Inter-American Development Bank – Aaa stable

Regular update

Summary
The Inter-American Development Bank (IADB) is one of the premier development institutions focused on Latin America. The bank’s credit profile is underpinned by its strong capital base, solid commitment from shareholders, prudent financial management and preferred creditor status. The IADB’s loan book is subject to concentration risk given its regional lending focus, although this risk is partially offset through exposure exchange agreements (EEA).

Exhibit 1
The Inter-American Development Bank’s credit profile is determined by three factors

<table>
<thead>
<tr>
<th>Capital adequacy</th>
<th>Liquidity and funding</th>
<th>Qualitative adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>a3</td>
<td>aa1</td>
<td>+1</td>
</tr>
</tbody>
</table>

Preliminary intrinsic financial strength: aa3

Adjusted intrinsic financial strength: aa2

Strength of member support: Very High

Scorecard-Indicated Outcome Range: Aaa-Aa2

Credit strengths
» A solid capital base and preferred creditor status
» Strong commitment from non-borrowing shareholders
» Sound financial management

Credit challenges
» Credit concentration derived from regional mandate
» Exposure to high-risk countries with volatile macroeconomic environments
Rating outlook
The stable rating outlook reflects our expectation that the IADB will maintain its robust financial metrics over the coming years by continuing to adhere to its capital and liquidity risk policies. Additionally, the bank’s shareholders will continue to support the IADB’s role as a promoter of economic and social development in Latin America and the Caribbean (LAC), and that its borrowing members will continue to grant the IADB preferred creditor status.

Factors that could lead to a downgrade
Downward pressure on the rating could emerge if asset performance were to deteriorate significantly, as a result of large borrowers falling into arrears on their obligations to the bank, because this could challenge the IADB’s established preferred creditor status. Additionally, negative credit pressure would arise in the case of severe financial stress, if member countries were perceived to be unable or unwilling to provide contractual or other extraordinary forms of support to preserve the bank’s financial health. We consider these low-probability scenarios.

Key indicators

<table>
<thead>
<tr>
<th>IADB</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<td>Total Assets (USD million)</td>
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<td>Development-related Assets (DRA) / Usable Equity [1]</td>
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<td>Non-Performing Assets / DRA</td>
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<td>Liquid Assets / ST Debt + CMLTD</td>
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<td>25.2</td>
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<td>Callable Capital / Gross Debt</td>
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<td>170.0</td>
<td>149.3</td>
<td>144.5</td>
<td>159.0</td>
<td>152.3</td>
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</table>

[1] Usable equity is total shareholder’s equity and excludes callable capital
Source: Moody’s Ratings

Profile
The Inter-American Development Bank (IADB) was established in 1959 to address the social and economic development needs of LAC, making it the world’s first regional development bank. The bank’s members include 26 borrowing countries and 22 non-borrowing countries. The five largest members by subscribed shareholding are the United States of America (Aaa negative), Brazil (Ba2 stable), Argentina (Ca stable), Mexico (Baa2 stable) and Japan (A1 stable). As of year-end 2023, the relative voting power among member countries was as follows: LAC: 50.015%; the US: 30.006%; Canada (Aaa stable): 4.001%; and non-regional members: 15.979%.

The bank channels all of its financing through its Ordinary Capital (OC) lending program. The resources of the OC window consist of member countries’ paid-in capital, and the bank’s retained earnings and callable capital, which provides the ultimate backing for borrowings and guarantees. The IADB makes loans primarily to governments, government agencies and development institutions (the sovereign-guaranteed portfolio) and provides technical assistance in its borrowing member countries in the region. Sovereign-guaranteed lending mainly involves project-based and policy-based loans. Project-based loans are used to finance economic and social development projects in a broad range of sectors, while policy-based loans support structural and institutional reforms with the aim of promoting sustainable growth in borrowers’ economies. Private sector operations (nonsovereign guaranteed portfolio) will be phased out over time as part of the IADB group’s Renewed Vision process that started in 2016, with IADB cofinancing ending in 2022.\(^{1}\)

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.
Detailed credit considerations

Our determination of a supranational’s rating is based on three rating factors: capital adequacy, liquidity and funding, and strength of member support. For Multilateral Development Banks (MDBs), the first two factors combine to form the assessment of intrinsic financial strength as illustrated on the cover page graphic. Additional factors can affect the intrinsic financial strength, such as risks stemming from the operating environment or the quality of management. The strength of member support is then incorporated to yield a rating range. For more information, please see our Supranational Rating Methodology.

