1999 Annual Report

1989 – 1999

Inter-American Investment Corporation

THE INTER-AMERICAN INVESTMENT CORPORATION (IIC) is a multilateral organization. It began operations in 1989 to promote the economic development of its Latin American and Caribbean member countries by financing small and medium-size private enterprise.

To fulfill its mission, the IIC provides project financing in the form of direct loans and equity investments, lines of credit to local financial intermediaries, and investments in local and regional investment funds. It particularly targets small and midsize companies that have difficulty obtaining financing from other sources on reasonable terms.

In a sense, IIC finance is seed money. The Corporation serves as a catalyst for attracting other resources: additional financing, technology, and know-how. These resources are mobilized through cofinancing and syndication, supporting security underwritings, and identifying joint venture partners.

Lending and investing require evaluation of project soundness and probability of success. In this preliminary evaluation process, the IIC advises clients on project design and financial engineering and helps them to structure their financial plan. As a natural outgrowth of its project financing, the IIC also offers fee-based advisory services. These services include counseling private companies on financial engineering and corporate reorganizations.

To obtain IIC financing, projects must offer profitable investment opportunities. They must also further economic development in some way: by creating jobs, broadening capital ownership, generating net foreign currency income, facilitating the transfer of resources and technology, utilizing local resources, promoting local savings, or promoting the economic integration of Latin America and the Caribbean. Any environmentally sensitive project must include specific preventive or restorative measures.

All the powers of the Corporation are vested in its Board of Governors. The IIC Board of Governors consists of a representative and an alternate from each member country. Voting power is proportional to each country's paid-in shares. The Board of Governors appoints a Board of Executive Directors to which significant authority and powers are delegated.

The Corporation is part of the Inter-American Development Bank Group. The IIC is legally autonomous, and its resources and management are separate from those of the Inter-American Development Bank.

Thirty-seven countries are shareholders in the IIC: twenty-six Latin American and Caribbean countries (Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay, Venezuela); eight European countries (Austria, Denmark, France, Germany, Italy, the Netherlands, Spain, Switzerland); and Israel, Japan, and the United States.

IIC committed to Latin America and the Caribbean in the new millennium

Contents

From left to right: Jacques Rogozinski, Deputy General Manager of the IIC; Enrique V. Iglesias, Chairman of the Board of Executive Directors of the IIC; and John C. Rahming, General Manager of the IIC.

Letter of Transmittal from the Chairman of the Board of Executive Directors

February 8, 2000

Chairman of the
Board of Governors
Inter-American Investment Corporation
Washington, D.C.

Dear Mr. Chairman:

Pursuant to the provisions of Article IV, Section 9(a) of the Agreement Establishing the Inter-American Investment Corporation, I transmit to you the Annual Report of the Corporation for 1999 and the audited financial statements, including the balance sheet, income and retained earnings statement, and cash flow statement for the fiscal year ending December 31, 1999.

In 1999, the Corporation received a very important institutional boost with the Board of Governors' approval of a significant general increase in resources. The use of these resources will be guided by an innovative operating program that proposes to expand development opportunities in the region on a sustainable and equitable basis. The plan includes new financing instruments designed to increase the access of smaller companies and less-developed regions to the Corporation's financial services. The plan also calls for greater coordination with the other members of the IDB Group.

As in previous years, the Corporation's Board of Executive Directors, Management, and staff will continue to work hard to help strengthen small and medium-size enterprise in the region, as one of the pillars of economic stability and prosperity in Latin America and the Caribbean.

Sincerely,

Enrique V. Iglesias
Chairman
Board of Executive Directors
Inter-American Investment Corporation

The Year in Review

The Region In 1999 the world's economy was marked by ups and downs and stark contrasts that had a profound effect on emerging economies. This year, the industrialized economies did not match previous years' growth rates, but the growth of worldwide GDP is estimated to have neared 2 percent.

The Asian crisis and, later, the Russian crisis kept the situation in most of the emerging economies from being as positive. Another contributing factor was the drop in international prices of raw materials, which fell to the lowest levels of the past thirty years. However, despite negative or zero economic growth rates in Latin America and the Caribbean, the prospects for 2000 are much more hopeful, with GDP growth forecast at 3 percent to 5 percent.

The region has continued the reform process that is making room for the private sector and strengthening the market. Examples are found in privatizations, financial reforms, and pension systems management. In addition, regional integration efforts have spurred the opening of domestic markets and softened the effects of these external crises on the region.

Small and medium-size Latin American and Caribbean companies offer attractive investment opportunities for domestic and foreign investors. For investors, the most significant factor might be changing attitudes toward private enterprise and market initiatives. Investor interest is growing as trade liberalization becomes more widespread and traditional controls such as currency exchange regulations are relaxed or even eliminated.

In this context, the Corporation must continue to promote and support small and medium-size companies that seek to compete in the global marketplace in accordance with modern financial and operating principles and environmentally sound practices.

The Corporation In line with its mandate to promote the economic development of its regional developing member countries by supporting private enterprises, particularly those that are small and medium-scale, the Corporation placed special emphasis this year on operations in countries ravaged by natural disasters. Lines of credit approved by the IIC in 1999 to private companies in the Dominican Republic, Guatemala, Honduras, and Nicaragua will contribute to economic recovery by helping to create 14,000 jobs and to generate $100 million in foreign currency revenue. These operations are part of a concerted effort by the IDB Group to help the region rebuild.

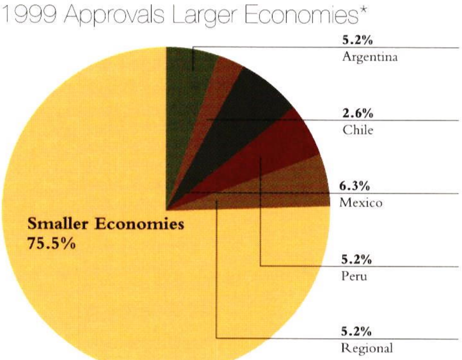
Fiscal 1999 In 1999 the IIC's Board of Directors approved twenty-two projects in twelve countries totaling $192 million. Eleven percent of the funds approved were for equity investments and 89 percent were for loans. Two of the three equity investments went to developmentally-oriented country or regional investment funds. These funds have a total capitalization of $175 million, providing a 10:1 leverage of the IIC's own equity investments for the year. Six of the loans will be cofinanced; these operations will use $56 million of the Corporation's own resources to mobilize a total of $98 million in funding from banks and other third parties. More than 75 percent of the total amount approved this year will go to the less-developed countries in the region.

IIC income from all sources in 1999 amounted to $27.7 million. Income from lending operations totaled $20.5 million ($17.9 million from interest and $2.6 million from fees). Capital gains and dividend income from the equity investment portfolio totaled $1.3

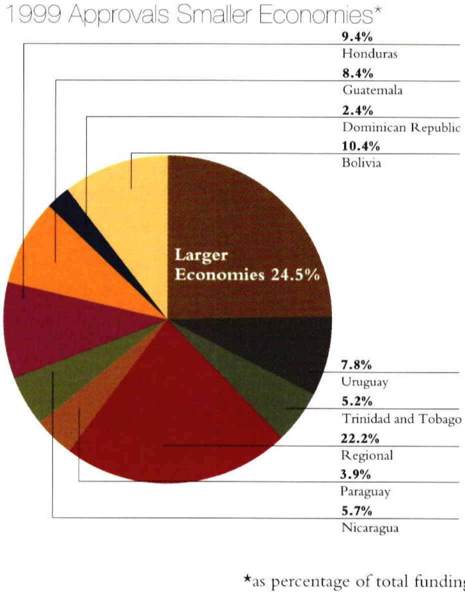
A DIFFICULT YEAR FOR THE REGION

For the first time since the end of the debt crisis, Latin American and Caribbean economies experienced a negative net transfer of capital. Lower capital inflows, coupled with increased regional external financing needs and lower commodity prices, resulted in an overall slowdown in economic activity. The slowdown was exacerbated by natural disasters that stalled GDP growth. The region experienced zero growth in 1999, compared with growth rates of 2.1% and 5.4% in 1998 and 1997, respectively. This performance is the result of a recession in South America, modest growth in Mexico, and moderate growth in the smaller economies of Central America and the Caribbean.

1999 Approvals Larger Economies*



1999 Approvals Smaller Economies*



*as percentage of total funding

million for the year. Total expenses, including $21.8 million in provisions, were $40.7 million, producing a net loss of $12.9 million. The decrease in capital gains and dividend income and the increase in loss provisions compared with the previous year reflect the impact of negative macroeconomic and climate conditions on smaller businesses throughout the region. However, committed transactions and funds disbursed exceeded the previous year's levels and set new annual records for the IIC. As a result, the outstanding portfolio increased by 22 percent; continued growth in assets is expected in 2000 as approved transactions are committed and disbursed.

Developmental Impact The IIC's activities to promote the economic development of Latin America and the Caribbean continue to yield positive results. It is expected that 1999 approvals will lead to the creation of 18,000 jobs, generate annual exports worth $550 million, and contribute $1.5 billion per year to the region's gross domestic product. The $192 million approved in 1999 will support the implementation of projects with a total cost of $1.4 billion. For every dollar earmarked by the Corporation for 1999 approvals, seven dollars will go to investment projects.

Cumulatively, the IIC has channeled funding to more than 2,000 companies in the productive and service sectors in Latin America and the Caribbean since it began operations in 1989. Projects with an aggregate cost in excess of $5 billion have been or are being undertaken thanks to the $852 million in funding provided by the IIC in the form of loans and equity investments, plus $341 million in funds that the Corporation has mobilized through cofinancing arrangements. For each dollar that the IIC has invested, six dollars are going to companies that will create about 120,000 jobs and generate $1.2 billion in foreign currency for the region each year. Operations in countries with larger economies amount to $486 million, while those in the smaller economies of the region total $366 million, i.e., 57 percent and 43 percent of the portfolio, respectively. Projects with regional coverage total $132 million. Of the IIC's committed investments, 73 percent had been fully disbursed by December 31, 1999.

