

**Civil Society Concept Note: Conditions for a 9th Replenishment of the Inter-American
Development Bank
June 23, 2009**

As Member Countries assess the 9th replenishment proposal advanced by the Inter-American Development Bank (IDB), the undersigned civil society organizations provide these recommendations on leadership steps IDB should take in several critical areas. We would encourage Member Countries to ask the IDB to demonstrate improved performance in advance of the requested 9th capital increase.

Threshold Issues

* **IDB Governance:** The IDB remains a relatively closed institution, despite performance questions that demand greater openness. The current IDB management is failing systematically to consider the views of many within and outside the Bank on the terms of a global capital increase. This most recent evidence of an insulated and unaccountable style of governance damages the IDB's reputation, will diminish the effective management of financial resources, and continues a decline in institutional leadership in key development debates. **A formal mechanism that informs and involves civil society more systematically in the GCI** should be activated immediately to provide greater transparency, participation and accountability in the GCI process.

* **Reaching the Poorest:** The IDB lacks an adequate poverty reduction strategy. Bias toward middle income country lending, poor data, and inability to reduce inequality in the region have diminished the Bank's effectiveness in its core mission. The recently announced temporary 39% increase in concessional lending is a positive first step. However, the IDB should go farther to **eliminate blending**, offer **wider eligibility to emergency lending**, and permit **reprogramming of approved, undisbursed loans** for dealing with the short-term liquidity crisis. In the long-term, reaching the poorest will depend on **better analysis and bold leadership in tackling Latin America's inequality** as vital departures from recent trends. Poverty and inequality additionality criteria should be strengthened for private sector lending.

Top Recommendations

* **Managing for Development Results:** The IDB lacks an adequate system for evidence-based results management. The corporate performance indicators for the 8th replenishment and subsequent operations indicators were neither sufficiently rigorous nor matched by information systems that now permit a satisfactory accounting of IDB effort or achievement of results. **A full, independent performance review** that assesses compliance with the 1994 replenishment conditions and encompasses the 2007 institutional realignment is a pre-requisite to an overhaul of the IDB's results delivery system. Reforms should include **identification of meaningful corporate performance indicators, reorganization and strengthening of the internal and external performance evaluation function**, which should extend to the **allocation of greater funding and setting more ambitious evaluation targets**.

* **IDB and Sustainability: Climate-Energy-Forests:** **Despite some advances in mainstreaming environmental and social sustainability, its comparative advantage as a "green" bank in Latin America remains to be seen.** The IDB's capacity to provide high quality advisory services on the key challenges to sustainability have been hampered by institutional design, resource and leadership commitments. Recent initiatives on climate and sustainable energy have been at the margins of its core business, while poorly planned infrastructure and extractive sector investments have exacerbated land use contributions to GHG emissions. Given the IDB's plans to increase lending to infrastructure, the Environment Policy, its implementation mechanisms, and internal incentive structures must be updated to focus more on mitigation over harm prevention, adequate resources must be directed to address the primary challenges facing the region (climate change, biodiversity loss), and more invested into building regional institutional capacity, with special emphasis on the analysis and management of long-term,

indirect or cumulative impacts. Transforming the Sustainable Energy and Climate Change Initiative (SECCI) into a Bank division is positive, partial step toward a more necessary goal that should not come at the expense of charging all Bank departments with climate change responsibilities. The IDB must adopt **a more comprehensive climate change strategy** with specific targets on **supporting transformative changes in the region's energy and infrastructure sectors**. Such a strategy would provide the innovative leadership needed to support the development of low-carbon and climate resilient economies in LAC, including robust targets to increase financing for renewable energy, the phasing out of support for fossil fuels, and the protection of indigenous rights in establishment of forest governance.

Organizations that contributed to this proposal:

Amazon Watch (United States)

Bank Information Center (United States)

Both ENDS (The Netherlands)

Center for International Environmental Law (CIEL, United States)

Centro de Derechos Humanos y Medio Ambiente (CEDHA, Argentina)

Environmental Defense Fund (United States)

M'Bigua Ciudadanía y Justicia Ambiental (Argentina)

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