverty—an indefensible situation. He emphasized that the benefits to the poor had been delayed for too long, which could bring about a search for changes in the economic and political models, which could have grave consequences and constitute a dramatic setback. It was necessary to improve the situation of the poor quickly, by generating employment, seeking equity, guaranteeing public safety, and developing human capital. He added that this was a task that the governments, the private sector, the IDB, and the rest of the international community should undertake together. He issued a warning to the Governors, indicating that the political situation reflected the turmoil caused by the substandard conditions of the poorest inhabitants.

2.42 He then referred to the situation of Honduras and to the economic measures and social programs that had been initiated with the fiscal adjustment three years earlier. The results included a reduction in extreme poverty from 49% to 44.5% and of poverty in general from 62% to 60% over the period. He then underscored the need to improve the political and judicial systems, fight corruption, strengthen regulatory capacity, improve education in terms of quality and coverage, and increase the public investment needed to complement private investment. Lastly, he reiterated the need to concentrate on poverty reduction and income distribution and to develop programs to achieve those ends. He concluded that the Fund for Special Operations needed to be replenished quickly to help the poorest for the good and stability of all.

C. Second plenary session

2.43 The second plenary session, which was held on Sunday, 10 April 2005, at 3:00 p.m., proceeded as follows.

1. Annual Report of the Bank. Financial statements for 2004

2.44 Pursuant to Article VIII, Section 2(b)(viii), of the Agreement Establishing the Bank, the Board of Governors adopted Resolutions AG-1/05, AG-2/05, and AG-3/05, approving the financial statements for the Ordinary Capital resources, the Fund for Special Operations, and the Intermediate Financing Facility account, respectively, for the fiscal year ended 31 December 2004. These statements are included in the Bank's Annual Report.

2.45 Moreover, pursuant to Resolutions AG-12/83, AG-3/90, and AG-9/95 and the mandate of the Board of Governors with respect to financing the Bank's participation in the HIPC Initiative, the Board of Governors allocated to the Intermediate Financing Facility account an aggregate amount equivalent to US\$62.3 million in convertible currencies from the General Reserve of the Fund for Special Operations, as set forth in Resolution AG-2/05.

2. Selection of the outside auditors of the Bank for 2005

2.46 Pursuant to Article VIII, Section 2(b)(x), of the Agreement Establishing the Bank, the Board of Governors adopted Resolution AG-4/05, approving the selection of Ernst & Young LLP as outside auditors for fiscal year 2005.

3. Lending framework

2.47 Pursuant to the Board of Governors' approval of the lending framework on 1 March 2002, the Board of Governors adopted Resolution AG-5/05, amending Resolution AG-1/02.

4. Statement by the Executive Secretary of the Economic Commission for Latin America and the Caribbean

- 2.48 The Board of Governors took note of the remarks made by Mr. José Luis Machinea, Executive Secretary of the Economic Commission for Latin America and the Caribbean.

5. Addresses

- 2.49 Addresses were then delivered by the Governor for Korea, Mr. Duck-soo Han (document AB-2396, CII/AB-976); the Governor for Mexico, Mr. Francisco Gil Díaz (document AB-2403, CII/AB-983); the Alternate Governor for Ecuador, Mr. Javier Game (document AB-2390, CII/AB-970); the Alternate Governor for Spain, Mr. David Vegara Figueras (document AB-2395, CII/AB-975); the Governor for Chile, Mr. Nicolás Eyzaguirre (document AB-2406, CII/AB-985); the Alternate Governor for Colombia, Mr. Santiago Montenegro (document AB-2421, CII/AB-998); the Temporary Alternate Governor for the United States of America, Mr. John B. Taylor (document AB-2402, CII/AB-982); the Governor for Brazil, Mr. Paulo Bernardo Silva (document AB-2381, CII/AB-962); the Temporary Alternate Governor for Canada, Mr. Roger Ehrhard (document AB-2386); the Governor for Venezuela, Mr. Eudomar Tovar (document AB-2384, CII/AB-965); and the Alternate Governor for Panama, Mr. Héctor Alexander (document AB-2392, CII/AB-972).