IDB Group Cooperation Combined action by the institutions that make up the IDB Group can be a powerful agent for development in Latin America and the Caribbean. The general thrust of IIC's coordination with the IDB is in the development of the private sector segments of country strategies and programming. To this end the IIC participates in the Private Sector Coordination Committee. IIC staff members also serve on the Private Sector Department's Credit Review Group and on the Bank's loan committee for private sector operations. And the IIC's Operation Committee acts as the "loan committee" for MIF operations in the latter's loan approval process.

Multilateral Investment Fund The Multilateral Investment Fund (MIF) was established in 1992 to promote the economic and social viability of market economies in Latin America and the Caribbean. The MIF is administered by the Inter-American Development Bank and engages the IIC for investment project appraisal services. In 1999 the Corporation carried out nineteen advisory assignments for the MIF related to its support for small and microenterprise development. Three operations involved equity investment initiatives that are regional in scope. The others were evaluations of MIF-supported investment funds in Argentina, Brazil, Chile, Colombia, Mexico, and Uruguay.

AIG-GE Capital Latin American Infrastructure Fund The IIC also lent its regional expertise as an adviser to the Emerging Markets Partnership for its fund investments in infrastructure companies in Latin America, chiefly in the power, transportation, and telecommunications sectors. Emerging Markets Partnership is the principal adviser to the AIG-GE Capital Latin American Infrastructure Fund (LAIF). During the year, the IIC provided advisory services for more than fifty projects throughout the region.

Other Special Funds In 1999 the Corporation conducted seven studies with support from the Swiss Fund, the Spanish Trust Fund, the United States Trade Development Agency's Evergreen Fund, and the Italian Trust Fund. Some $500,000 in technical cooperation funds were channeled through the IIC during 1999.

Institutional Affairs *1999 Annual Meeting* The XIV Annual Meeting of the Board of Governors took place in Paris, France, from March 15 to 17, 1999. During this meeting, the Governors approved the IIC's financial statements for the year ended December 31, 1998, as well as the Corporation's annual report. The Board of Governors also approved an agreement for a $500 million increase in the Corporation's capital. A follow-up meeting was scheduled for May 1999. Prior to the meeting, the IIC hosted a seminar on joint ventures, cosponsored by Spain's PROBANCA.

Belize joins the IIC. From left to right (seated): John C. Rahming, IIC General Manager; Ralph H. Fonseca, Minister of Budget Planning and Management, Economic Development, Investment and Trade of Belize; Enrique V. Iglesias, Chairman of the Board of Executive Directors of the IIC; Keith Arnold, Governor of the Central Bank of Belize. ▼

Special Meetings of the Governors During a special meeting held in May in Paris, the Committee of the Board of Governors approved an understanding for the admission of Belgium, Canada, Finland, Norway, Portugal, Sweden, and the United Kingdom as members of the IIC.

The Partnership Grows Belize became the IIC's thirty-seventh member country at a signing ceremony held in Paris on the occasion of the Annual Meetings of the Boards of Governors of the IIC and the Inter-American Development Bank. With Belize's incorporation, all of the IDB's borrowing member countries are now members of the IIC.

Belize occupies 8,867 square miles on the northeast coast of Central America. Timber and wood products are an important part of its economy, as are agricultural exports. Under an agricultural diversification program, the Belize government has been reducing the country's dependence on sugar exports as a source of hard currency; it has also been promoting the substitution of imports to foster industrial development.

Signing ceremony creating the Austria Fund. From left to right (seated): Donald Terry, MIF Manager; Thomas Weiser, Director-General of Finance of the Government of Austria; John C. Rahming, IIC General Manager; Mathias Bischof, Department Head/Corporate Development, FGG. ▼

Austria Fund The Inter-American Investment Corporation, the Multilateral Investment Fund, the Government of Austria, and Finanzierungsgarantie Gesellschaft m.b.H. (FGG), an Austrian government agency, signed a $500,000 technical cooperation agreement on the occasion of the Annual Meetings of the Boards of Governors of the World Bank and the International Monetary Fund held in late September in Washington, D.C. The agreement creates a trust fund that will assist in private sector initiatives in Latin America and the Caribbean and promote the participation of Austrian sponsors in projects related to these initiatives.

Nordic Development Fund The IIC and the Nordic Development Fund signed a cooperation agreement to support the development of the economies of Latin America and the Caribbean. The Nordic Development Fund, affiliated with the Nordic Investment Bank, is a multilateral organization established in 1988 by Denmark, Finland, Iceland, Norway, and Sweden for the purpose of providing concessional financing to projects in developing countries in order to promote their social and economic development.

Signing of Caja Madrid loan agreement. From left to right (seated): Carlos Vela García-Noreña, Director General and Director of the Business Banking Unit, Caja Madrid; John C. Rahming, IIC General Manager; Enrique Tierno Pérez-Relaño, Director of International Financial Institutions, Caja Madrid. ▼

Caja Madrid Loan The IIC and Caja de Ahorros y Monte de Piedad de Madrid signed a three-year, $50 million revolving credit facility. The IIC will use the facility to fund loan disbursements to developmental projects in Latin America and the Caribbean. This loan is part of Caja Madrid's effort to increase its international activity in Latin America.

Closing ceremony of the IIC's first environmental management workshop for financial institutions

Environmental Management Workshop In June, representatives from thirteen financial institutions from twelve Latin American and Caribbean countries attended an IIC-sponsored environmental management workshop in Miami, Florida. The IIC organized the workshop to improve understanding of environmental risks and opportunities on the part of financial entities benefiting from IIC funding. All financial intermediaries with which the IIC operates will eventually participate in such a workshop to learn how to integrate environmental management practices in their own operations and turn good environmental practices into competitive advantages.

The workshop, which will be repeated regularly, focuses on banks' responsibility in monitoring the environmental aspects of projects they finance. The Italian government provided funding for the workshop through the IIC's Italian Fund.

THE ECOTOURISM SOCIETY

CONSERVATION INTERNATIONAL

WRI

Ecotourism Forum Strategies for strengthening investment in Latin America's ecotourism sector in Latin America and the Caribbean were the subject of a forum hosted in September by The Ecotourism Society and the Inter-American Investment Corporation at the Washington, D.C. headquarters of the Inter-American Development Bank. Conservation International, the World Resources Institute, and the Environmental Enterprises Assistance Fund collaborated in the organization of the event.

The forum included presentations by leading ecotourism entrepreneurs from Peru and Ecuador on their successful formulas for developing environmentally and culturally sensitive lodges. In addition, participants discussed how policymakers and bank representatives could create a more productive funding environment for "green" tourism.

Looking Ahead With the writing of this annual report, many concurrent adventures come to an end. Much of our global society says goodbye to a century and a millennium. The Corporation closes its books on its first decade of operations. And I am stepping down after many challenging and exciting years in the service of Latin America and the Caribbean.

Succeeding me as General Manager of the Inter-American Investment Corporation is Mr. Jacques Rogozinski. Mr. Rogozinski, who is from Mexico, has been the IIC's Deputy General Manager since January 1999. Before joining the IIC, Mr. Rogozinski served for two years as Senior Advisor for Private Sector Issues in the Office of the Executive Vice President of the Inter-American Development Bank. Mr. Rogozinski came to Washington, D.C. in 1996 following eighteen years of public sector work in the Mexican government. Between 1989 and 1993, he headed the Office of Privatization of State Industries in Mexico. Prior positions held by Mr. Rogozinski in the Mexican government include CEO of Banobras, the Mexican National Public Works Bank, and CEO of Fonatur (National Fund for Tourism and Development). In 1993, the World Economic Forum (WEF) designated Mr. Rogozinski and other outstanding individuals as Global Leaders of Tomorrow, for their achievements and their commitment to social responsibility. Mr. Rogozinski holds a business degree from the Instituto Tecnológico Autónomo de México and a master's and a Ph.D. in economics from the University of Colorado.

As I extend to Mr. Rogozinski my best wishes for success in leading a growing, innovative IIC into the next century, I want to thank the Executive Directors and the Chairman of the Board of Executive Directors for the trust they placed in me. I also want to thank the Corporation's management and staff for their hard work, creativity, and dedication.

This is not an end but a beginning. With a new General Manager and a $500 million capital increase, the Corporation will expand its commitment to the small and medium-size businesses of Latin America and the Caribbean in the new millennium.

John C. Rahming
IIC General Manager

Developmental Investment Activities

Developmental Investment Activities

The IIC's developmental financing program targets small and medium-size private companies in Latin America and the Caribbean with limited access to long-term financing.

IIC loans are denominated in United States dollars. Loan amounts may be up to 33 percent of the cost of a new project or up to 50 percent of the cost of an expansion project. Loan repayment periods generally range from five to eight years (up to a maximum of twelve years), including an appropriate grace period. The loans, which are priced in accordance with international market conditions, are usually variable in rate and based on LIBOR. In certain cases, the IIC may provide convertible, subordinated, or participated loans.

The IIC also makes equity investments of up to 33 percent of the investee company's capital. At the end of the investment period, the IIC sells its shareholding. Possible exit mechanisms include sale on the local stock market, private placement with interested third parties, and sale to the project sponsors under a prenegotiated share purchase agreement.

Twenty of the operations described below include loans totaling $171 million; three include equity investments totaling $20.5 million. This year's six cofinanced loans will mobilize an additional $98 million in funding, and the two investment funds in which the IIC acquired an equity participation will further leverage the resources available for the region's small and medium-size companies. The total cost of the projects financed as a result of the operations approved by the IIC in 1999 is $1.4 billion.

Regional The IIC will invest $5 million for the first $25 million closing of **The Caribbean Investment Fund L.P.** and subsequently invest no more than 10 percent of the fund's total aggregate commitments up to a maximum of $7.5 million if the fund reaches $75 million. The Caribbean Investment Fund will promote equity and equity-related investments in private companies located in the member nations of the Caribbean Community and Common Market. Of the fund's target capitalization of $150 million, $20 million will go to a small capital investment program of between $500,000 and $2 million per recipient company. Because the fund's preferred divestment vehicle will be initial public offerings in the region's stock exchanges, it will spur the development of local capital markets. Once the fund is fully invested, it should reach some twenty-five final beneficiaries over its expected life, creating about 750 jobs and an estimated $125 million in annual export earnings and contributing about $250 million annually to the region's GDP.

