

THE IDB, POVERTY AND RACIAL DISCRIMINATION

October 27, 2009

EXECUTIVE SUMMARY

Development organizations and multilateral aid agencies agree that Latin America, as a region, exhibits the highest levels of income and wealth inequality in the world, and conservative estimates show that poverty now affects over 180 million people.¹ The population of the region includes over 150 million Afro-Latinos¹ and 50 million Indigenous people,² who, together, make up 40 percent of the region's total population and are disproportionately represented among the poor.³

The Inter-American Development Bank (IDB), established in 1959, is the most important multilateral lender to the region, and the application of the principle of racial equality in the identification, preparation, and implementation of IDB programs or projects, as well as in its hiring, retention, and promotion practices, remains a challenge.

Substantial resources of the IDB come through periodic capital replenishments: the contributions of donor governments. The most recent of these increases was the Eighth Replenishment, approved in 1994, which made the US contribution contingent on the Bank's commitment to lending for poverty alleviation. The Bank is currently negotiating its Ninth Replenishment.

In the context of the Bank's Ninth Replenishment, US taxpayers will be asked once again to contribute significant capital resources.⁴ At the same time, in the US, the plight of Afro-Latinos, as well as Indigenous communities, has attracted high-level concern. In June, 2009, Afro-Latinos and Indigenous members of IDB watchdog groups approached the Government Accountability Project (GAP)⁵ about the lack of projects and loans designed to address the needs of their communities, as well as the under-representation of these populations on the Bank's staff. Sources also reported that the lack of targeted lending for projects to benefit Afro-Latino and Indigenous communities represents a violation of the conditions placed on the Eighth Capital Replenishment, made 15 years ago. Since hearing these concerns, GAP has examined the issue by interviewing current

¹ The term 'Afro-Latino' is used to identify a person of African descent born in one of the Spanish or Portuguese speaking countries of Latin America and raised in a household identifying with the norms, folkways, and values of Hispanic and Black cultures.

² Estimates are based on the number of respondents to surveys and censuses typically self-identify as Indigenous or report proficiency in an Indigenous language.

³ In June, nine non-governmental organizations (NGOs) delivered to IDB management a "Concept Note," in which they explained their concern that the lending of the IDB had failed, over the years, to reduce poverty and inequality in the region.

⁴ The single largest shareholder of the IDB is the United States, which controls 30 percent of the voting power and contributes 30 percent of the capital stock.

⁵ GAP is an NGO and law firm that represents whistleblowers in Washington, DC.

and former staff at the Bank, surveying knowledgeable observers, analyzing project information where available and reviewing published personnel data for 2007, the most recent year for which information is available. Official project and personnel information was provided by the US Executive Director's office and the IDB in response to written questions (Appendix A).

In the past, the IDB faced significant obstacles in addressing poverty as it affects Afro-Latino and Indigenous populations subject to racial and ethnic discrimination: the myth of "racial democracy" strongly prevailed in the region. According to this theory of race relations, the racially excluded could overcome the effects of discrimination through intermarriage or the accumulation of wealth. A growing body of national data demonstrating the persistence of inter-generational racial discrimination and poverty has challenged this myth, however, and many countries have enacted legislation to mitigate the negative impact of racial and ethnic exclusion. In contrast, the IDB has lagged behind on this front and the myth lives on there, most evidently in the lack of targeted lending and projects for the populations suffering this type of discrimination, and in the Bank's own personnel practices.

Information released by the IDB shows that the institution lent approximately \$45 billion between 2001 and 2005. During the same period, \$58.3 million in loan funds supported projects that incorporated components explicitly benefiting Afro-Latino and Indigenous communities – approximately 0.13 percent of total lending and technical cooperation grants (Appendix A). And yet, according to studies prepared for the World Bank and the [US Congress](#), over 50 percent of the poor in the region are Afro-Latino and Indigenous people.ⁱⁱ

The Bank's most visible effort to address the needs of these two populations was the Social Inclusion Trust Fund, operated between 2003 and 2006. Resources from the Fund financed grants to support small pilot projects (maximum amount US\$80,000). Staff members familiar with lending negotiations reported that governments expressed an unwillingness to scale up these projects using loan funds if the project objectives explicitly identified Afro-Latino and Indigenous communities as beneficiaries. Lack of awareness or commitment from Bank officers apparently impeded the use of the institution's considerable leverage with borrowing governments to fulfill its own commitment to social inclusion and poverty alleviation.