D. Third plenary session

- 2.50 The third plenary session, held on Monday, 11 April 2005, at 9:30 a.m., proceeded as follows.

1. Annual Report of the Corporation. Financial statements for 2004

- 2.51 Pursuant to Article IV, Section 2(c)(v), of the Agreement Establishing the Corporation, the Board of Governors adopted Resolution CII/AG-1/05, approving the financial statements of the Corporation for the fiscal year ended 31 December 2004. These statements are included in the Corporation's Annual Report.

2. Addresses

- 2.52 Addresses were delivered by the Governor for Argentina, Mr. Roberto Lavagna (document AB-2398, CII/AB-978); the Temporary Alternate Governor for the United Kingdom, Mr. Gavin McGillivray (document AB-2404); the Governor for Haiti, Mr. Henri Bazin (document AB-2394, CII/AB-974); the Temporary Alternate Governor for Germany, Mr. Sebastian Paust (document AB-2399, CII/AB-979); the Temporary Alternate Governor for Italy, Mr. Augusto Zodda (document AB-2408, CII/AB-987); the Temporary Alternate Governor for the Netherlands, Mr. Gerard Steeghs (document AB-2393, CII/AB-973); the Governor for Switzerland, Mr. Oscar Knapp (document AB-2400, CII/AB-980); the Alternate Governor for Guyana, on behalf of the English-speaking member countries of the

Caribbean, Mr. Saisnarine Kowlessar (document AB-2383, CII/AB-964); the Alternate Governor for Norway, Mr. Nils Haugstveit (document AB-2407, CII/AB-986); the Governor for El Salvador, on behalf of the Central American countries, Mrs. Ana Vilma Albanés de Escobar (document AB-2418, CII/AB-995); the Temporary Alternate Governor for Portugal, Mr. José Moreno (document AB-2397, CII/AB-977); the Alternate Governor for Belgium, Mr. Franciscus Godts (document AB-2385, CII/AB-966); the Temporary Alternate Governor for France, Mr. René Ghesquiere (document AB-2401, CII/AB-981); and the Temporary Alternate Governor for Israel, Mr. Avner Halevi (document AB-2411, CII/AB-989).

E. Fourth plenary session

2.53 The fourth plenary session, held on Tuesday, 12 April 2005, at 9:30 a.m., proceeded as follows.

1. Sites and dates of the Forty-seventh and Forty-eighth Annual Meetings of the Board of Governors

2.54 The Board of Governors adopted Resolution AG-6/05 whereby it resolved to hold the Forty-seventh Annual Meeting of the Board of Governors in Belo Horizonte, Brazil, from 3 to 5 April 2006 and to hold the Forty-eighth Annual Meeting in Guatemala City, Guatemala, from 19 to 21 March 2007.

2. Sites and dates of future annual meetings of the Boards of Governors of the Bank and of the Corporation

2.55 The Board of Governors adopted Resolution AG-7/05 expressing its appreciation for the invitations extended by the Governors for Belgium, Mexico, Uruguay, The Bahamas, Barbados, Costa Rica, Ecuador, the United States of America, Panama, and Trinidad and Tobago, and instructing the Board of Executive Directors to present its recommendations to the Board of Governors in due course concerning the place and date of future annual meetings.

3. Modernization of policies and practices that restrict the use of resources in investment loans

2.56 The Board of Governors adopted Resolution AG-8/05 whereby it resolved to eliminate the existing limit on the percentage of Bank financing established in the Foreign Exchange Matrix.

4. Continuation of the International Trade Finance Reactivation Program for the private sector

2.57 The Board of Governors adopted Resolution AG-9/05, whereby it resolved to continue with the International Trade Finance Reactivation Program for the private sector, which had expired on 5 February 2005.