By participating in the fund, the IIC will help attract international institutional investors to the area and further the stock market harmonization project funded in part by the Multilateral Investment Fund, another member of the IDB Group. This project will electronically link the stock exchanges of Jamaica, Barbados, and Trinidad and Tobago.

The IIC will invest $10 million in equity in **The Compass Capital Fund, L.P.,** a Cayman Island limited partnership that seeks to invest in closely-held, family-owned Latin American companies, chiefly in the service industries. The target capitalization of the eight-year fund is $150 million.

The IIC's participation in Compass Capital Fund will help strengthen and modernize small and medium-size companies, mainly in Argentina, Chile, Peru, and Venezuela, where the fund will have a strong local presence. Compass Capital Fund will provide leadership in financial markets by supporting equity investments, which have recently been in short supply in Latin America. Another benefit of the IIC's presence in the fund will be its catalytic effect, leveraging the IIC's resources by fifteen times. The fund is expected to reach some twelve final beneficiaries during its expected life, creating about 360 new jobs and an estimated $25 million in annual export earnings, and contributing about $100 million annually to the region's GDP after the fund is fully invested.

In a first-of-its-kind operation for the IIC, **El Camino Resources de América Latina Inc.** will acquire lease receivables from its wholly-owned subsidiary in Costa Rica, El Camino Centroamérica S.A., and from EC Centroamérica's subsidiaries in El Salvador and Guatemala. These receivables will be generated from operating lease transactions with small and medium-size Costa Rican, Salvadorian, and Guatemalan enterprises that are majority-owned by citizens of the region. The IIC will acquire up to $15 million in lease receivables, investing $25,000 to $750,000 per lease.

The operation will allow the IIC to reach a larger number of lessee companies in the smaller regional economies at a lower cost, not only to the final lessees, but also to the IIC itself. This innovative operation will also help introduce small and medium-size companies, which previously relied on informal financing, supplier credit, and internal cash generation, to the financial markets. In addition, this project will enable the beneficiary countries to introduce operating leases as a new capital market instrument.

The IIC will provide environmental training to the lessors in order to assist them in identifying and managing potential environmental issues. All in all, this operation is expected to reach between 300 and 400 final beneficiaries. These beneficiary companies will contribute between $200 million and $300 million annually to the GDP in the three beneficiary economies, creating between $60 million and $80 million in annual export earnings and helping create 300 to 400 jobs.

In the IIC's first agency line transaction, **Latin American Agribusiness Development Corporation, S.A.** (LAAD) will identify, evaluate, structure, and supervise loans to small agribusinesses in its target market, namely the Bahamas, Barbados, Belize, Bolivia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Suriname, Trinidad and Tobago, and Uruguay. Under the terms of the $20 million agency line, the IIC and LAAD will each make matching loans of $300,000 to $1.5 million. The IIC will review all projects for compliance with financial, environmental, and workplace safety and labor standards.

The agency line is a new instrument the IIC is using to reach its target market, working through specialized financial institutions that are willing to share the risk of long-term lending to small and medium-size enterprises. Agency lines will allow the IIC to reach a larger number of companies at a lower cost to the final borrower and the IIC itself. The IIC thus enhances its catalytic role by leveraging its resources and targeting companies that create jobs and essential goods in the smaller economies of the region. The LAAD agency line, for example, will channel funding to an estimated thirty smaller companies and, in the process, create 900 jobs, generate $15 million per year in foreign exchange, and contribute $60 million annually to the region's GDP.

LAAD signing ceremony

Argentina

Banco Río de la Plata S.A. will use a $30 million loan from the Corporation ($10 million A loan and $20 million B loan) for on-lending to small and medium-size Argentine companies in the industrial, agribusiness, and service sectors that require medium-term financing for expansion, purchase of machinery and equipment, and working capital. Individual subloans will not exceed $3 million, and working capital finance will be limited to a maximum of 25 percent of the IIC loan. The $20 million B loan arranged by the Corporation was oversubscribed and successfully closed with the participation of Banco Santander Central Hispano, Caja de Ahorros y Monte de Piedad de Madrid, Dresdner Bank Lateinamerika AG, and The Dai-Ichi Kangyo Bank Limited.

Funds from the IIC loan will enable Banco Río to expand its operations with small and medium-size companies that contribute to foreign exchange generation. About sixty subloans will be made, helping to create 1,800 jobs and generating $30 million in annual export earnings, as well as contributing more than $120 million annually to Argentina's GDP.

Bolivia

A $10 million line of credit from the IIC will help **Banco Mercantil S.A.** finance long-term home mortgages in Bolivia. The credit line will support the IDB's and the Bolivian government's objective of promoting capital markets development through the establishment of a pool of mortgages required for the issuance of local mortgage securities. Doing so will help reduce the disparities in the regional supply of and demand for credit and mitigate the risk of disruptions in the availability of mortgage credit posed by potential external economic shocks. Furthermore, the IIC line of credit will support the Bolivian Superintendencia de Bancos' strategy for increasing long-term funding available to banks.

Access to medium- and long-term housing financing is limited in Bolivia, and there is a substantial housing deficit. Through this transaction, the Corporation will support the development of both the primary and secondary mortgage markets in Bolivia, helping to increase home ownership and standardize loan documentation. Each subproject financed with the proceeds of the IIC line of credit must comply with Bolivian housing construction standards, zoning and land use requirements, and public health and safety regulations.

One of the IDB Group's goals for Bolivia is to promote the availability of long-term financing for the country's financial institutions. A $25 million IIC loan to **Banco Bisa S.A.** ($10 million A loan and $15 million B loan) is in line with this goal; it will reach at least twenty-five final beneficiaries over its eight-year term. The transaction is thus expected to help create some 750 jobs, generate more than $15 million a year in export earnings, and contribute more than $50 million annually to Bolivia's GDP. Moreover, IIC's cofinancing services will be critical in attracting third-party financing to complement IIC's resources and enable targeted firms to access international financing that is otherwise unavailable.

Banco Bisa will make subloans of no more than $3 million each to provide small and medium-size Bolivian companies in the industrial, agribusiness, and service sectors with medium-term financing for expansion, purchase of machinery and equipment, and working capital.

Chile

Invertec Foods S.A. is a vertically-integrated food processing company that will receive a $2 million senior loan and $3 million in quasi-equity (subordinated loan) from the IIC. Invertec will use the funds to increase its apple-growing acreage by nearly 40 percent and its dehydrated apple and *capsicum* processing capability by 35 percent. The expansion is expected to create 105 direct jobs and generate roughly $180 million in foreign exchange earnings over a ten-year period. The project's total cost is $10 million.

Apple washing and grading line at Invertec Foods S.A.

The IDB recently approved a $240 million loan to Chile to strengthen the availability of medium- and long-term credit for small and medium-size companies. The IIC's participation will complement the IDB's strategy in Chile to include quasi-equity transactions. The project will also contribute to the development of Chilean agribusiness, one of the most important and dynamic sectors of the country's economy.

Dominican Republic

Enabling a free-trade zone to add 400,000 square feet of industrial space and thus generate additional revenues will help create more than 4,300 jobs in the Dominican Republic and generate foreign exchange totaling $15 million annually. The estimated total cost of this expansion project undertaken by **Corporación de Zona Franca Industrial de Santo Domingo Este, C.X.A., Hainamosa, D.N.** is $9.1 million. Part of the cost will be financed by a $4.55 million loan from the IIC, whose support of this project is particularly important as the Dominican economy recovers from the impact of Hurricane Georges.

Guatemala

A $6 million IIC loan to **Banco de Occidente, S.A.** will be on-lent to eligible project companies in Guatemala mainly involved in export activities. The loan will enable Banco de Occidente to provide medium- and long-term financing to small and medium-size enterprises (with sales and/or assets of less than $15 million).

The subloans will not exceed $700,000 and will contribute to foreign exchange generation in key sectors such as industry, manufacturing, mining, tourism, construction, the chemical industry, and agribusiness. The result will be an estimated 540 new jobs, $10 million in annual export earnings, and $40 million annually for Guatemala's GDP.

An A loan of up to $10 million to be funded by the IIC and a B loan of up to $11 million to be funded by other financial institutions will help **Hidroeléctrica Río Las Vacas, S.A.** build a $37 million, twenty-megawatt hydroelectric power plant. In addition to providing long-term financing that is otherwise difficult to obtain in Guatemala, the IIC will help reduce the country's energy shortage, which is especially acute during peak demand periods. The project is also a part of the ongoing overhaul of Guatemala's electric sector.

Hidroeléctrica Río Las Vacas will use renewable resources, including approximately 70 percent of Guatemala City's wastewater. An added environmental benefit will be the generation of electricity without the accompanying emissions of nitrogen oxide, sulfur dioxide, or carbon dioxide associated with fossil fuel power generation. Moreover, the company will undertake an extensive reforestation program and create 57 direct, full-time jobs in a key sector utilizing state-of-the-art technology and machinery. During the construction phase, the project will provide an additional 500 full-time jobs.

Honduras

Banco la Capitalizadora Hondureña, S.A. (BANCAHSA) will use a $7 million line of credit from the IIC to provide financing to small and medium-size Honduran enterprises. The loan is the IIC's second to BANCAHSA, which successfully placed a $3.5 million loan granted in 1994.

The IIC's strategy for Honduras in the wake of Hurricane Mitch emphasizes stepping up its support for the country's small and medium-size enterprises by extending lines of credit to the Honduran private banking sector and directly financing projects in sectors that create significant employment opportunities and generate foreign exchange. The IIC is coordinating efforts with the IDB and MIF on their approach to help Honduras and other countries in Central America recover from the hurricane.

BANCAHSA's subloans of no more than $750,000 to at least twenty small and medium-size manufacturing, agribusiness, tourism, and service companies are expected to help create 600 jobs, generate $10 million in annual export earnings, and contribute more than $40 million annually to the country's GDP.

Banco Financiera Comercial Hondureña, S.A. (Ficohsa) will use a $4 million credit line from the IIC to provide small and medium-size Honduran enterprises with medium- and long-term financing otherwise unavailable in the country. The subloans will target dollar-generating companies in the industrial and agribusiness sectors. Ficohsa will also receive a $3 million subordinated loan from the IIC that will strengthen Banco Ficohsa's capital structure and allow it to expand its lending activities while adhering to more stringent capital adequacy requirements being set in motion by the Comisión Nacional de Bancos y Seguros with the assistance of the IDB and MIF.

