MEMORANDUM OF UNDERSTANDING

between

THE EUROPEAN INVESTMENT BANK

and

THE INTER-AMERICAN DEVELOPMENT BANK

13 December 2004

MEMORANDUM OF UNDERSTANDING

between

THE EUROPEAN INVESTMENT BANK

and

THE INTER-AMERICAN DEVELOPMENT BANK

WHEREAS,

The Inter-American Development Bank (the “IDB”) is an international organization established to promote the economic and social development of its borrowing member countries, that has become the largest multilateral lender in Latin America and the Caribbean and a key provider of non-reimbursable technical assistance.

The European Investment Bank (the “EIB”) is the Financing Institution of the European Union (the “EU”), created by the Treaty of Rome, and the EIB shareholders are all the EU Member States. The EIB enjoys its own legal personality and financial autonomy within the EU system.

The EIB operates in Latin America under Mandates from the EU Council. The current ALA III Mandate has a total envelope of EUR 2,480 million of EIB own resources lending for projects of *mutual interest* of the EU and the partner countries in Asia and Latin America over the period February 2000 - January 2007. EIB lending in Latin America mainly supports private sector investment projects carried out by subsidiaries of EU companies or joint-ventures involving EU companies, and projects with high levels of transfer of technology from Europe or resulting in environmental improvements and regional integration. The EIB has signed individual Framework Agreements with most Latin American countries[1], which regulate its relations with the local governments.

The EIB operates in the Caribbean under the Cotonou Agreement of 23 June 2000. The Cotonou Agreement provides the funding for the EIB Investment Facility (IF) to the ACP (African, Caribbean and Pacific) countries. The EIB may also use its own resources to provide finance to promoters in ACP countries through a wide range of instruments, which can be tailored on a project-by-project basis to meet the specific needs of the clients. A combination of different instruments may be used to support the same project. Resources available through the IF amount to EUR 1,700 million. EIB own resources committed to the ACP countries for the same period amount to EUR 2,200 million.

The EIB and the IDB have an ongoing cooperation based on the parallel financing of projects. Both parties believe that deepening and extending their current cooperation, taking into consideration their respective comparative advantages, will result in an increased efficiency and effectiveness of their activities in the Latin American and Caribbean regions.

NOW, THEREFORE, =both parties have agreed to enter into this Memorandum of Understanding (the “MoU”) to provide an appropriate framework for future inter-

[1] Currently signed with: Argentina, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

institutional cooperation. Such cooperation between the EIB and the IDB shall be subject to the policies and procedures of the two institutions, and to such further agreements and approvals as may be required for specific proposed activities. The present MoU does not supersede, nor prejudge, other forms of cooperation between both institutions.

1. MUTUAL UNDERSTANDING AND MOTIVATION

Both institutions recognize their respective different characteristics, limits and resources available for their activities in Latin America and the Caribbean.

The EIB's ALA Mandate is an important mechanism of EU cooperation with Latin American partner countries, but represents only a small portion of the overall EIB lending activity. Staff and other resources available for Latin American operations are therefore limited and lending activity in Latin America has a clear operational focus mainly in support of European Foreign Direct Investment in Latin America, albeit with added development and environmental dimensions. Project preparation is delegated to the sponsors and the approval period is generally streamlined. When the EIB lends under the ALA Mandate, the political risk is covered by the EU budget. In the case of certain large scale, emblematic projects, the EIB could also lend beyond the resources available under the mandate provided it could externalize the political risks involved.

The IDB is a multilateral development bank established to promote the economic and social development of its borrowing member countries and is the largest multilateral lender and a key provider of non-reimbursable technical assistance to those countries. As such, the whole organization is geared towards achieving economic and social development objectives in Latin America and the Caribbean. The IDB therefore takes an active role in project preparation and technical assistance and is largely involved in public sector projects and programs, and increasingly in private sector ones as well as public-private partnerships.