5. Addresses

- 2.58 Addresses were delivered by the Alternate Governor for Slovenia, Mr. Andrej Kavcic (document AB-2412); the Temporary Alternate Governor for Denmark, Mrs. Jette Nordam (document AB-2415, CII/AB-992); the Governor for Paraguay, Mr. Dionisio Borda (document AB-2410, CII/AB-988); the Alternate Governor for Finland, Mr. Taisto Huimasalo (document AB-2416, CII/AB-993); the Governor for the Dominican Republic, Mr. Héctor Valdés Albizu (document AB-2414, CII/AB-991); the Alternate Governor for Sweden, Mr. Stefan Emblad (document AB-2417, CII/AB-994); the Governor for Bolivia, Mr. Luis Carlos Jemio (document AB-2389, CII/AB-968); the Governor for Uruguay, Mr. Danilo Astori (document AB-2413, CII/AB-990); and the Temporary Alternate Governor for Austria, Mr. Marcus Heinz (document AB-2405, CII/AB-984). The Temporary Alternate Governor for Croatia, Mrs. Vladimira Ivandic, was not able to participate in the meeting but requested that the text of her speech be distributed to the Governors (document AB-2409).

6. Election of the Executive Directors of the Bank and the Corporation

- 2.59 At the request of the Chairman of the Board of Governors of the Bank and of the Corporation, the Governors for Japan and Peru acted as tellers to supervise the balloting and tally the votes for the sixteenth general election of Executive Directors of the Bank and eighth general election of Executive Directors of the Corporation. Based on the tellers' report, the Secretary announced that the Governors eligible to vote under the respective Agreements Establishing the Bank and the Corporation had elected the following Executive Directors to serve for the period starting on 1 July 2005:

- 2.60 The following people were elected as Executive Directors of the **Bank**:

Mr. Eugenio Díaz-Bonilla	Argentina and Haiti
Mr. Rogério Studart	Brazil and Suriname
Mr. Agustín García-López	Dominican Republic and Mexico
Mrs. Adina Bastidas	Panama and Venezuela
Mr. Luis Guillermo Echeverri	Colombia and Ecuador
Mr. Jaime Pinto	Chile and Peru
Mr. Jorge Crespo	Bolivia, Paraguay, and Uruguay
Mr. Luis Cosenza	Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua

Mr. Havelock Brewster	The Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago
Mr. Georgio Leccesi	Belgium, Germany, Israel, Italy, the Netherlands, and Switzerland
Mr. Luis Linde	Austria, Denmark, Finland, France, Norway, Spain, and Sweden
Mr. Yoshihisa Ueda	Croatia, Japan, Korea, Portugal, Slovenia, and the United Kingdom

2.61 The following people were elected as Executive Directors of the **Corporation**:

Mr. Eugenio Díaz-Bonilla	Argentina and Haiti
Mr. Rogério Studart	Brazil and Suriname
Mr. Agustín García-López	Dominican Republic and Mexico
Mrs. Adina Bastidas	Panama and Venezuela
Mr. Luis Guillermo Echeverri	Colombia and Peru
Mr. Germán Quintana	Chile and Ecuador
Mr. Juan Notaro	Bolivia, Paraguay, and Uruguay
Mr. Luis Cosenza	Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua
Mr. Havelock Brewster	The Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago
Mr. Pieter Moorrees	Austria, Belgium, Germany, Italy, and the Netherlands
Mr. Yoshihisa Ueda	Israel, Japan, Korea, Portugal, and Spain
Mr. Olivier Myard	Denmark, Finland, France, Norway, Sweden, and Switzerland

F. Closing session

2.62 At the closing session, held immediately following the fourth plenary session, the President of the Bank and Chairman of the Board of Executive Directors of the Corporation, Mr. Enrique V. Iglesias, took the floor to highlight the key issues