**FACTOR 1: Capital adequacy score: “a3”**

The IADB’s “a3” capital adequacy score reflects its “baa2” capital position, which incorporates our expectation that leverage will remain stable over the coming years; its “baa” development asset credit quality (DACQ), which reflects the IADB’s focus on public sector operations and benefits from its preferred creditor status, and its portfolio diversification within the LAC region and low nonperforming assets (NPA), which support a score of “aa3” for asset performance. Other MDBs with an “a3” capital adequacy score include the African Development Bank (Aaa stable) and the Nordic Investment Bank (Aaa stable).

**Leverage remains stable and at moderate levels relative to Aaa-rated peers**

The IADB’s usable equity reached $38.8 billion in 2023. Between 2012 and 2016, new paid-in capital contributions by members under the ninth general capital increase (GCI) were an important driver of equity growth. Retained earnings have expanded at 4.1% on average per year in 2016-23, also supporting the bank’s own ability to increase its capital. On the asset side, net loans have grown at a moderate pace of 5.2% on average per year from 2016 to 2023, which included the bank’s response to the coronavirus pandemic in 2020-21. Total outstanding loans reached $116.2 billion in 2023.

The IADB’s capital position, as informed by the leverage ratio — measured as development-related assets (DRA)/usable equity — was 303% in 2023 and scores at “baa2” (see Exhibit 3). While the leverage ratio rose in 2020 because of the impact of the pandemic, it has returned to levels recorded before the Fund for Special Operations (FSO) transfer in 2017 and remains broadly stable. Over time, and in line with its leverage limit of 400% debt/equity (with an operational cap at 380%), the IADB’s development portfolio growth has been broadly in line with its organic equity growth (that is, retained earnings), which supported the stability of its leverage.

We expect this trend to continue, thus supporting the IADB’s moderate leverage levels compared with other Aaa-rated peers (see Exhibit 4), and to remain lower than other large peers like the International Bank for Reconstruction and Development (IBRD or World Bank, Aaa stable) or the European Investment Bank (EIB, Aaa stable).

**DACQ benefits from preferred creditor status and portfolio diversification**

Our DACQ assessment of “baa” for the IADB starts with the weighted average borrower rating (WABR) of its loan portfolio. Over the past decade, the credit quality of LAC sovereigns to which the IADB lends has deteriorated, pushing a larger share of the portfolio to...
the lower end of the rating scale (see Exhibit 5). The IADB’s WABR fell to Caa1 in 2022, where it still remained in 2023, because the exposure to Argentina became its largest (see Exhibit 6). Additionally, multiple investment-grade borrowers, including Chile (A2 stable) and Mexico, have undergone downgrades in recent years. The WABR had previously been at higher levels: at B3 in 2020-21 and Ba3 in 2009-17. Despite this relatively low current borrower credit quality, the IADB benefits from its preferred creditor status, particularly because sovereign loans represent 97% of the total lending portfolio. Over the past three decades, there have been examples of governments fulfilling their loan repayments to the bank even when defaulting on market debt and those that fell into arrears with the bank eventually repaid their obligations with minimal losses for the IADB.

The IADB’s regional mandate creates a degree of portfolio concentration. However, over the past decade, the IADB has reduced its top exposures — its top five exposures before risk transfer schemes represented 59.1% of total sovereign-guaranteed loans in 2023, down from 71% in 2012, supported by the bank’s commitment to deliver more resources to smaller and medium-sized countries. The IADB has entered into EEA with other MDBs, helping reduce concentration risks. While Argentina was the largest sovereign exposure in 2023 (followed by Brazil and Mexico), its share was 13.7%, down from 14.5% after the EEA, and generally in line with prior years. All exposures fall within the bank’s single-country limit of 18% of total loans. Overall, the portfolio is well diversified by country as shown by the geographical diversification of the DRA portfolio reflected in a Herfindahl-Hirschman Index for country exposure of 7.2% in 2023 (down from 10% in 2017).