The attractiveness for the EIB of a partnership with the IDB is driven by its aim to better support European Foreign Direct Investment in projects of mutual interest in Latin America and the Caribbean as well as infrastructure projects of regional integration. Its motivation is related to, among others: the support of the multilateral system through closer cooperation with the largest multilateral lender in Latin America and the Caribbean; the IDB's political reach and its convocational capacity and prestige; its extensive coverage of the Latin America and Caribbean regions and its capacity to identify and implement emblematic projects with both public and private partners; the IDB's ability to provide solutions which would allow for cooperation in the financing of projects beyond the ALA Mandate; and the appreciation of the economic, social development and environmental goals promoted by the IDB.

For the IDB the motivations include the attractiveness of the EIB as a strong financial partner operating in Latin America and the Caribbean; the EIB's private sector orientation, its access to European investors, and the importance of its role in support of EU Foreign Direct Investments in the region; the EIB's experience in Europe and other regions with public-private partnerships; its proven experience with the prioritization of investment projects and with long-term spatial planning issues regarding border-crossing infrastructure projects; and its ability to support large-scale infrastructure and its streamlined decision making capacity.

2. OBJECTIVE

By signing this MoU the EIB and the IDB agree, within the limits and resources of each institution, to strengthen their coordination with the aim of supporting projects of common interest which contribute, on the one hand, to the economic and social development of the Latin American and Caribbean regions, and on the other to facilitate further the financing of investment projects of mutual interest for Latin America, the Caribbean and the EU. This will be achieved by:

- cooperating, when possible, in the financing of projects of mutual interest for the EU, the IDB and partner Latin American and Caribbean countries;
- developing and modernizing regional infrastructure, and supporting projects of regional integration involving the private sector and public-private partnerships;
- paying due consideration to environmental and social sustainability of economic development; and
- developing risk-mitigating instruments designed to foster European Foreign Direct Investment and multilateral cooperation in the Latin American and Caribbean countries.

3. MODALITIES OF COLLABORATION

Based on the above-mentioned objective, the EIB and IDB have identified the following specific areas and modalities of collaboration:

3.1 Financing of projects.

A number of jointly financed projects already exist between the partners. Such arrangements are encouraged, wherever feasible and appropriate. The EIB and the IDB may independently finance different components of a given project, or interrelated projects. Each institution would administer its own loan according to its own policies, including those related to procurement of goods and services.

3.2 Cooperation in the context of PPP, IIIRSA and regional integration infrastructure projects.

Following an initiative of Mexico to invite Central American countries to work together on an ambitious regional integration plan**,** the Plan Puebla Panama (PPP) was launched in 2001 at a Mesoamerican presidential summit in San Salvador. In 2002, the Mesoamerican Presidents set a course towards regional action plans focusing on the following areas: energy interconnection; highway interconnection; telecommunications interconnection; tourism; environment; human development; disaster prevention; and promotion of trade and competitiveness.

The Integration Initiative of the Regional Infrastructure of South America (IIRSA) is an initiative of twelve countries of South America with the objective of modernizing and developing regional infrastructure in order to improve the competitiveness of their economies and promote economic and social development. It concerns the implementation of an integrated approach for the development of regional infrastructure, involving the private sector in the financing, construction and operation of infrastructure projects. Investments would be concentrated in key projects in the corridors of integration and special attention would be paid to environmental and social awareness in the design and development of projects.

The promotion by the IDB of the PPP and IIRSA initiatives has been positively noted by the EIB, which could be a partner for the IDB for the financing of both PPP and IIRSA related projects developed by the IDB as far as they include a European private sector involvement[2].

In this context, the EIB can also directly or indirectly be a source of technical assistance to the IDB in areas in which it has developed expertise. These would include policies, border-crossing projects, spatial planning issues, technical and infrastructure issues, private sector development, and public-private sector partnerships.

The EIB’s experience in financing Trans-European Networks (TENs) and infrastructure projects under public-private partnerships could be very valuable to the PPP and IIRSA initiatives. TENs were developed as the basic instrument of the European Spatial Development initiative. The EIB had to deal with issues of accessibility, peripherallity and the balance between solving central congestion and improving potential for regional development beyond country borders. TENs have become a field of major European interest and the discussion is open on factors such as multimodal integration and organizational and financial means to support them.