- addressed during the annual meeting of the Boards of Governors of the Bank and the Corporation. He concluded that messages had been received over the course of the meeting that were addressed both to the governments of Latin America and the Caribbean and to the Bank.
- 2.63 The **messages to the governments** were: (i) the significance of this meeting of the IDB in Asia and its implications for relations between Asia and Latin America and the Caribbean; (ii) prudent management of the opportunities provided by high growth in the region; (iii) the importance of making progress toward fulfilling the Millennium Development Goals; (iv) the role of governments and the private sector in the economies of the region; and (v) the objectives of the region's social agenda. The **messages to the Bank** covered the following topics: (i) the importance of the New Lending Framework; (ii) support for the private sector; (iii) strengthening of the institution's governance; (iv) the Bank's financial activities in local currency, bond issues, and loans; and (v) the main success of the meeting was the agreement concluded on the replenishment of the MIF's resources (document AB-2420, CII/AB-997).
- 2.64 The Chairman of the Boards of Governors of the Bank and the Corporation, Mr. Isamu Ueda, temporary Alternate Governor for Japan, also presented his conclusions about the meeting and summarized the tasks entrusted to the IDB group, as follows: (i) the lending framework would serve as the roadmap for the Bank's operations for the next four years; (ii) the IDB group should maximize the synergies among the Bank's private and public sector arms, to help strengthen the region's competitiveness and improve its business climate; (iii) IIC Management needed to look at the capital subscription arrears more closely; (iv) the Private Sector Coordinator was expected to submit a progress report on the implementation of his action plan in a timely manner; and (v) development effectiveness needed to be enhanced and it was important for Management to systematically adopt the recommendations made by the Bank's Office of Evaluation and Oversight (document AB-2428, CII/AB-1004).
- 2.65 Lastly, he adjourned the Forty-sixth Annual Meeting of the Board of Governors of the Inter-American Development Bank and Twentieth Annual Meeting of the Board of Governors of the Inter-American Investment Corporation.

**III. RESOLUTIONS ADOPTED DURING THE FORTY-SIXTH ANNUAL MEETING OF
THE BOARD OF GOVERNORS OF THE INTER-AMERICAN DEVELOPMENT
BANK AND TWENTIETH ANNUAL MEETING OF THE BOARD OF GOVERNORS
OF THE INTER-AMERICAN INVESTMENT CORPORATION**

RESOLUTION AG-1/05

FINANCIAL STATEMENTS OF THE ORDINARY CAPITAL RESOURCES

WHEREAS:

The outside auditors of the Bank, selected in accordance with Article VIII, Section 2(b)(x), of the Agreement Establishing the Bank, have issued an unqualified opinion on the financial statements of the Bank;

The Board of Governors

RESOLVES:

That the financial statements of the Bank with respect to the Ordinary Capital resources for the fiscal year ended 31 December 2004, containing the general balance sheet and the statement of profit and loss, are approved.

(Adopted 10 April 2005)

RESOLUTION AG-2/05

FINANCIAL STATEMENTS OF THE FUND FOR SPECIAL OPERATIONS

WHEREAS:

The outside auditors of the Bank, selected in accordance with Article VIII, Section 2(b)(x), of the Agreement Establishing the Bank, have issued an unqualified opinion on the financial statements of the Bank; and

Resolutions AG-12/83, AG-3/90 and AG-9/95, and the mandate of the Board of Governors in connection with the funding of the Bank's participation in the HIPC Initiative, prescribe that the Board of Governors shall annually allocate amounts in convertible currencies of the General Reserve of the Fund for Special Operations to the Intermediate Financing Facility Account;

The Board of Governors

RESOLVES:

1. That the financial statements of the Fund for Special Operations for the fiscal year ended 31 December 2004, containing the general balance sheet and the statement of profit and loss, are approved.
2. To allocate to the Intermediate Financing Facility Account an aggregate amount equivalent to US\$62,300,000 in convertible currencies of the General Reserve of the Fund for Special Operations.

(Adopted 10 April 2005)

RESOLUTION AG-3/05

FINANCIAL STATEMENTS OF THE INTERMEDIATE FINANCING FACILITY
ACCOUNT

WHEREAS:

The outside auditors of the Bank, selected in accordance with Article VIII, Section 2(b)(x), of the Agreement Establishing the Bank, have issued an unqualified opinion on the financial statements of the Bank;

The Board of Governors

RESOLVES:

That the financial statements of the Intermediate Financing Facility Account for the fiscal year ended 31 December 2004, containing the general balance sheet and the statement of changes in fund balance, are approved.