Despite Venezuela’s arrears, the IADB maintains strong asset performance because of its preferred creditor status

The IADB’s asset performance has historically been very strong as nonperforming loans had typically corresponded to the bank’s nonsovereign guaranteed loan book. However, in May 2018, the IADB announced that Venezuela (C senior unsecured stable) had missed payments on its loans for more than 180 days. As a result, the bank placed Venezuela in nonaccrual status, the first time that an IADB sovereign borrower received that designation since Suriname (Caa3 stable) in 2000-01.3 Venezuela’s nonpayment is credit negative for the IADB, but it has a very limited impact on the bank’s credit profile because of the bank’s strong policies, which ensure that this type of event does not significantly affect its capital adequacy and liquidity metrics.

The IADB has specific guidelines for when sovereign-guaranteed exposures fall into arrears. As a matter of policy, the bank does not reschedule its sovereign-guaranteed loans. Additionally, the bank would take different actions depending on how long the sovereign loan has been in arrears. After a sovereign borrower is late beyond 180 days, the bank cannot undertake any lending activities with this borrower until its arrears are cleared.

Per the IADB’s treatment of nonperforming sovereign-guaranteed loans, its full exposure to Venezuela ($2,011 million) was placed in nonaccrual status. However, as of year-end 2023, $1,048 million in principal had been overdue for more than 90 days ($882 million in 2022). Even if we take the full exposure amount, Venezuela only accounts for 1.7% of total loans and 5.2% of equity. The IADB is not disbursing any additional loans to Venezuela, and would need to be repaid the principal and interest past due before any new disbursements could be considered.
As of year-end 2023, non-sovereign-guaranteed loans with payments late by 90+ days were $27 million. In addition to Venezuela’s nonperforming loans, this figure translated into NPA/total DRA (NPA ratio) of 0.91% in 2023, resulting in an asset performance score of “aa3.” At this level, the IADB is in line with the Aaa median of 0.5% in 2022.

**FACTOR 2: Liquidity and funding score: “aa1”**

The IADB’s “aa1” liquidity and funding is supported by strong liquidity coverage, with an availability of liquid resources score of “a2,” and a quality of funding assessment score at “aaa,” and in line with the IBRD, EIB and the [Asian Development Bank](https://www.adb.org) (ADB, Aaa stable).

**Strong liquidity coverage stems from conservative liquidity management**

We assess the IADB’s liquidity coverage to be strong in case of a stress scenario, which would include the bank not being able to tap financial markets. The IADB's liquid resources ratio, which sizes its high-quality liquid assets relative to its net outflows from uninterrupted net loan disbursements, debt repayment and administrative costs, scores “a2” and shows that the bank holds enough assets to sustain its functioning for more than 18 months. In particular, the IADB’s liquid assets have covered on average 184% of debt service requirements and 33% of total debt over the past five years 2019-23.

The bank's liquidity position will remain stable as a result of its liquidity policy. The policy manages liquidity based on expected future cash outflow needs. It dictates that the bank’s liquid assets must cover at a minimum 12 months of projected net cash requirements, after accounting for liquidity haircuts. The bank is consistently compliant with its policy.

**Treasury portfolio is highly liquid and quality is strong**

To comply with its liquidity policy, the bank’s investments are highly liquid and are held in high-quality securities. As of year-end 2023, the IADB held $32.2 billion in liquid assets. Of these assets, 93% were rated Aaa-Aa3/P-1. Around half of the assets have a maturity shorter than one year, and the majority were held in sovereign bonds, while other types of investments such as agency, supranational and sub-sovereign assets have increased their share in recent years.

**Large and diversified borrowing program underpins very strong and stable access to funding**

We assess the IADB's quality of funding as “aaa” because of its very strong and stable market access. The primary objective of its borrowing policy is to obtain the necessary resources to finance its lending program at the best possible cost for its borrowing members while ensuring that it achieves its volume and investor diversification strategies in various markets. The bank’s medium- and long-term borrowings consist mostly of bonds. The IADB also has short-term borrowing facilities, including a discount note program.

The bank’s large, established annual borrowing program includes strategic benchmark global bond issues and smaller transactions targeted at particular segments of demand. The IADB's borrowings are highly diversified in terms of currencies — as of year-end 2023, the bank had outstanding borrowings in 18 currencies — although a large majority was denominated in US dollars. Foreign-currency risk is effectively eliminated by the bank’s policies, which require the matching of after-swap borrowing obligations in any one currency with assets in the same currency while maintaining equity in US dollars.