Twelve to fifteen companies are expected to receive subloans with funds from the IIC's credit line. This will lead to the creation of 450 jobs, the generation of $15 million in foreign exchange, and the contribution of $45 million per year to the Honduran GDP.

The supply of medium- and long-term financing in Honduras is scarce and limited to lines of credit provided by the Central American Bank for Economic Integration and bilateral agencies such as the Commonwealth Development Corporation and Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV. This supply is far from enough to meet the needs of the private sector, especially in view of the financing required to replace and increase production capacity after Hurricane Mitch. **Banco Financiera Centroamericana, S.A.** (Ficensa) will use a $4 million line of credit to provide financing to small and medium-size Honduran enterprises that do not exceed $10 million in total assets or annual sales, through individual loans no greater than $500,000.

The IIC's line of credit to Ficensa, as well as its operations with BANCAHSA and Banco Ficohsa approved this year by the IIC's Board of Directors, is aimed precisely at helping fill the gap for term financing in Honduras. The credit line to Ficensa will promote the development of small and medium-size enterprises; it will also enable Ficensa to expand its activities to small and medium-size companies that will contribute to foreign exchange generation in key sectors such as manufacturing, industry, tourism, and services. The line will reach an estimated fifteen final beneficiaries over its expected seven-year life. It will thus help create some 450 jobs, generate $8 million in annual export earnings, and contribute more than $30 million annually to Honduras' GDP.

State-of-the-art tunnel-boring machine used by a Venezuelan contractor during construction of the Hidroeléctrica Río Las Vacas power plant in Guatemala

Mexico

Medium- and long-term funding is scarce in Mexico; the IIC's $6 million line of credit to **Banco del Bajío** will enable it to provide this sort of financing to small and medium-size enterprises (with sales and assets of less than $15 million). The project's subborrowers will be majority-owned by citizens of Latin American or Caribbean countries and operate in productive sectors of the Mexican economy. The subloans will not exceed $700,000 each.

By enabling Banco del Bajío to expand its activities with small and medium-size companies, the IIC loan will foster foreign exchange generation in key sectors such as manufacturing, mining, tourism, construction, chemicals, and agribusiness. The credit facility should reach at least eighteen final beneficiaries over its expected seven-year life. It is thus expected to help create 540 jobs, generate $10 million in annual export earnings, and contribute around $40 million annually to Mexico's GDP.

Long-term financing for companies the size of **Grupo Calider, S.A. de C.V.** has been scarce in Mexico, particularly in the wake of the recent emerging market crisis. Calider will use a $6 million loan from the IIC to modernize its lime production facilities in Monterrey, double its production capacity, and secure its sources of raw materials by acquiring two limestone quarries. Calider also plans to establish new distribution facilities that will enable it to export lime to the south Texas market. The total cost of the project is $20.6 million.

All of Calider's production supplies are locally procured, and one-half of the output will be used by local industries. Moreover, Calider will need to hire approximately 30 additional employees for the project, which is expected to generate a total of $37 million in foreign exchange.

Nicaragua

The Board of Directors approved a senior loan of up to $4 million and a subordinated loan of up to $2 million to **Banco de Crédito Centroamericano.** The senior loan will be used to provide small and medium-size Nicaraguan companies with medium- and long-term financing, which is limited in the country. The subordinated loan will help Bancentro meet Nicaragua's new capital adequacy requirements for banks. The bank will also be able to diversify its lending sources and access longer-term funds.

The transaction is consistent with the Corporation's strategy for Central America, which seeks to address the most pressing needs of the region's private sector in the wake of Hurricane Mitch. Efforts to rebuild the economic infrastructure and production capacity of Honduras and Nicaragua, the most affected nations, will require substantial amounts of funding, especially long-term financing. Employment creation is another critical goal to be achieved to help restore the progress made in stabilizing the region's economies. Most of the subloans will not exceed $600,000 and will target key foreign exchange and employment generating sectors such as agribusiness, industry, and tourism. At least fifteen local beneficiaries will be reached over the expected life of the senior loan, helping to create 450 jobs, $30 million in annual foreign exchange earnings, and $30 million in yearly contributions to Nicaragua's GDP.

The IIC senior loan of up to $5 million granted to **Banco de la Exportación S.A.** (Banexpo) will be used to fund projects undertaken by small and medium-size Nicaraguan enterprises whose total assets and annual sales do not exceed $10 million. Most of the individual subloans will be up to $600,000. As with all of the IIC's credit lines to financial intermediaries, Banexpo will be required to undertake an environmental and labor review of each subborrower's environmental performance and each subproject's compliance with national environmental, safety, and labor laws and regulations, as well as the IIC's environmental and labor review guidelines.

The loan to Banexpo is a result of the Corporation's strategy for helping Central America rebuild after Hurricane Mitch. The loan will enable Banexpo to contribute to the reconstruction effort by funding small and medium-size private companies' projects that will generate new jobs and hard-currency income. Through Banexpo subloans, IIC funds are expected to reach about ten to fifteen beneficiaries, helping to create 300 to 450 jobs, $5 million to $8 million in annual foreign exchange earnings, and $20 million to $30 million in yearly contributions to Nicaragua's GDP.

Paraguay

Banco Alemán Paraguayo S.A. (Bapsa) will receive a $7.5 million loan from the IIC for on-lending to approximately forty-five small and medium-size Paraguayan companies. The individual subloans cannot exceed $500,000. At least 85 percent of the line will be used to fund projects in the agricultural sector, which represents 27 percent of Paraguay's GNP, accounts for 56 percent of the country's total exports, and employs about 50 percent of the workforce. In this context, the credit facility is expected to create 450 jobs, generate more than $80 million a year in export earnings, and contribute more than $90 million annually to Paraguay's GDP.

By providing long-term financing to Bapsa, the IIC will support the expansion of medium- and long-term credit lines to small and medium-acreage farmers in Paraguay. It will also enable the bank to diversify its funding sources for its long-term lending operations that currently depend on trade finance credit lines. Moreover, the loan will support product diversification and allow Bapsa to utilize the experience in project finance acquired in deploying the $4 million IIC credit line approved in March 1991. Bapsa has made eleven loans under that first credit line, in amounts ranging from $250,000 to $500,000.

Peru

The IIC will lend $30 million (a $10 million A loan and a $20 million B loan) to **Banco Internacional del Perú-Interbank.** The funds will be used to provide medium- and long-term debt and leasing financing to small and medium-size companies operating in productive sectors of the Peruvian economy. As with all IIC funding to financial intermediaries, recipient companies must be incorporated in the target country, be majority-owned by Latin American or Caribbean nationals, and comply with the IIC's environmental and labor standards, as well as with national regulations. The funding from the IIC will enable these companies to carry out much-needed medium- and long-term projects. It will also allow Interbank to diversify its lending sources and tap longer-term sources of funds.

The credit facility is expected to reach at least sixty final beneficiaries. The project should therefore help create 1,800 jobs, generate $30 million in annual export earnings, and contribute more than $120 million annually to Peru's GDP.

Bapsa signing ceremony. From left to right (seated): Orlando Ferreira Caballero, Senior Counselor, Bolivia, Paraguay, and Uruguay; Blás Antonio Brachos Fretes, Chairman of the Board, Cooperativa Multiactiva de Ahorro, Crédito, Producción, Consumo y Servicios Quindy Ltda.; Enrique V. Iglesias, Chairman, IIC Board of Executive Directors; Ricardo Costello, General Manager, Bapsa.

Trinidad and Tobago

The IIC approved a $10 million A loan and a $30 million B loan to **Republic Bank Limited** for financing small and medium-size companies in the Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname, and Trinidad and Tobago. Most of the subloans are expected to go to companies in the tourism, manufacturing, construction, chemical, agribusiness, mining, transportation, and free trade zone sectors. Eligible companies must be majority-owned by shareholders that are nationals of Latin American or Caribbean member countries of the IIC. Subloans will be up to $2 million (with the exception of Guyana, where the ceiling will be $3 million).

The IIC loan is expected to reach twenty-five companies and help create 750 jobs, generate $90 million in export earnings, and contribute more than $50 million annually to the region's GDP.

Uruguay

Agency lines are a new type of transaction the IIC is using to reach its target market through established financial institutions in the region that are willing to share the risk of medium- and long-term lending to small and medium-size enterprises. Agency lines allow the IIC to reach a larger number of companies at a lower cost, not only to the final borrower, but also to the IIC itself.