(Adopted 10 April 2005)

RESOLUTION AG-4/05

SELECTION OF OUTSIDE AUDITORS

WHEREAS:

Pursuant to Article VIII, Section 2(b)(x) of the Agreement Establishing the Bank, the Board of Governors has the authority to select outside auditors of the Bank;

Pursuant to Resolution AG-04/04, the Board of Governors selected Ernst & Young LLP to serve as outside auditors of the Bank with respect to the fiscal year 2004;

Pursuant to an agreement between the Bank and Ernst & Young LLP, dated June 17, 2002, and a letter from the Bank to Ernst & Young LLP, dated September 23, 2002, the parties may extend, on a yearly basis through and including the fiscal year 2006, the existing appointment of Ernst & Young LLP as outside auditors of the Bank; and

The Board of Executive Directors has recommended to the Board of Governors that Ernst & Young LLP be selected to serve as outside auditors of the Bank with respect to the fiscal year 2005;

The Board of Governors

RESOLVES:

That, pursuant to Article VIII, Section 2(b)(x) of the Agreement Establishing the Bank, Ernst & Young LLP is selected to serve as outside auditors to certify to the general balance sheet and the statement of profit and loss of the Bank with respect to the fiscal year 2005, in accordance with Section 10 of the By-Laws of the Bank.

(Adopted 10 April 2005)

RESOLUTION AG-5/05

LENDING FRAMEWORK
(Amendment to Resolution AG-1/02)

WHEREAS:

Pursuant to Resolution AG-1/02 of 1 March 2002, the Board of Governors approved the Agreement on Measures for Enhancing the Response Capacity of the Inter-American Development Bank (hereinafter the “Agreement”);

As part of the aforementioned Agreement, a new Lending Framework was approved and implemented as of 1 January 2002;

In approving the Lending Framework, the Board of Governors required that the Board of Executive Directors review the results of implementation of the Lending Framework, report on its findings, and provide recommendations for consideration of the Board of Governors at the Annual Meeting of the Board of Governors to be held in 2005;

The Board of Executive Directors has presented to the Board of Governors document CA-450-1 entitled “The New Lending Framework: Assessment Report and Recommendations”, as the report and recommendations on the Lending Framework required to be presented by the Board of Executive Directors pursuant to Resolution AG-1/02;

The Board of Governors

RESOLVES THAT:

1. The Lending Framework, consisting of three categories of lending—investment lending, policy-based lending, and emergency lending—approved by the Board of Governors pursuant to Resolution AG-1/02 of 1 March 2002, shall be maintained, with the amendments to the specific limitations and requirements thereof which are indicated in paragraphs 2, 3, 4, and 5 of this resolution.

2. The lending limits for policy-based loans and emergency loans, set forth in paragraphs 8 and 11, respectively, of the Annex to Resolution AG-1/02, shall be replaced by limits to be determined pursuant to paragraph 3 of this resolution.

3. The Board of Governors shall determine lending limits for consecutive four-year periods, the first of which shall begin on 1 January 2005 and end on 31 December 2008, for: (a) investment loans, policy-based loans and emergency loans to be financed with the Bank’s Ordinary Capital resources, in accordance with paragraph 2 of the recommendations set forth in section IV. D. of document CA-450-1; and

(b) policy-based loans to be financed with resources of the Fund for Special Operations. Furthermore, the Board of Governors shall determine an aggregate disbursement limit, for consecutive four-year periods, for policy-based loans financed with the Bank's Ordinary Capital resources. The aforementioned determinations shall be carried out in accordance with Article III, Section 7(a)(vi), of the Agreement Establishing the Inter-American Development Bank.

4. The following lending and disbursement limits are established for the four-year period beginning on 1 January 2005 and ending on 31 December 2008: (a) for investment loans to be financed with the Bank's Ordinary Capital resources, an aggregate nominal lending limit of up to the equivalent of US\$20,600,000,000, (b) for policy-based loans to be financed with the Bank's Ordinary Capital resources, an aggregate nominal lending limit of up to the equivalent of US\$9,800,000,000 and an aggregate disbursement limit of up to the equivalent of US\$7,600,000,000, and (c) for policy-based loans to be financed with resources of the Fund for Special Operations, an aggregate nominal lending limit of up to the equivalent of US\$100,000,000 per year, provided, however, that any amount within said annual limit which is not utilized for loan approvals in a given year may be carried over to be utilized for loan approvals in the subsequent year or years of the four-year period. For emergency loans, a revolving aggregate amount of up to the equivalent of US\$6,000,000,000 of Ordinary Capital resources will continue to be available.