The expertise gained by the EIB in financing infrastructure projects under public-private partnerships in Europe and other regions resides in a wide number of EIB departments, many of which have no connection to operations in Latin America. The availability of resources would therefore be subject to assessment on a case-by-case basis. Financial arrangements will be made for the provision of technical assistance, travel, participation in joint missions including programming, exchanges of personnel and secondments.

3.3 Cooperating in Latin America beyond the ALA Mandate.

In the case of certain large scale, emblematic projects of mutual interest in Latin America, the EIB could also lend outside of the financial envelope of the ALA Mandate. Under such structure, the political risks borne by the commercial guarantors of the EIB loans would no longer be covered by the EU budget. Those risks would therefore have to be externalized. Given the IDB’s capacity to use different instruments to promote private sector investment in its borrowing member countries (such as loans and guarantees), the IDB and the EIB will

[2] It should be noted that the EIB has already signed a loan, intermediated through CABEI, in support of the SIEPAC power interconnection system in Central America.

jointly explore the possibilities for maximizing their respective catalytic capacities to attract private investment to the region.

3.4 Cooperating in the Caribbean through EIB's own resources and through the Investment Facility.

Projects eligible for EIB funding may be either privately owned or commercially-run public sector entities with sectors for investment including industry, agro-industry, mining, tourism, energy, communications and other revenue-generating infrastructure. Support for the financial sector is also a key focus area. Financing from the EIB will represent only a part of the total funding required by a project and is provided for the medium-long term with appropriate grace periods before repayments begin. Larger projects are supported by direct financing and smaller projects are handled indirectly by lines of credit through local financial institutions.

3.4.1. Loans under Cotonou

The essential difference between loans from the EIB's own resources and financing from the Investment Facility is that with its own resources the Bank takes only a very low level of credit risk, mitigated by guarantee/security arrangements, whereas with the Investment Facility, the EIB accepts credit risk and sets pricing accordingly. Senior debt is the sole own resources product whilst the Investment Facility provides a range of loan instruments ranging from senior debt to junior/subordinated debt to participating or conditional loans.

Cotonou provides for two cases where the interest rate on loans from the EIB's own resources or the Investment Facility may be subsidized:

a) Infrastructure projects in least-developed or post-conflict ACP countries, to assist with restructuring and/or to facilitate private sector input; and

b) Projects in the public or private sector with substantial social or environmental benefits.

Such subsidies are intended to reduce the financial cost of debt servicing by the ACP State concerned, while at the same time contributing to the development of sound infrastructure and/or to the financing of substantial social or environmental benefits.

3.4.2 Equity investments

The EIB may subscribe for direct equity participations in companies normally limited to financial institutions where the EIB's participation as a minority shareholder can offer "value-added" to the investee, and designed to be of temporary rather than permanent nature. Warehousing of shares by the EIB may also be considered. Also, the EIB may provide indirect financing to shareholders in ACP countries to assist them to subscribe for equity participation in local companies.

3.4.3 Guarantees from IF resources

Cotonou provides that the EIB will develop guarantee instruments from the Investment Facility. These guarantees may be for direct assistance to project financing, or in the indirect form of participation by the EIB in guarantee funds for Small and Medium Enterprises investments in the ACP States, or may be structured as guarantees of local bond issues by banks and companies to assist with the development of the long-term capital markets in the ACP States. The pricing of such guarantees will be determined on a case-by-case basis to reflect the risks being taken.

3.5 Informal consultation.

To the extent that each institution deems it appropriate for the fulfillment of the objectives set out in this MoU, and within the limits set by confidentiality agreements signed with third parties, the IDB and the EIB will collaborate through informal consultation and reciprocal sharing of information about their planned activities or multi-annual programming when appropriate, relevant policy and sector work, programs and projects, as the case may be. To this extent, representatives from both institutions will endeavor to meet for informal consultation at least once a year.