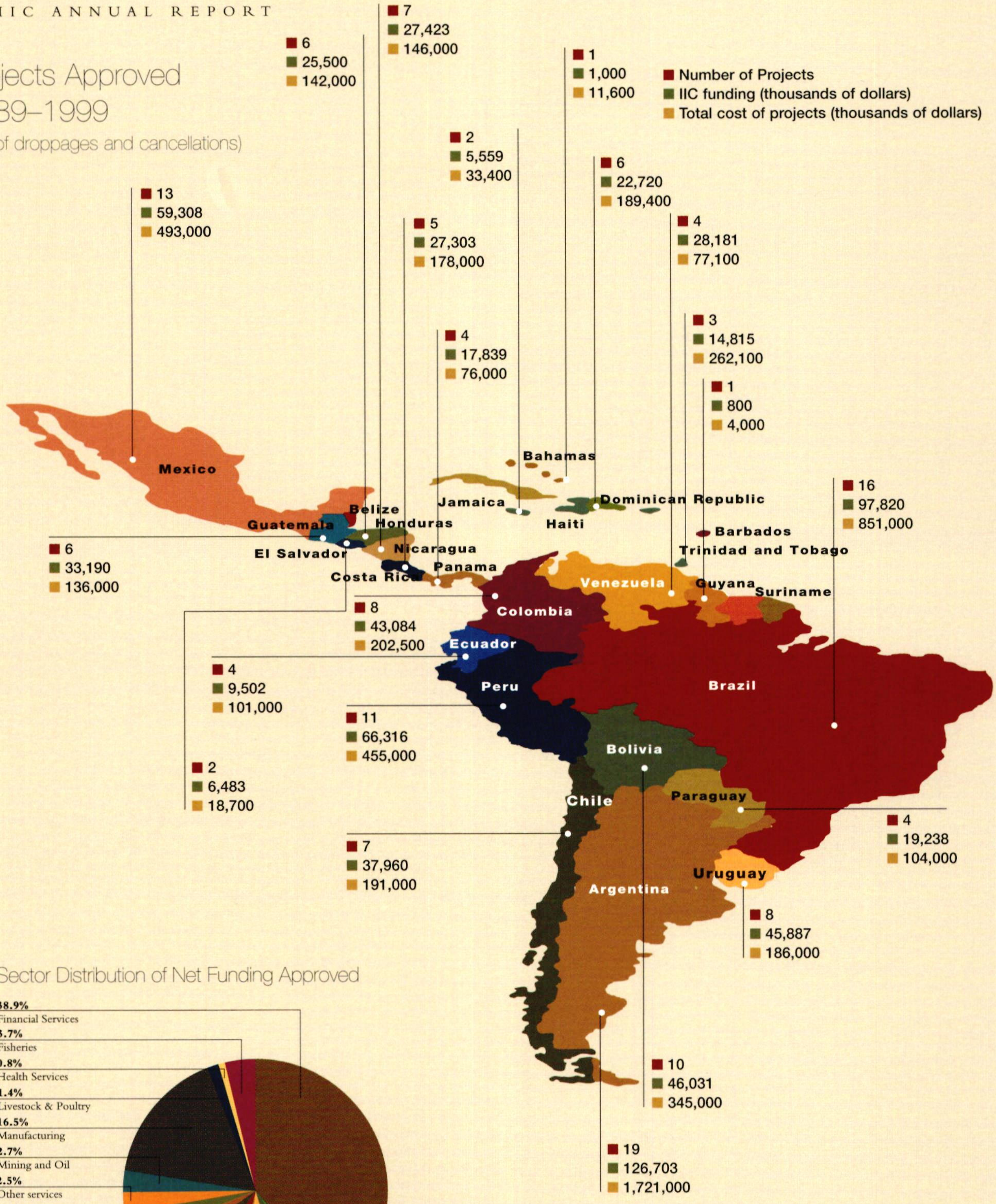
Under an IIC agency line of up to $15 million, **Banco de Montevideo S.A.** will identify, evaluate, structure, and supervise loans to small and medium-size Uruguayan enterprises that are majority-owned by citizens of the region. The IIC will review all projects for financial, environmental, workplace safety, and labor concerns. It will also train Banco de Montevideo staff in identifying and managing potential environmental problems posed by the projects financed.

The IIC and Banco de Montevideo will provide a total of $30 million to help such enterprises modernize or increase their operations to become more efficient and competitive. The agency line is expected to reach at least sixty final beneficiaries over its expected ten-year life, helping create 1,800 jobs, generate $30 million in annual export earnings, and contribute more than $120 million annually to Uruguay's GDP.

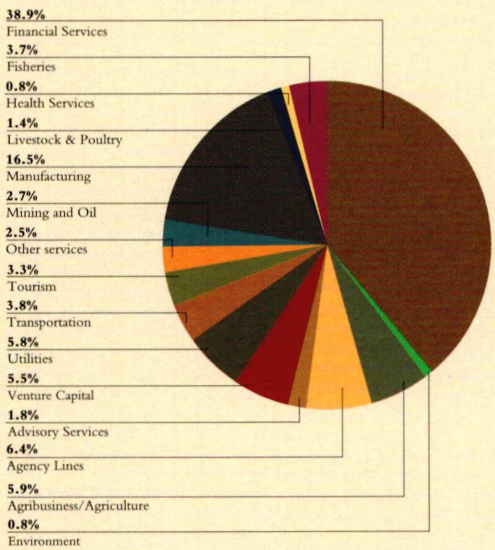
Highlights of a Decade

Projects Approved 1989–1999

(net of droppages and cancellations)



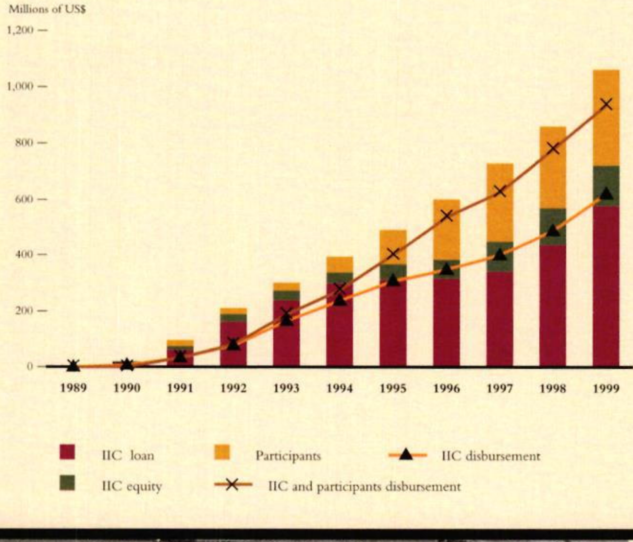
Sector Distribution of Net Funding Approved



Highlights of a Decade

This special section provides an overview of the IIC's first ten years of operations, during which a total of $1.2 billion was approved for 223 projects. Net commitments total $722 million; $621 million has been disbursed to 144 projects. One hundred twelve projects are now completely disbursed. Twenty-seven projects have completed the cycle by repaying their IIC loans. Over the ten-year period, the IIC has, directly or indirectly, provided financing for more than 2,000 small and medium-size enterprises.

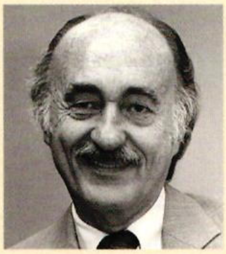
Committed Portfolio, Cumulative
(As of December 31, 1999)



How proud I am to have participated in the negotiations for establishing the IIC! Our goal was to have a sophisticated, efficient organization that would promote the development of Latin America and the Caribbean by supporting an especially valuable segment of the private sector: the small and medium-size companies that embrace new technology, create jobs, and expand exports. The Corporation was seen as a starting point for enhancing the IDB's operations with the private sector. Circumstances at the time required that the Corporation be innovative, that it leverage its resources, and that it take risks. Despite some initial difficulties, it did so successfully. We also felt that the IIC would help enhance the role of the private sector in the IDB's lending program and enrich the latter's experience in this area, and it indeed did—first in the context of the development of the Bank's sector loans and then with its subsequent direct loans to the private sector. Now, seeing the expansion of its operations and resources, I have to say, "mission accomplished."

James W. Conrow
Executive Vice President of the IDB from 1988 to 1993 and former Deputy Assistant Secretary for Developing Nations, United States Treasury Department

One of the projects approved during the IIC's first year of operations (1989) was a $1 million loan to Argentina's Terminal 6 S.A. Terminal 6 is a joint venture formed by six oilseed processing companies. The loan, which was repaid in full in 1994, becoming the first operation to complete the financing cycle, was used to expand the Terminal 6 oilseed and cereal processing port facility and build two new silos.



Gunther H. Muller
IIC General Manager from 1988 to 1993

The Inter-American Investment Corporation brought the IDB Group much closer to the private sector by targeting the region's small and medium-size enterprises. The Corporation has contributed to the region's economic and social development, supporting countless companies capable of creating jobs, expanding exports, bringing in new technologies, and increasing production in each and every economic sector without requiring that they provide government guarantees for their loans from the IIC. That mandate, based on the idea that development is a task that involves everyone and benefits all, both strengthens society and fosters democratization of the economy. Thus, the passage of time has but increasingly validated the Corporation's original mandate.

For me it is particularly important to remember the IIC's first steps. In 1983 and 1984, when I was the Inter-American Development Bank Executive Director for Central America, I was honored to participate in the initial deliberations regarding the creation of an institution within the IDB family that could directly serve small and medium-size entrepreneurs of Latin America and the Caribbean.

After many, many meetings and consultations with the IDB Governors, the IIC was formed in a memorable meeting in Rome in 1983. In August 1985, Antonio Ortiz Mena, then President of the IDB, appointed me as IIC Coordinator. In that capacity I was to follow up on signatory country ratifications, investigate options for the IIC's policies and organizational structure, and visualize the relationship between the IDB and the IIC. Later on, in 1989, I was engaged as Division Chief for Mexico, Central America, Venezuela, and Colombia.

In addition to the great personal satisfaction of being identified with the institution, the privilege of having participated in the conception, transition, and operating stages of the IIC allows me to conclude that, now more than ever, the mandate that gives life to the IIC—that of assisting small and medium-size enterprises—is being reinforced and justified by the importance that developmental institutions throughout the world are attaching to micro, small, and medium-size enterprises.

Benjamín Vides
Former IIC Division Chief

1983
Rome. First twenty-four countries sign act approving incorporation of the IIC.

1984
Washington, D.C. Member countries approve allocation of shares.

1986
Caracas. Inaugural meeting of IIC Board of Governors; first Board of Executive Directors elected.

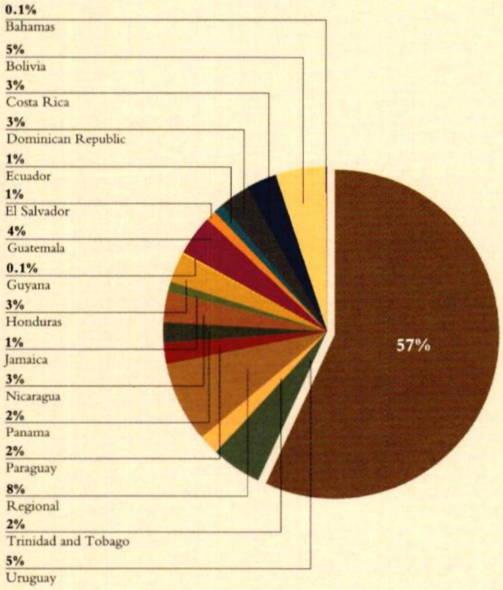
1987
First annual report published.

1988
Gunther H. Muller appointed IIC's first General Manager.

1989
IIC's first management team in place.

First operation approved.