5. The minimum disbursement periods of three years for investment loans and eighteen months for policy-based loans, set forth in paragraphs 6 and 10, respectively, of the Annex to Resolution AG-1/02, shall be eliminated.

6. The Board of Executive Directors and Management are hereby directed and authorized to take all necessary measures to implement the recommendations set forth in section IV. D. of document CA-450-1.

(Adopted 10 April 2005)

RESOLUTION AG-6/05

SITES AND DATES OF THE FORTY-SEVENTH AND FORTY-EIGHTH
ANNUAL MEETINGS OF THE BOARD OF GOVERNORS

The Board of Governors

RESOLVES:

1. To hold the Forty-Seventh Annual Meeting of the Board of Governors in Belo Horizonte, Brazil, from 3 to 5 April, 2006.
2. To hold the Forty-Eighth Annual Meeting of the Board of Governors in Guatemala City, Guatemala, from 19 to 21 March 2007.
3. This resolution supersedes Resolution AG-5/04, adopted by the Board of Governors on 31 March 2004.

(Adopted 12 April 2005)

RESOLUTION AG-7/05

SITES AND DATES OF FUTURE ANNUAL MEETINGS OF THE BOARDS OF GOVERNORS OF THE INTER-AMERICAN DEVELOPMENT BANK AND THE INTER-AMERICAN INVESTMENT CORPORATION

WHEREAS:

Prior to the Forty-sixth Annual Meeting of the Board of Governors, the Governors for the following countries offered to host annual meetings of the Boards of Governors of the Bank and the Corporation in the years listed in parentheses: Belgium (2008), Mexico (2010), Uruguay (2011), The Bahamas, Barbados, Costa Rica, Ecuador, Panama, Trinidad and Tobago, and the United States;

The Board of Executive Directors, pursuant to Resolutions AG-1/76 and AG-5/00, decided to submit a proposed resolution to the Board of Governors during the Forty-sixth Annual Meeting, recommending that the Forty-seventh and Forty-eighth Annual Meetings of the Board of Governors be held in Belo Horizonte, Brazil, and Guatemala City, Guatemala, respectively;

The Board of Governors

RESOLVES:

1. To express its appreciation for the invitations extended by the Governors for Belgium, Mexico, Uruguay, The Bahamas, Barbados, Costa Rica, Ecuador, Panama, Trinidad and Tobago, and the United States, as well as such other invitations as may be extended during the course of the Forty-sixth Annual Meeting of the Board of Governors.

2. To instruct the Board of Executive Directors, following the procedure approved by means of Resolution AG-1/76 and pursuant to Resolution AG-5/00, to present its recommendations concerning the sites and dates of future annual meetings of the Boards of Governors of the Inter-American Development Bank and the Inter-American Investment Corporation in due course, in accordance with the terms of reference set forth in document AB-476-2.

(Adopted 12 April 2005)

RESOLUTION AG-8/05

MODERNIZATION OF POLICIES AND PRACTICES THAT RESTRICT THE USE
OF RESOURCES IN INVESTMENT LOANS

(Proposal to eliminate the limit on the percentage of the Bank financing
established in the Foreign Exchange Matrix)

WHEREAS:

The Inter-American Development Bank (the “Bank”) has been making various changes to its policies and practices in order to meet more effectively current needs and demands from the borrowing member countries and thus help it to adapt to new trends in multilateral development banking and the international donor community;

A new policy on the use of Bank resources in investment loans has been approved by the Board of Executive Directors (GN-2331-5), and is consistent with the aforementioned objective and seeks to shift to a development-based approach to investment lending;

In today's world, where countries compete in a global marketplace, and where foreign exchange restrictions are disappearing, the concept and significance of local and foreign exchange costs in Bank-financed projects has changed; and

Project ownership by borrowing member countries should be demonstrated by their internal efforts to achieve the development objectives more than by their financial contribution to each project, so that projects can be implemented in an effective and timely manner;

The Board of Governors

RESOLVES:

To eliminate the existing limit on the percentage the Bank can lend toward the total cost of projects, as well as the restrictions on local expenditures and foreign exchange financing of such expenditures set forth in the financing matrix contained in Document AB-1704, as amended by Document CS-3400.

