

Inter-American Development Bank Group

Multilateral Investment Fund (MIF)

| FY2002 Appropriation | FY2003 Scheduled Request | FY2003 Arrears Request | FY2003 Total Request |
|---------------------------------|-------------------------------------|-----------------------------------|---------------------------------|
| \$0 | \$0 | \$29.6M | \$29.6M |

The Multilateral Investment Fund (MIF), administered by the Inter-American Development Bank (IDB), works directly with private sector and public sector partners to strengthen the environment for business, build the capabilities and skills standards of the workforce, and broaden the economic participation of smaller enterprises. MIF's ability to partner directly with NGOs, business groups as well as government entities has made it an important instrument for reaching out to involve a broader spectrum of groups in the development process. MIF projects incorporate a significant degree of counterpart financing with a goal of having 50% of project cost borne by local counterpart contributions.

For FY2003, the Administration is requesting \$29.6 million to clear one-third of U.S. arrears to the MIF.

When the MIF was founded in 1992, the U.S. pledged to contribute \$500 million. To date, it has contributed \$411.25 million, leaving \$88.8 million in arrears.

Key Facts

- The MIF was established in 1992 as a key element of the United States' Enterprise for the Americas Initiative.
- The U.S. is the co-largest contributor with Japan. Each pledged \$500 million of the \$1.15 billion fund. Japan has provided its share of \$500 million.
- In 2001, the MIF donors approved \$93.5 million in projects, of which \$62 million were grants.
- In 2001, the U.S. did not make contributions to the MIF.
- Since its inception in 1992, the MIF has approved 466 projects for a total committed value of \$755 million.
- The MIF is providing highly-focused support for the privatization process in Latin America and the Caribbean through provision of technical assistance on regulatory and legal reforms and re-training of the workforce.

Terrorism

Barely two months after the September 11 terrorist attacks on the United States, MIF created a new line of activity of up to \$10 million in grants to help strengthen airport security in the countries of Latin America and the Caribbean. The goal is to help enhance civil aviation policies and regulatory frameworks, improve administrative services and train personnel in charge of surveillance and enforcement of new regulations.

Increasing Productivity

MIF approved a \$10 million grant to support a \$24 million program to provide job skills in information technology to disadvantaged youth in Latin America and the Caribbean. The program will create a dynamic partnership between NGOs, training centers, and the business community, and about 12,000 are expected to enroll in medium- and long-term training programs. Experiences and best practices in training youth for IT employment will be documented and disseminated throughout the region as part of the program.

Environment

- The MIF, as the anchor investor, committed \$10 million for the FondElec Latin American Clean Energy Services Fund to promote clean, efficient, and renewable energy services in the region. The Fund will pursue direct investments in energy-service companies that bundle together small- and medium-sized projects focused on improving the efficiency of production, distribution, and consumption of electricity or thermal energy.
- Venezuela: \$1.2 million technical cooperation grant for environmental and quality management systems and food safety implementation in small- and medium-sized enterprises.

Improving Borrower's Governance, Fiscal Transparency and Accountability

The MIF continued its efforts to promote the development of modern legal, financial and regulatory frameworks. Examples of projects approved in 2001 include:

- Nicaragua: \$1 million grant to help develop a more efficient and transparent national public procurement system, including establishing an electronic procurement information system, updating standards, improving internal control of the procurement process, and training for the private sector to foster its greater participation.
- Chile: \$1.25 million grant to help design an improved regulatory and legal structure that will form the basis for a new urban transit concession system.
- El Salvador: \$2 million grant for modernizing and strengthening the credit union and workers' bank system.

Microenterprise Development

- The MIF provides important support for microenterprises by funding financial intermediaries who serve them and by providing advice on the appropriate regulatory and supervisory framework for such intermediaries.
- In 2001, the MIF agreed to invest \$2.5 million in a trust fund that will invest in microfinance institutions in the region to benefit microentrepreneurs. MIF's investment will be administered by an affiliate of microlending pioneer ACCION International.
- Also, the MIF approved a \$1.47 million grant to support the growth of the microfinance industry in the region. It will support a Risk Assessment Grant Facility to help microfinance institutions purchase risk assessment services, and an Internet-based Information Exchange Web-site containing information on risk assessment and funding and helping match investors and creditors with microfinance institutions.
- The MIF approved a \$1.2 million technical cooperation grant to support the mobilization of savings by low-income groups in microfinance institutions in Bolivia.
- The MIF approved \$1.66 million of technical cooperation funding for the expansion of a new microfinance institution to rural areas in Ecuador to benefit small farms, rural microenterprises and small businesses.
- Also, the MIF approved a \$200,000 technical cooperation grant to strengthen financial institutions for microenterprise in El Salvador.

Information Disclosure

The Multilateral Investment Fund has been undertaking a major effort to improve information flow to the general public. In 2001, MIF made available in bound copies and on the Internet independent assessments of private-sector development needs and MIF accomplishments in labor reform, small business reform, and microfinance development. In 2002, the further enhancement of MIF's website is expected to greatly facilitate public access to information on all of the MIF's projects, programs and strategies.

Remittances

- The MIF approved a \$1.1 million grant to support the channeling of remittances from family members working abroad into productive entrepreneurial projects in three Mexican states.
- Also, the MIF approved a \$200,000 grant and a \$2 million credit line to Banco Solidario in Ecuador to reduce the costs of remittances by Ecuadorans living abroad and provide more resources for microenterprises in Ecuador.