Net Approvals Smaller Economies*

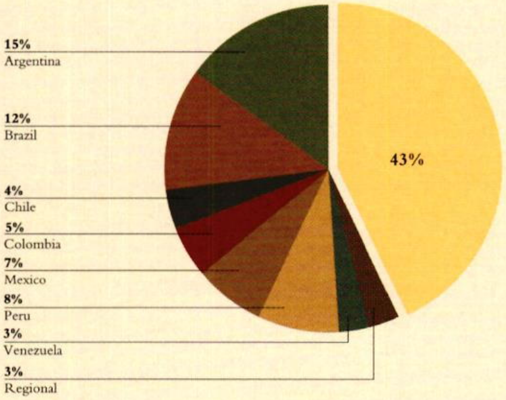


Freeborn G. Jewett, Jr.
Former IDB General Counsel

I was Deputy General Counsel and, later, General Counsel of the IDB in the 1970s and 1980s. It was in these capacities that I drafted the Agreement Establishing the Inter-American Investment Corporation and worked at reconciling the differing views of its prospective member countries regarding the role of multilaterals in the financing of private sector projects.

When I retired from the Bank in 1990, the Corporation was just starting up. Now it is compiling an enviable record in a difficult area, that of investing in small and medium-size companies, and I was personally honored to participate in the 1999 negotiation of its major capital increase and the admission of several new member countries.

Net Approvals Larger Economies*



*as percentage of total funding

1990
IIC and European Community sign first investment agreement.

1991
First cofinancing project approved.

1992
First regional presence established (Costa Rica).

1993
John C. Rahming appointed General Manager, ad interim.

1996
Number of private sector companies benefiting from IIC funding reaches the one thousand mark.

Field presence established in Uruguay.

Approvals, Commitments, and Disbursements

(As of December 31, 1999—Millions of US$)

		GROSS APPROVALS			NET COMMITMENTS			DISBURSEMENTS		
Country	Number of projects	Loan	Equity	Total	Loan	Equity	Total	Loan	Equity	Total
Argentina	26	137,240	10,972	148,212	106,992	8,798	115,790	102,804	8,798	111,602
Bahamas	2	6,000	0	6,000	1,000	0	1,000	1,000	0	1,000
Barbados	1	0	4,000	4,000	0	0	0	0	0	0
Bolivia	11	49,050	1,925	50,975	42,822	1,325	44,147	42,363	1,325	43,688
Brazil	18	90,800	18,500	109,300	71,930	16,932	88,862	60,465	13,030	73,495
Chile	10	29,348	18,326	47,674	26,348	9,118	35,466	24,348	9,118	33,466
Colombia	12	51,165	12,883	64,048	25,965	9,505	35,470	25,965	9,505	35,470
Costa Rica	7	33,500	1,500	35,000	26,000	500	26,500	25,014	500	25,514
Dominican Republic	6	25,550	0	25,550	21,470	0	21,470	16,920	0	16,920
Ecuador	7	23,000	2,500	25,500	7,000	1,802	8,802	7,000	1,802	8,802
El Salvador	3	4,000	4,500	8,500	4,000	2,000	6,000	4,000	2,000	6,000
Guatemala	8	46,050	500	46,550	23,050	0	23,050	13,850	0	13,850
Guyana	2	3,300	0	3,300	800	0	800	800	0	800
Haiti	1	1,000	0	1,000	0	0	0	0	0	0
Honduras	8	40,400	1,000	41,400	14,500	0	14,500	12,084	0	12,084
Jamaica	6	19,300	1,518	20,818	5,559	0	5,559	5,559	0	5,559
Mexico	21	66,988	37,250	104,238	31,874	19,299	51,174	25,874	15,212	41,087
Nicaragua	7	26,400	1,400	27,800	22,400	900	20,000	10,800	900	11,700
Panama	4	17,028	0	17,028	17,028	0	17,028	13,843	0	13,843
Paraguay	5	22,000	0	22,000	19,238	0	19,238	10,780	0	10,780
Peru	16	85,450	10,834	96,284	49,952	5,484	55,436	43,290	4,484	47,774
Trinidad & Tobago	4	17,500	2,800	20,300	14,217	598	14,815	9,607	598	10,205
Uruguay	8	40,087	6,200	46,287	24,840	6,047	30,887	24,840	6,047	30,887
Venezuela	9	41,750	4,740	46,490	25,750	0	25,750	17,500	0	17,500
Regional	21	58,500	101,500	160,000	—	60,000	60,000	—	47,969	47,969
Total	**223**	**935,405**	**242,848**	**1,178,253**	**582,736**	**142,309**	**725,045**	**498,707**	**121,289**	**619,996**

1997
Field presence established in Colombia.

Denmark joins the IIC.

1998
Cumulative approvals near $1 billion.

Suriname becomes a member.

John C. Rahming appointed General Manager.

1999
$500 million capital increase approved.

Belize joins the IIC.

Continuing discussions on admission of Belgium, Canada, Finland, Norway, Portugal, Sweden, and United Kingdom.

1999
Effective January 1, 2000, Jacques Rogozinski appointed General Manager.

Developmental Joint Ventures: Why and How

Developmental Joint Ventures: Why and How

In order to accomplish its purposes, the Corporation is authorized by its Charter to promote the participation of other sources of financing and/or expertise for its projects, including joint ventures and other forms of association such as licensing arrangements, marketing or management contracts.

The weave of a country's entrepreneurial fabric cannot be viewed in isolation from that country's financial system, its labor market, its educational system, or its technology. All of these factors are essential for spurring competitiveness and economic growth. Businesses determine the distribution of economic resources not only at the national level but in the international arena as well. Accordingly, an awareness of the nature of enterprises and their growth processes contributes not only to a better understanding of the way in which the economy operates but also to an improved perception of what the future might hold.

Small and medium-size enterprises are key to economic growth and job creation; in Europe they represent more than 98 percent of all businesses and account for 70 percent of total employment. In Latin America and the Caribbean, more than 90 percent of all manufacturing firms are small or medium-size and employ more than half of the total manufacturing workforce. Within the Latin American manufacturing sector, more than two-thirds of the small and medium-size enterprises produce essential goods.

In addition to their flexibility and their capacity for adapting to change and to the specialization of demand, small and medium-size enterprises are a dynamic source of growth and creation of wealth. But their structure is still quite fragile and vulnerable, especially during their start-up years. They are also affected by the overall business climate and must deal with a changing environment and an interrelated economy. Without a doubt, globalization poses a formidable financial and commercial challenge that small and medium-size enterprises will have to face in coming years.

In this context, cooperation among businesses (in the form of joint ventures in the case of smaller companies and mergers and acquisitions in the case of large corporations) enables the agents of production to adapt in response to increasing competition resulting from the globalization of markets and the economy as a whole.

What Joint Ventures Can Contribute to Development

For small and medium-size enterprises in Latin American and the Caribbean, the difficulty in obtaining capital and loan financing is a major obstacle to growth, hindering or even rendering impossible expansion and modernization as well as access to technical and managerial skills and cutting-edge tech-

This section is based on the presentation made by Ramón Casilda Béjar, Director of Norsistemas, from Spain's Grupo Unión Fenosa, at a seminar hosted by the IIC during the 1999 Annual Meetings of the Boards of Governors of the IDB and the IIC in Paris. The joint venture examples are taken from presentations made at the seminar by Jacky Mugrabi, President of Desler, Argentina; Michael Miller, International Vice President, EQ Corporation; Javier Matamoros, General Manager, Hidroeléctrica Platanar, Costa Rica; Bruno Carbonne-Lacroix, Project Manager, Steel Technologies, France; and Guillermo Jofré, Chief Financial Officer, ImpSat Argentina.

nology. Thus, there are a number of goals that can lead a small or medium-size enterprise to seek alternative solutions for satisfying these needs through collaboration with another firm or group of firms, either large or small, domestic or foreign:

- To improve its competitive position by increasing the volume of production and sales
- To improve its competitive position by specializing
- To enter new markets
- To access supplementary resources
- To acquire technology
- To carry out costly, risky ventures
- To acquire new skills
- To expand internationally
- To benefit from national and international markets

Firms that make progress on one or more of these fronts will be better prepared to overcome the obstacles placed in their path by the national and international economic climate in which they must operate.

How Developmental Joint Ventures Work

The areas in which companies most frequently cooperate to achieve a common purpose or carry out a project (i.e., joint ventures) are:

- Technology. Cooperation in this area enables firms to obtain cutting-edge technology that will enable them to automate part of their manufacturing process, thus injecting new know-how into traditional products. Such agreements are vitally important because many firms do not have the financial capacity to bear, on an individual basis, the costs of technological research.
- Supply. The supply of raw materials is key to business competitiveness. The ability to obtain supplies on the best terms of quality, time, and cost gives a company a significant advantage over its competitors.
- Marketing. It is usually hard for small firms to launch products in new markets, given the magnitude of the costs involved. Marketing agreements among several small and medium-size enterprises provide access to increased resources that in turn allow them to get their foot in the door of other markets, thus opening up new opportunities. Partnerships can give a group of manufacturing firms the volume necessary to market their products abroad. In other cases, cooperation can simply be a way to facilitate the exchange of products between cooperating firms in different locations that agree to market each other's products.

Joint Ventures at a Glance

When companies agree to cooperate, they have already done or must do certain important things. First, they must have identified common goals. For the sake of consistency, they must work together in a coordinated fashion and avoid conflicting decisions. Thus, the goals, responsibilities, and contributions of each firm must be clearly defined.

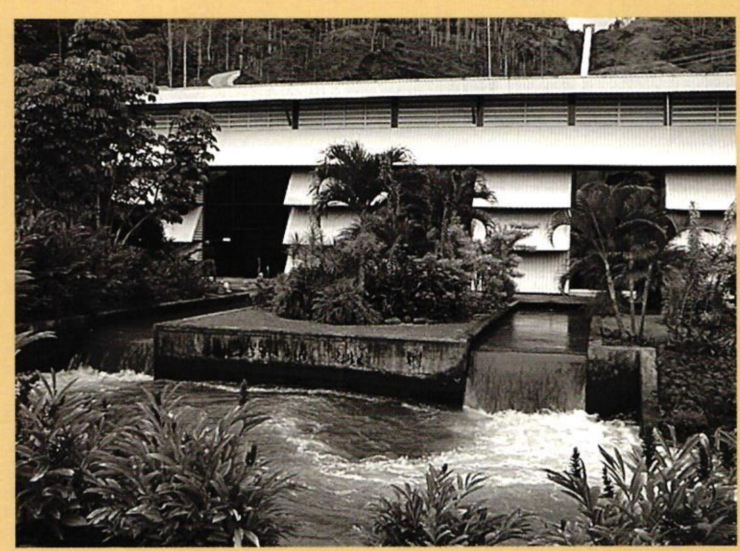
Second, cooperating firms maintain their own identity (legal independence and strategic sovereignty) despite a certain loss of autonomy (resulting from the distribution of power in order to coordinate joint activities).