3.6 Staff exchanges and temporary secondments.

The partners may exchange or second staff temporarily in support of the objectives and collaboration modalities covered by this MoU, in accordance with the procedures laid down under the respective staff exchange policies of each institution. Such staff exchanges could also involve local offices. Terms or reference and conditions of such staff exchanges will be dealt with on a case-by-case basis and the respective Human Resources Departments will be involved.

4. OBLIGATIONS OF THE PARTIES

This MoU does not represent any commitment with regard to funding on the part of the parties hereto. Any such commitment shall be reflected in separate agreements that may be entered into by the parties under this MoU. Furthermore, this MoU shall not represent any commitment on the part of either party to give preferred treatment to the other in any matter contemplated under this MoU or otherwise.

Subject to their policies and procedures with respect to the disclosure of information, both institutions may make this MoU publicly available.

5. ENTRY INTO FORCE

This MoU shall enter into force on the date of its signature by the authorized representatives of both institutions and may be amended only by the written agreement of the parties.

6. TERM

This MoU will have a term of five (5) years from the date of its entry into force, and such term may be extended by the written agreement of the parties, subject to such evaluations as the parties deem appropriate.

7. TERMINATION

This MoU may be terminated by either party by giving three (3) month's advance written notice to the other. Notwithstanding, the parties shall take all the necessary actions to ensure that such termination would not be prejudicial to any activity in progress pursuant to said MoU.

8. LIAISON UNITS

All communications relative to this MoU should be channeled through the following units:

For the EIB:

Division of Latin America
Division Chief – Alberto Barragán
Phone – (352) 4379-6552
BARRAGAN@eib.org

For the IDB:

Financial Support Services Sub-department
Deputy Manager – Keisuke Nakamura
Phone – (202) 623-3954
KEISUKEN@iadb.org

IN WITNESS WHEREOF, each of the undersigned, being duly authorized therefore, have signed this Memorandum of Understanding in two (2) original counterparts in the English language, with effect on the date indicated above.

INTER-AMERICAN DEVELOPMENT BANK

____
Enrique V. Iglesias
President

EUROPEAN INVESTMENT BANK

____
Isabel Martín Castellá
Vice–President

Amendment No. 1

to the

MEMORANDUM OF UNDERSTANDING

between

THE EUROPEAN INVESTMENT BANK

and

THE INTER-AMERICAN DEVELOPMENT BANK

29 November 2009

Amendment No. 01

to the

MEMORANDUM OF UNDERSTANDING

between

THE EUROPEAN INVESTMENT BANK

and

THE INTER-AMERICAN DEVELOPMENT BANK

WHEREAS, the Inter-American Development Bank (hereinafter referred to as the “IDB”) and the European Investment Bank (hereinafter referred to as the “EIB”, and together with the IDB referred to as the “Parties”) entered into a Memorandum of Understanding dated December 13, 2004 (hereinafter referred to as the “MoU”);

WHEREAS, the objective of the MoU is to strengthen the Parties’ coordination with the aim of supporting projects of common interest which contribute on the one hand, to the economic and social development of the IDB’s borrowing member countries in the Latin American and the Caribbean regions, and on the other, to facilitate further the financing of investment projects of mutual interest to the Parties;

WHEREAS, since the signing of the MoU, the Parties have cooperated in activities conducive to the social and economic development of the IDB’s borrowing member countries;

WHEREAS, the Parties wish to continue their collaboration on matters of common interest and extend the term of duration of the MoU; and

WHEREAS, Section 5 of the MoU provides that the MoU may be amended only by the written agreement of the Parties.