An important factor supporting our assessment of “aaa” quality of funding is the diversification of the IADB’s investor base. In terms of geography, investors from across the world buy the IADB’s bonds (see Exhibit 7), and the majority are banks or central banks/public institutions (see Exhibit 8).
Qualitative adjustments to intrinsic financial strength

Operating environment
We do not apply any negative adjustments to the IADB’s intrinsic financial strength because of its operating environment. Even though IADB’s sovereign borrowers have faced more challenging macroeconomic and financial conditions in the context of the pandemic and interest rate shocks in recent years, we do not expect a significant deterioration in terms of asset performance.

Quality of management
We apply a “+1” notch adjustment to quality of management to reflect the IADB’s very strong willingness and capacity to adopt best-in-class practices, and also its practice of proactively updating risk policies to adapt to changing financial and economic conditions affecting its own credit profile and that of its borrowing members. Over the past few years, the IADB has adapted its capital adequacy and liquidity policies to ensure that its credit profile is consistent with its Aaa rating, while also creating capital buffers that would allow it to rapidly respond to increased demand for countercyclical loans by its borrowing members. These policies have translated into strong credit metrics that support the IADB’s “aa2” adjusted intrinsic financial strength.

FACTOR 3: Strength of member support score: “Very High”
Our assessment of the IADB’s strength of member support is “Very High,” above the adjusted score of “High.” The IADB’s members have a very strong willingness to support the entity if support were required, both in terms of contractual obligations — via a robust callable capital buffer — and non-contractual displays of support. While the members’ ability to support appears to be moderate given a weighted average shareholder rating (WASR) of Ba1, highly rated non-borrowing members, the US in particular, have a greater ability to support the bank if needed than implied by the WASR metric.

Favorable member structure
The IADB’s member base consists of borrowing regional developing members and non-borrowing regional and non-regional advanced members. Despite the US owning 30%, the overall shareholder distribution has low concentration — in addition to the US, Canada is a non-borrowing regional member, and there are also non-regional members from Europe and Asia. The bank has a very favorable member base profile, with low financial and economic links among members, and low correlation among members and assets. This differs from other regional development banks that have low member base diversification, where countries from the region in which they lend dominate.

The presence of non-borrowing members adds to the strength of the IADB’s member support because it results in low correlation among members and assets. The bank would face stress if a large number of its borrowers were to default on its loans. Those defaulted members, in turn, would be highly unlikely to provide financial assistance to the bank. The non-borrowers that did not already contribute to the bank’s stress would more likely be able to step in and provide financial assistance.
**Ability of member base to provide support stronger than implied by average credit quality**

Two-thirds of the IADB’s member base (based on their capital subscriptions) are rated Baa3 or higher, consistent with the prior year, that is, 2022. However, in recent years, some large regional members such as Brazil, Argentina and Venezuela experienced a deterioration in their sovereign credit profiles, which has weighed on the IADB’s WASR. The WASR fell to Ba1 in 2019 and remained at that level through 2023, but was Baa3 in 2013–18. However, the members’ ability is undercounted by this metric given the large share of highly rated shareholders, and the non-borrowing members in particular. The US, as the largest shareholder, subscribes a significant portion of capital at 30%.

This is among the highest levels of ownership that the US has among all of the MDBs in which it participates, indicating a relatively strong sense of ownership.

**Willingness to support is very strong**

Shareholders’ willingness to provide contractual support is very strong as denoted by the IADB’s large callable capital buffer. The bank’s callable capital can be used only to meet its obligations on borrowings and guarantees that arise from its OC operations. Callable capital is considered a “full faith and credit obligation” of each member government. Each member’s requirement to pay its callable capital is independent of that of the other members. If any member fails to meet its obligations, the bank must make successive calls until the full amount required is obtained; no country, however, can be required to pay more than its total callable subscription. The IADB has never called capital.

As of year-end 2023, the IADB’s callable capital covered 152% of its borrowings. This is a strong capital buffer compared with that of other large Aaa-rated MDBs — the IBRD’s ratio was 125% in 2023, and for the ADB and the EIB, these were 102% and 53%, respectively, in 2022.

**ESG considerations**

**Inter-American Development Bank’s ESG credit impact score is CIS-1**

![CIS-1](image)

ESG considerations have a positive impact on the current rating which is higher than it would have been in the absence of ESG considerations.

