



December 10, 2021

United States House of Representatives  
Washington, DC 20515

Dear Members of Congress:

The undersigned organizations write to urge you to oppose authorization for a General Capital Increase (GCI) for the Inter-American Development Bank (IDB) before negotiations take place between the U.S. Government, other shareholders, and IDB management on a proposed GCI. The *United States Innovation and Competition Act of 2021* recently passed the Senate, including language authorizing a GCI at the IDB, even though one has yet to be negotiated.

As organizations that work closely on issues related to Multilateral Development Banks (MDBs), we recognize the critical role that U.S. leadership has played in increasing the transparency, accountability, and developmental effectiveness of these institutions. Negotiations on GCIs at the MDBs, including the IDB, are critical moments for the U.S. to push the institutions to adopt and implement policies to protect the environment and project-affected communities from the potential negative impacts of development projects.

Unfortunately, in recent years, the IDB has financed projects with significant negative impacts, including projects that other development institutions deemed too destructive to support. In Chile, the IDB is financing the Alto Maipo Hydroelectric Project which threatens the water supply of seven million people in Santiago. The World Bank's private sector lending arm, the IFC, divested from the project in May of 2018 over concerns for the viability of the project, however the IDB has remained. Now Alto Maipo, the U.S. subsidiary of AES Corporation, has filed for bankruptcy, claiming the project will never be fully operational due to diminished river flows. Additionally, in late 2020, the IDB approved a \$20 million investment in the Jilamito Hydroelectric Project in Honduras over the objections of local communities. In May of 2021, the US's own Development Finance Corporation (DFC) declined to support the project when its human rights due diligence process turned up significant human rights concerns.

If Congress passes a GCI authorization before the negotiation process even begins, the U.S. will lose leverage in the negotiation process. This will limit the ability of the U.S. to press the IDB to raise its policies around accountability, transparency, stakeholder engagement, and environmental and social risks to prevent the financing of harmful projects like those described above. Further, congressional authorization for a GCI at the IDB prior to negotiations is contrary to precedent and against established norms. Therefore, we encourage you to oppose premature

congressional authorization for a GCI to preserve the U.S.'s ability to play a leadership role in negotiations around any GCI.

Sincerely,

Bank Information Center  
Center for International Environmental Law (CIEL)  
Amazon Watch