NOW, THEREFORE, the Parties agree to amend the MoU as follows:

1. The third paragraph in the WHEREAS clause is hereby superseded, which shall now read as follows:

   “The EIB operates in Latin America under Mandates from the EU Council or under decisions from its Board of Governors, and under any other such decisions that may amend or supersede them. The current ALA Mandate has an indicative ceiling of EUR 2,800 million of EIB own resources lending for projects focusing on environmental sustainability (including climate change mitigation), as well as the continued support of EU presence in Latin America through Foreign Direct Investment and the transfer of and know-how. In addition, the EIB can also lend in Latin America under the Facility of Energy Sustainability and Security of Supply. EIB has signed individual Framework Agreements with most Latin American countries”

2. Sub-section 3.2 is hereby superseded, which shall now read as follows:

"3.2 Cooperation in the context of Mesoamerican Project (MP), Integration Initiative Regional Infrastructure of South America (IIRSA), Sustainable Energy and Climate Change Initiative (SECCI) and regional integration infrastructure projects.

The promotion by the IDB of the SECCI, MP and IIRSA initiatives has been positively noted by the EIB, which could be a partner for the IDB for the financing of SECCI, MP and IIRSA related projects developed by the IDB as far as they include a European private sector involvement or are otherwise eligible for EIB financing.

In this context, the EIB can also directly or indirectly be a source of technical assistance to the IDB in areas in which it has developed expertise. These would include policies, border-crossing projects, spatial planning issues, technical and infrastructure issues, urban development, sustainable energy and climate change projects and initiatives, private sector development and public-private sector partnerships. The IDB may also explore the possibility of providing technical assistance to the EIB in areas in which it has developed expertise, subject to the IDB's internal approvals, policies and procedures."

3. The first paragraph in Sub-section 3.4 is hereby superseded, which shall now read as follows:

"Projects eligible for EIB funding may be either privately owned or commercially-run public sector entities with sectors for investment including industry, agro-industry, mining, tourism, energy, communications, urban development, sustainable energy, climate and other revenue-generating infrastructure. Support for the financial sector is also a key focus area. Financing from the EIB will represent only a part of the total funding required by a project and is provided for the medium-long term with appropriate grace periods before repayments begin. Larger projects are supported by direct financing and smaller projects are handled indirectly by lines of credit through local financial institutions."

4. A new Sub-section 3.7 is included as follows:

"3.7 Cooperation in local currency borrowing, lending and hedging.

The EIB and the IDB may share their expertise, capacity and comparative advantages in order to provide local currency funding or hedging to their respective borrowers in Latin America."

5. A new Sub-section 3.8 is included as follows:

"3.8 Cooperation in the area of regional economic integration.
The EIB and the IDB may exchange best practices and experiences in the area of regional economic integration, including project financing and implementation of integration corridors in particular."

6. A new Sub-section 3.9 is included as follows:

"3.9 Exchange of information.

Any exchange of information between the EIB and the IDB shall be subject to their respective policies and procedures on the disclosure of information."

7. Sections 6 and 7 are hereby superseded by new Section 6, which shall now read as follows:

"This MoU shall remain in effect indefinitely unless terminated by either party with a written notice to the other party. No such termination shall affect contractual obligations already entered into by either party under this MoU.

8. Section 8 is hereby superseded by new Section 7, which shall now read as follows:

"All communications relative to this MoU should be channeled through the following units:

For the EIB:	For the IDB:
Division of Latin America Division Chief – Alberto Barragán Phone – (352) 4379-86552 barragan@eib.org	Office of Outreach and Partnerships in Europe Representative in Europe Carlos M. Jarque Phone - (33) 1 40693102 carlosj@iadb.org

Either party hereto may, by notice in writing to the other party, designate additional representatives or substitute other representatives for those designated in this Section."

9. This Amendment will enter into force on the date of its signature by the Parties hereto and will constitute an amendment to, and form an integral part of, the MoU.

10. For the avoidance of doubt, all other terms and provisions of the MoU not expressly modified herein shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto, each acting through its duly authorized representative, have signed this Amendment in two (2) original counterparts in the English language in Lisbon, Portugal on this 29th day of November, 2009.

INTER-AMERICAN DEVELOPMENT BANK	EUROPEAN INVESTMENT BANK
________(signed)_______	________(signed)_______
Luis Alberto Moreno	Carlos da Silva Costa
President	Vice-President