Third, cooperation agreements by their very nature encompass many different fields and organizational forms. Thus, an agreement might involve an equity investment, thereby creating a "structured" form of cooperation (joint venture or shareholding). Or there might not be any equity participation, thus creating a "nonstructured" form of cooperation (such as a purchasing partnership or a business network). In all cases, the nature of the cooperation agreement will depend not only on the strategy selected but also on the organizational form chosen for its implementation.

High-Tech, Efficient Power Generation: Hidroeléctrica Platanar

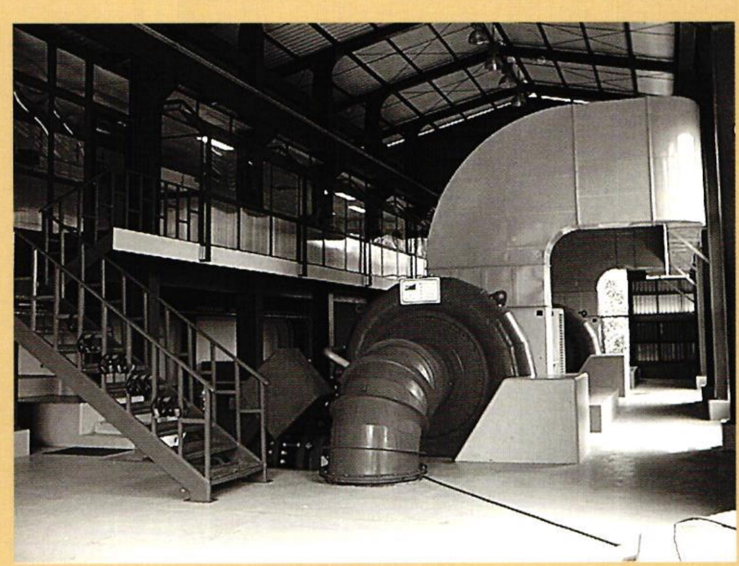
Hidroeléctrica Platanar is an electric company located in the Platanar river basin in San Carlos County in northern Costa Rica. It was established by two Costa Rican partners and one French partner: Saret de Costa Rica S.A., a firm working at the forefront of technological innovation in Costa Rica; the French company Steel Technologies S.A., which specializes in the design, manufacture, and installation of equipment for hydroelectric power plants up to 20 megawatts; and Empresa Eléctrica Matamoros S.A., which generates and sells electrical power in the Platanar river basin.

Financing for the project was provided by the Inter-American Investment Corporation; the Commonwealth Development Corporation; the Central American Bank for Economic Integration; and Banco Continental (now Banco Banex). Financing from all outside sources totaled \$16 million. A corporation was subsequently established by the three partner firms, which together put up an additional \$4 million, bringing funding up to a total of \$20 million.



Steel Technologies supplied control panels and spare parts and subcontracted Hydro Bouvier, of France, to supply turbines and Gec Alstom, also of France, for generators.

Hidroeléctrica Platanar now generates an average of 88,380,217 kilowatt-hours per year of power that is sold entirely to the Instituto Costarricense de Electricidad. The latter distributes it throughout Costa Rica, generating \$6 million in annual revenues for the firm. Hidroeléctrica Platanar is thus able to meet all of its financial commitments on time.



Some of the ways in which joint ventures may be set up are outlined below.

Cooperation agreements with or without an equity stake

Cooperation agreements involving equity participation are frequently established by means of minority stakes or cross-holdings between the firms that have agreed to cooperate. Also common are cooperation agreements in which no equity participation is involved. The choice of one type of agreement over another will depend on

- the duration, intensity, and frequency of the joint operations;
- the need to make a joint investment; and
- the degree of trust between the firms that have agreed to cooperate.

Joint ventures

A joint venture is an arrangement between firms to create a new, independent entity to carry out a given activity. The joint venture is a legal entity in its own right, and it conducts business for its own account and benefit, albeit in keeping with the strategic objectives of the parent firms.

Joint ventures can be classified as follows:

- On the basis of the contributions of the partners. The term "balanced joint venture" is normally used when the partners have identical equity participations, while the term "asymmetrical joint venture" is used when any of the partners has a significantly greater stake than the others.
- On the basis of geographical scope, i.e., domestic or international. In the latter case, the local partners as a rule provide personnel, market access, and a knowledge of local conditions, while the international firm primarily provides technology and production capacity.

Licensing

A license is a contract by means of which one firm ("the licensor") grants to another ("the licensee") authority to use its industrial property rights, for consideration. Such rights include patents, brand names, designs, copyrights, know-how, and technical information.

A license may also include broader agreements, such as the supply of materials or technical assistance by the licensor or even the commitment of both parties to inform each other of developments in the licensed technology. This set-up seeks to close specific gaps in the technological development of a firm. License agreements are most frequently used in the international arena. The firm that owns the rights thus avoids the risk involved in its commercial and industrial operation, while the licensee, with its knowledge of the local market, gains the opportunity to use those rights to upgrade its technology.

Franchises

A franchise is an agreement by means of which one firm ("the franchisor") cedes to another ("the franchisee") the right to market or manufacture a proven product in exchange for specific economic considerations. Franchise agreements have the following characteristics:

- The franchisor owns the business and makes the investments necessary to operate it.
- The franchisor provides the name, presentation, and common design for the franchises, in addition to know-how and appropriate technical and business assistance.
- The franchisee has exclusive use of the franchise rights in a specific geographical area.
- The franchisor receives payment, and exclusive rights (geographic, image, or product) must be respected.
- There are many different types of franchise arrangements, depending on the activity to be carried out and the degree of integration being sought. For the franchisor, the franchise removes obstacles to growth; for the franchisee, it provides an opportunity to benefit from the franchisor's advantages without totally giving up its independence.

Consortia

Consortia are agreements that enable the member firms to jointly carry out a project that none of them would be able to do individually.

Like cooperation agreements not involving equity participation, consortia make it possible to preserve the legal independence of the partners. However, the degree of involvement is somewhat greater, because such agreements usually create a common business unit whose primary mission is to coordinate the activities of the partner firms and, in some cases, to represent the consortium before third parties. In a consortium, the investment costs, the risks, and the long-term benefits to be obtained are shared without having to create a firm with a separate legal existence.

Networks

Networks are a type of cooperation characterized by the existence of multiple agreements among a large number of participants. They might involve not only corporate entities but other types of institutions (public or private, financial institutions) as well. The cooperation agreements are the links that join the network participants. The salient features of networks are the multiplicity and complexity of the relationships involved and the large number of participating firms and organizations, generally with a specific purpose in mind. Most networks are dynamic entities that can start out structured in one way and evolve into another structure in response to a changing environment.

Entrepreneurial Cooperation as a Concrete Strategy for Internationalization

Companies can use cooperation agreements to expand internationally. When a company makes the strategic decision to form a partnership in pursuit of internationalization, it must both make an investment and take some risks.

Like business cooperation in the strictly national arena, international partnerships (i.e., international cooperation) are created by firms lacking the resources necessary to expand internationally by themselves.

Advantages of international cooperation agreements

These agreements provide firms with quick, easy, and low-cost access to markets, technologies, or processes that they would be hard-pressed to acquire on their own. This is especially important for small and medium-size enterprises that lack the human and financial resources necessary to make, for their own account, the enormous investments required to develop new technologies and successfully establish a presence in large, distant, or culturally different markets.

International cooperation arrangements also make it possible to achieve economies of scale by increasing sales volume through agreements providing for distribution services in new markets. They also facilitate compliance with regulations imposed by some governments with regard to foreign ownership of companies. For example, joint ventures are an appropriate mechanism in countries requiring at least 50 percent local ownership. If the requisite percentage is greater than 50 percent, minority participations are a good alternative; if foreign ownership and importation of goods are prohibited, licenses are an effective solution.

Like joint ventures between firms in a given country, international joint ventures can be set up in a number of ways, either with or without the creation of a new entity per se.

With the creation of a new entity

- Joint ventures
- Export consortia
- Foreign trade cooperatives
- Government-sponsored projects
- Projects sponsored by international institutions

A Strategic Partnership for Innovative Environmental Management Services

Desler S.A. is a small, private joint venture that handles and safely disposes of medical and industrial waste in Argentina. Environmental Quality Company (EQ), a privately owned U.S. environmental services provider, and Corcemar, one of Argentina's largest cement manufacturers, which is a majority-owned subsidiary of the Swiss Holderbank Group, formed this strategic partnership to take advantage of each partner's specific area of expertise.

Recovering energy resources from waste material is one of the more widely used options for handling industrial waste in the United States and Europe. In conjunction with Corcemar, Desler formed a joint venture, EcoBlend. EcoBlend will build alternative fuel collection and blending terminals in Santa Fé and Neuquén, both major areas where organic wastes are generated, and a blending plant in Córdoba. A fuel blending operation also will be constructed at Desler's Buenos Aires location to provide more flexibility in local waste handling and reduce the overall cost of getting this fuel to the kiln.

As business volume grows, the market development plan anticipates expansion of the Córdoba facility in late 1999 and completion of another major blending unit at the Mendoza cement kiln. By combining the kiln operating expertise of Corcemar/Holderbank and the alternative fuel blending and sales experience of EQ from its U.S. operations, Desler has formulated a comprehensive business plan and has already launched a sales growth program. The partners in EcoBlend anticipate expenditures of $3.5 million for construction of the collection terminals and the blending facilities. By 2000, EcoBlend should be processing more than 50,000 tons of fuel annually and employing more than 50 people.