In terms of race-related personnel initiatives, research shows a clear increase in planning activity at the IDB related to the UN World Conference against Racism held in Durban, South Africa in 2001. To prepare for the conference the IDB developed a number of strategies designed to address racial discrimination in staffing. These initiatives, however, lacked binding targets that would ensure accountability. The omission of goals and deadlines disabled (i) the Institutional Strategy (1999) with a mandate to encourage internal diversity; (ii) the Human Resources Strategy (2001) with a mandate to expand and enhance human resource processes and practices to value and promote diversity at the Bank; and (iii) the Action Plan to Promote Diversity at the Bank, approved by the board of directors in December 2001. The more recent Diversity and Inclusion Strategic

Framework includes certain targets and implementation mechanisms, but they seem to relate principally to gender diversity.

Data produced by the Department of Human Resources (HR) show that the Bank employed 1,745 staff members in 2007. This year, HR asserted informally that the Bank employs about 50 Afro-Descendant staff members. Anecdotal evidence (from numerous independent sources), however, indicates that fewer than 10 Afro-Latinos are employed at IDB headquarters, most in administrative/support positions. These same sources reported that only two self-identified Indigenous people work at the Bank's headquarters, one a permanent staff member and the other currently inscribed in the Young Professional Diversity Program. Most Afro-Descendants that are employed permanently at headquarters in Washington are Caribbean nationals and African Americans. Informal information indicates that they are fewer than 25 in number, but this figure could not be confirmed. Official data for race and ethnicity of Bank staff members are not available.

The Gender and Diversity Unit was created by the organizational realignment that began in 2006. Apparently, the staffing of the unit has been slow to consolidate, and it is not yet clear whether the Unit has been effective in promoting diversity among personnel.

In order to promote inclusion and diversity among Bank staff, the IDB created, between 2004 and 2005 the Diversity Internship Program, the Summer and Winter Employee Programs and The Young Professional Diversity Program. During the process of collecting information and conducting interviews for this report, GAP did not find any reference to Afro-Latino or/and Indigenous staff members from Latin America who were appointed to a permanent staff position at the IDB between 2004 and 2009 through any of these programs.

The Young Professional Diversity Program, launched in 2005, for instance, expanded the existing Young Professional Program to incorporate new positions for Afro-Descendants and Indigenous candidates. Its first two candidates, one Afro-Latino and one Indigenous specialist were not appointed to permanent positions at the Bank. They were the only 'graduates' of the program during the past twelve years who did not receive such appointments.

The Young Professionals who entered the IDB in 2008 included four Afro-Descendants, one of whom is Afro-Latino; an Indigenous applicant was also included in this group. Through this same program in 2009, ten Young Professionals were contracted by the IDB, four of whom applied through the Diversity Program. Nevertheless, none of these four was either an Afro-Latino or Indigenous applicant.

Recommendations

As the Bank comes forward to request a Ninth Capital Replenishment, management must be obliged to take the steps necessary to address the needs of those who suffer the impact of racial and ethnic discrimination in the region. **These actions must be undertaken according to set timetables with binding targets.**

- A larger percentage of the Bank's ordinary capital resources must be made available to the victims of ongoing racial and ethnic discrimination. This adjustment must be reflected by the inclusion of this objective in country strategies.
- The IDB must compile and analyze data on race, ethnicity and poverty. The actual life conditions of Afro-Latinos and Indigenous communities in the Americas must be documented and published in order to orient decision-making and permit monitoring of lending and aid effectiveness.
- The Bank should incorporate representatives of Afro-Descendant and Indigenous civil society organizations in its consultative mechanisms at the regional, sub-regional and national levels, especially in consultations associated with the formulation of country strategies.
- The Bank must collect and publish data on its permanent staff by race, ethnicity, grade level and department.
- The IDB should implement diversity recruitment and retention goals in order to incorporate a range of perspectives on socioeconomic development and to promote trust between the Bank and historically marginalized populations.
- The Diversity Advisor should be given greater autonomy and authority. The position should be upgraded and should be assigned a budget that is independent of the Department of Human Resources.
- The IDB must gather, analyze and publish information about the impact and effectiveness of its operations and procurement activities on Afro-Latino and Indigenous populations.
- In order to evaluate the efficiency of efforts to recruit a diverse staff, figures must be released documenting the expenditures of the Diversity Internship Program, the Summer and Winter Employee Programs and The Young Professional Diversity Program between 2004 and the present.
- The Bank should establish a capacity-building initiative through internships for Afro-Descendants and Indigenous professionals at its country offices to enhance the potential for hiring members from these communities in permanent staff positions.