**Source: Moody’s Ratings**

IADB’s CIS-1 credit impact score reflects its very strong governance, and benefits from low social risk exposures and a contained exposure to environmental risks. The continued demonstration of best in class risk management practices allows the IADB to operate in a region where some borrowers face particularly steep credit challenges and still maintain its own robust credit metrics. Additionally, the effectiveness of the fulfillment of its development mandate in the Latin American and Caribbean region leads to very high support from its shareholders.
Exhibit 10
ESG issuer profile scores

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<thead>
<tr>
<th>ENVIRONMENTAL</th>
<th>SOCIAL</th>
<th>GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-2</td>
<td>S-1</td>
<td>G-1</td>
</tr>
</tbody>
</table>

Source: Moody’s Ratings

**Environmental**
IADB’s environmental issuer profile score of E-2 balances the overall exposure to environmental risks of its borrowers in Latin America and the Caribbean against the large differentiation and diversification of its lending portfolio and commitment to sustainable energy and climate risk mitigation projects. To help the region build resilience against physical climate risks, enhancing its development mandate – in 2023, 90% of project approvals had an element of climate change mitigation and/or adaptation. By effectively contributing to this strategic priority, these projects will in turn reduce environmental risks on IADB’s loan portfolio.

**Social**
IADB’s S-1 social issuer profile score reflects the bank’s role as the largest multilateral lender in Latin America and its focus and impact on regional socioeconomic development, especially given demographic and societal trends. In 2023, 78% of project approvals had an element of social inclusion and equality. IADB has developed specific programs to address important issues affecting the region such as the migration crisis. This is also manifested in responsible production of lending products available to IADB’s borrowers, particularly to support vulnerable populations following the deterioration of socioeconomic conditions caused by the pandemic. Related to this, IADB issues social bonds under its Education, Youth and Employment (EYE) program, where proceeds are used specifically for projects related to these social issues.

**Governance**
IADB’s G-1 governance issuer profile score benefits from the bank’s high quality of management and a strong track record of implementing sound financial strategies and prudently managing risks. IADB is among the best in class among multilateral development banks in terms of developing and applying risk management practices and demonstrates a very high degree of transparency in its financial disclosures.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

All of these considerations are further discussed in the “Detailed credit considerations” section above. Our approach to ESG is explained in our cross-sector methodology General Principles for Assessing Environmental, Social and Governance Risks. Additional information about our rating approach is provided in our Supranational Rating Methodology.
Recent developments

New Institutional Strategy to expand scale and impact of the IADB’s operations

The IADB’s board of governors approved a new Institutional Strategy at the group’s annual meeting in March 2024 that promises to significantly increase the scale and impact of the IADB’s work in the region. The group, including both the IADB and IDB Invest, aims to increase lending capacity by up to $112 billion over the next 10 years. To support the growth in financing, the group hopes to unlock $50 billion from the IADB via balance-sheet optimization, and another $62 billion from IDB Invest via balance-sheet optimization as well as new capital and mobilization. Moreover, new financial instruments such as debt-for-nature swaps and contingent debt relief clauses are also cited as potential avenues for the group to redistribute risk, gain more additional capital and mobilize more resources.

At its core, the Institutional Strategy focuses on three objectives: reducing poverty and inequality; addressing climate change; and bolstering sustainable regional growth. The framework calls for ambitious reforms to the current operations model of the IADB Group, in line with calls for global MDB reform, with a significant push for shifting to a new results-based, programmatic approach. In particular, the IDB Group aims to adopt a new Impact Framework that will provide new metrics with which the group’s performance can be monitored and measured.

Continued moderation of the IADB’s loan approvals and disbursements

As of year-end 2023, the IADB had accumulated approvals totaling $12.5 billion including loans and guarantees, whereas gross disbursements totaled $11.1 billion. Out of 23 total recipients countries, the five largest recipients were Brazil ($2.4 billion), Argentina ($1.7 billion), Colombia (Baa2 stable, $1.4 billion), Peru (Baa1 negative, $1.1 billion) and Ecuador (Caa3 stable, $0.9 billion).

Both figures for loan approvals and disbursements are in line with the trend of slowing loan growth after the spike in activity during the pandemic in 2020 and 2021, which will maintain a stable leverage ratio. For 2024, the IADB expects approvals and disbursements to be $16.6 billion and $10.3 billion, respectively. Absent any new shocks, we expect that IADB new lending operations and equity growth will support the stability of its leverage.