(Adopted 12 April 2005)

RESOLUTION AG –9/05

CONTINUATION OF INTERNATIONAL TRADE FINANCE REACTIVATION
PROGRAM FOR THE PRIVATE SECTOR

Whereas, by Resolution AG-6/94 of August 12, 1994, the Board of Governors approved the report entitled “Report on the Eighth General Increase in the Resources of the Inter-American Development Bank” issued as document AB-1704;

Whereas, document AB-1704 contemplates lending to the private sector without sovereign guarantee by means of support “... targeted exclusively towards the financing of investment in infrastructure and public utility projects providing services generally performed by the public sector;”

Whereas, document AB-1704 also contemplates that: “For any individual project, the Bank’s share should not, as a rule, exceed 25 percent of total costs or US\$75 million, whichever is less;”

Whereas, by Resolution AG-1/99 of February 22, 1999, the Board of Governors approved additional guidelines relating to private sector lending without sovereign guarantee, as contained in document CS-3170-14, providing a per project limit on direct loan participation of 40 percent or US\$75 million, whichever is lower, in the countries of Group C and D, and in the case of partial risk guarantees, a per project limit of US\$150 million or 50 percent of total cost; whichever is lower;

Whereas, document AB-1704 further contemplates that “... the Bank will work with borrowing member countries to develop a market-based export financing mechanism, tailored to the needs of individual member countries of the region to finance intra- and extra-regional trade;”

Whereas, by Resolution AG-001/03 of February 5, 2003, the Board of Governors resolved to include international trade finance, including trade-related working capital, as eligible for private sector loans and guarantees as contemplated in document GN-2239-1 for a period of two years, subject to the terms of such document;

Whereas, the Board of Executive Directors, by document AB-2221, has forwarded to the Board of Governors the report of management recommending that the Board of Governors authorize the expansion of eligible private sector financing without sovereign guarantees to include trade finance activities as such were initiated pursuant to the International Trade Finance Reactivation Program for the Private Sector approved by Resolution AG-001/03, subject to modifications contained in document GN-2239-5;

The Board of Governors

RESOLVES:

1. To include trade finance, including trade-related working capital and guarantees issued over trade credit support instruments, as eligible for private sector loans and guarantees, as contemplated in document GN-2239-5.

2. For the purpose of the financing provided for in paragraph 1 above:
 - (a) for any individual project, the Bank's per project limit shall be determined by the Board of Executive Directors;
 - (b) such financing shall be included in the 10 percent ceiling established by Resolution AG-9/01 of December 12, 2001; and
 - (c) such financing shall not exceed US\$1 billion at any time.

3. This International Trade Finance Reactivation Program for the Private Sector shall have an indefinite duration, provided, however, that the Board of Executive Directors may terminate such Program at any time on or after the fifth anniversary of this resolution if the Board of Executive Directors determines that it is not satisfied with the results of the independent evaluation as set out in document GN-2239-5.

(Adopted 12 April 2005)

RESOLUTION CII/AG-1/05

FINANCIAL STATEMENTS OF THE
INTER-AMERICAN INVESTMENT CORPORATION

WHEREAS:

The external auditors of the Corporation, selected in accordance with Article IV, Section 2(c)(vii), of the Agreement Establishing the Corporation, have issued an unqualified opinion on the financial statements of the Corporation;

The Board of Governors

RESOLVES:

-That the financial statements of the Corporation with respect to the fiscal year ended 31 December 2004, containing the balance sheet and the statements of income and retained earnings and of cash flow, are approved.

(Adopted 11 April 2005)