Exhibit 11
Loan growth has slowed, but approvals are likely to rise in 2024
Loan approvals and gross disbursements, $ billions

Sources: The IADB and Moody’s Ratings
# Rating methodology and scorecard factors: IADB - Aaa stable

<table>
<thead>
<tr>
<th>Factor / Subfactor</th>
<th>Metric</th>
<th>Initial score</th>
<th>Adjusted score</th>
<th>Assigned score</th>
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<td>Development asset credit quality (10%)</td>
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<td>Asset performance (20%)</td>
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<td>Quality of funding (40%)</td>
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<td><strong>Factor 3: Strength of member support (+3,+2,+1,0)</strong></td>
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<td>Ability to support (50%)</td>
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<tr>
<td>Willingness to support (50%)</td>
<td>Contractual support (25%)</td>
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<td>Non-contractual support (25%)</td>
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**Scorecard-Indicated Outcome Range**

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<th></th>
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<th>Aaa-Aa2</th>
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<td><strong>Rating Assigned</strong></td>
<td></td>
<td>Aaa</td>
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**Note:** Our ratings are forward-looking and reflect our expectations for future financial and operating performance. However, historical results are helpful in understanding patterns and trends of an issuer’s performance as well as for peer comparisons. Additional considerations that may not be captured when historical metrics are used in the scorecard may be reflected in differences between the adjusted and assigned factor scores. Furthermore, in our ratings we often incorporate directional views of risks and mitigants in a qualitative way. For more information please see our Multilateral Development Banks and Other Supranational Entities rating methodology.

**Source:** Moody’s Ratings
Related websites and information sources

» Moody's Supranational web page

» Moody's Sovereign and supranational rating list

» Inter-American Development Bank web page

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Endnotes

1 The IADB Group’s private sector operations have fully transitioned toward the Inter-American Investment Corporation (IDB Invest, Aa1 stable) as part of the Renewed Vision resolution agreed by the Board of Governors in 2015, with the end result being that the IADB has discontinued booking new private sector loans since 1 January 2023. The process involved a capital increase for IDB Invest in 2016-22, in addition to conditional capital transfers from the IADB to IDB Invest in 2018-24 (total of $725 million). During 2016-22, the IADB cofinanced lending operations to the private sector with IDB Invest. This refocusing of private sector activity within the IADB group will not have an impact on the IADB’s creditworthiness.

2 Events that are illustrative of the bank’s preferred creditor status include the following: First, when Ecuador (Caa3 stable) defaulted on its bonds in 1999, 2008 and 2020, the country continued to service the IADB’s loans without interruption. Also, the social bond issued by the government of Ecuador with a guarantee by the IADB was excluded from debt restructurings in 2020. Second, after Argentina fell into arrears at the peak of its crisis in 2002, the government made the payments necessary within the first 30 days of being past due, thus avoiding a suspension. Finally, Belize (Caa2 stable) restructured its debt with private bondholders in 2017, its third restructuring since 2006, while continuing to service its loans with the bank without interruption.

3 Since the bank’s establishment in 1959, only six borrowing countries have been placed in nonaccrual status by the IADB. The maximum aggregate balance in nonaccrual status had never exceeded 8% of total loans outstanding at the time. Venezuela has now had the longest nonaccrual status, previously Panama (Baa3 stable) at almost four years, while Peru (Baa1 negative) had the largest amount in nonaccrual. These episodes of nonaccrual did not reflect an unwillingness to repay the IADB but rather the governments were unable to pay because of political and economic crises. The fact that Venezuela had payments overdue for more than 180 days with the IADB shows that its current liquidity position is very constrained, particularly as declining oil production has increased its cash flow stress.

4 As of year-end 2023, the US’ total subscription was $54.2 billion, of which $1.8 billion was paid-in capital stock, $2.9 billion was additional paid-in capital and $49.5 billion was callable capital. In terms of the callable portion, $3.8 billion was authorized and appropriated without fiscal year limitation by the US Congress. That implies that no further appropriation is necessary to enable the US Treasury to pay this amount, if any part were to be called. The balance of the US’ callable capital of $45.7 billion was authorized by Congress, but has not yet been appropriated. An opinion of the General Counsel of the Treasury dating back to 1979 stated the following: appropriations were not legally required to back subscriptions to callable capital unless — and until — payment was required of the US on a call made by the bank; an appropriation was not required to make US callable capital a binding obligation backed by the full faith and credit of the US; and an obligation contracted by the US — pursuant to a Congressional grant of authority — is fully binding for constitutional purposes, notwithstanding that a future appropriation might be necessary to fund that obligation.