In addition to the construction of plants to deal with increased volumes of industrial waste, Desler intends to expand its capabilities to handle medical pathological waste by installing an autoclave unit. This autoclave will sterilize large volumes of medical waste using steam generated by heat recovered from the burning of medical and other industrial waste in the present incinerator system located at the Buenos Aires complex.

The unique combination of technology, operating experience, and financial strength brought to this project by Corcemar, Desler, and EQ generates considerable confidence regarding the success of the business venture and the future environmental protection benefits for Argentina. Completion of this business expansion project will cost approximately $14 million, with one-half of the required amount being provided through a loan from the Inter-American Investment Corporation. With all planned units in operation by early 2000, Argentina will have its first integrated industrial waste management system, benefiting a wide spectrum of the country's industrial economy.

Cutting-Edge Telecommunications through International Cooperation

ImpSat Argentina is a leading provider of private telecommunications network and Internet services in Latin America. The company offers tailor-made, integrated data, voice, and Internet solutions, with an increasing emphasis on broadband transmission, for national and multinational companies, financial institutions, government agencies, and other business customers. ImpSat also offers dedicated Internet services to Internet service and content providers.

In 1990, a $3 million loan and a $1.4 million equity investment from the Inter-American Investment Corporation enabled the start-up of ImpSat in Argentina. This support was of the utmost importance considering the still-unforeseeable prospects for the telecommunications market in the early '90s. The IIC sold its equity share in 1997, when ImpSat was up and running.

ImpSat has grown rapidly since the commencement of its operations in 1990. From 1993 to 1998, consolidated annual revenues increased from $37.7 million to $208.1 million. Argentina was not the only beneficiary of the IIC's financial support. In 1994 ImpSat Colombia began its operations thanks to the IIC, private investors, and banks that helped fund the ImpSat project. The IIC granted a $12 million loan for the purchase of telecommunications equipment and real estate for the future teleport.

ImpSat's networks comprise satellite, fiber optic cable, and wireless links. The company is a pioneer in Latin America in the use of a shared hub; it operates one of the largest shared-hub VSAT networks

in Latin America. The use of a shared-hub earth station, whereby many different customers share a central teleport operated by ImpSat, allows the company to reduce the cost of telecommunications services to its customers, thus expanding its addressable market to smaller and medium-size businesses. ImpSat owns and operates teleports in Buenos Aires, Argentina; São Paulo, Brazil; Bogotá, Colombia; Caracas, Venezuela; Quito, Ecuador; Mexico City, Mexico; and the state of Florida in the United States.

The Latin American markets in which ImpSat operates are expected to experience compounded annual telecommunications and data services revenue growth of approximately 14 percent and 24 percent, respectively, from 1998 through 2002. This forecasted growth, coupled with continued deregulation in Latin America, should fuel demand for additional broadband capacity. To take advantage of this demand, ImpSat is constructing a broadband network that will enable it to provide high-capacity, high-speed telecommunications services across Latin America, creating a high-capacity, pan–Latin American Internet backbone and offering Latin American companies more efficient access to the U.S. Internet backbone.

A company such as ImpSat, which has become a leading provider of private telecommunications network services in Latin America in less than ten years, with revenues totaling more than $200 million, is the result of bold entrepreneurs joining forces with local investors and an outstanding management team. It is also the result of support provided by institutions like the IIC, which provided funding and credibility in the financial markets, and Telecom Italy, which contributed additional funding and commercial credibility.

Without the creation of a new entity

- Licenses
- Franchises
- Cross distribution arrangements
- Manufacturing contracts
- Management contracts
- Minority participations or exchange of capital stock

Summing up, one of the primary challenges facing small and medium-size enterprises operating in the Corporation's developing member countries is the ability to become more competitive. Cooperating on the creation of joint ventures can be an innovative way to increase competitiveness, with the added benefit of ensuring a greater distribution of risk and providing more opportunities for the companies involved.

Multilateral development institutions such as the Inter-American Investment Corporation are well-suited to support the creation of joint ventures and promote entrepreneurial cooperation between companies in developed and developing countries. Besides their ability to provide financing on appropriate terms, they bring expertise in the structuring of projects and can play a significant role as honest brokers in the development of joint venture initiatives.

The joint ventures cited as examples in this section of the IIC's 1999 annual report illustrate but a few of the many possibilities for setting up developmental joint ventures that are not only sound business undertakings but also environmentally sound investments.

The Inter-American Investment Corporation is proud of having supported these projects and looks forward to contributing to similar projects throughout Latin America and the Caribbean.

Operations Approved by IIC in 1999

(In US$ Millions)

Country	New Projects Approved	Sector	Total Project Cost	IIC Participation Loan	IIC Participation Equity	IIC Participation Total	Cofinancing	Annual Export Revenues	Annual Value Added	Total Employment
Argentina	Banco Río de La Plata, S.A.	Financial Services	180.0	10.0	0.0	10.0	20.0	30.0	120.0	1,800
Bolivia	Banco Bisa, S.A.	Financial Services	150.0	10.0	0.0	10.0	15.0	15.0	50.0	750
Bolivia	Banco Mercantil, S.A.	Financial Services	60.0	10.0	0.0	10.0	–	–	0.0	–
Chile	Invertec Foods S.A.	Agribusiness	10.0	5.0	0.0	5.0	–	17.8	10.0	105
Dominican Republic	Corporación de Zona Franca, Haimamosa	Other Services	9.1	4.6	0.0	4.6	–	5.0	2.0	4,318
Guatemala	Banco de Occidente, S.A.	Financial Services	36.0	6.0	0.0	6.0	–	9.0	36.0	540
Guatemala	Hidroeléctrica Río Las Vacas, S.A.	Utility	36.6	10.0	0.0	10.0	8.0	–	8.0	57
Honduras	Banco la Capitalizadora Hondureña, S.A.	Financial Services	42.0	7.0	0.0	7.0	–	10.0	40.0	600
Honduras	Banco Financiera Comercial Hondureña, S.A.	Financial Services	42.0	7.0	0.0	7.0	–	15.0	5.0	450
Honduras	Banco Financiera Centroamericana, S.A.	Financial Services	24.0	4.0	0.0	4.0	–	8.0	30.0	450
Mexico	Banco del Bajío	Financial Services	36.0	6.0	0.0	6.0	–	6.0	24.0	360
Mexico	Grupo Calider, S.A. de C.V.	Manufacturing	20.6	6.0	0.0	6.0	4.9	4.1	6.0	30
Nicaragua	Banco de Crédito Centroamericano	Financial Services	36.0	6.0	0.0	6.0	–	30.0	30.0	450
Nicaragua	Banco de la Exportación, S.A.	Financial Services	30.0	5.0	0.0	5.0	–	8.0	30.0	450
Paraguay	Banco Alemán Paraguayo, S.A.	Financial Services	45.0	7.5	0.0	7.5	–	80.0	90.0	450
Peru	Banco Internacional del Perú-Interbank	Financial Services	180.0	10.0	0.0	10.0	20.0	30.0	120.0	1,800
Regional	Caribbean Investment Fund, L.P.	Venture Capital	75.0	0.0	7.5	7.5	–	125.0	250.0	750
Regional	Compass Capital Fund, L.P.	Venture Capital	100.0	0.0	10.0	10.0	–	25.0	100.0	360
Regional	El Camino Resources de América Latina, Inc.	Capital Market	15.0	15.0	0.0	15.0	–	75.0	300.0	400
Regional	Latin American Agribusiness Development Corporation	Agency Line	40.0	20.0	0.0	20.0	–	15.0	60.0	900
Trinidad & Tobago	Republic Bank Limited	Financial Services	240.0	10.0	0.0	10.0	30.0	10.0	50.0	750
Uruguay	Banco de Montevideo, S.A.	Agency Line	30.0	15.0	0.0	15.0	–	30.0	120.0	1,800
		Total	**1,437.3**	**174.1**	**17.5**	**191.6**	**97.9**	**547.9**	**1,481.0**	**17,570**

Financial Statements

December 31, 1999 and 1998

Report of Independent Accountants

Board of Governors
Inter-American Investment Corporation

In our opinion, the accompanying balance sheets and the related statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of the Inter-American Investment Corporation at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Washington, D.C.
February 8, 2000

Balance Sheets

(Expressed in thousands of United States dollars)

	December 31, 1999	December 31, 1998
ASSETS		
CASH	$ 3,622	$ 70
MARKETABLE SECURITIES	32,598	45,547
LOAN AND EQUITY INVESTMENTS		
Loan Investments	267,973	220,927
Less Allowance for Losses	(24,567)	(28,149)
	243,406	192,778
Equity Investments	84,972	78,843
Less Allowance for Losses	(10,186)	(9,645)
	74,786	69,198
Total Investments	318,192	261,976
RECEIVABLES AND OTHER ASSETS	6,737	6,949
TOTAL ASSETS	$361,149	$314,542
LIABILITIES AND EQUITY		
ACCOUNTS PAYABLE	$ 2,255	$ 2,354
INTEREST AND COMMITMENT FEES PAYABLE	820	1,250
BORROWINGS	150,000	90,000
Total Liabilities	153,075	93,604
CAPITAL		
Authorized: 70,370 shares (Par value $10,000)		
Subscribed: 20,370 shares	203,700	203,400
Less Subscriptions Receivable	(445)	(225)
	203,255	203,175
RETAINED EARNINGS	4,819	17,763
TOTAL LIABILITIES AND EQUITY	$361,149	$314,542

The accompanying notes are an integral part of these financial statements.

Statements of Income and Retained Earnings

(Expressed in thousands of United States dollars)

	YEARS ENDED DECEMBER 31,	
	1999	1998
INCOME		
Marketable Securities	$ 2,175	$ 4,060
Loan Investments		
Interest	17,907	15,694
Commitment Fees	472	216
Front-end Fees	1,467	1,061
Other Loan Investment Income	681	1,241
	20,527	18,212
Equity Investments		
Gain on Sale of Equity Investments	235	2,497
Dividends	1,098	266
Other Equity Investment Income	161	65
	1,494	2,828
Advisory Service, Cofinancing, and Other Income	3,516	2,625
	27,712	27,725
EXPENSES		
Administrative	12,918	12,818
Provision for Loan and Equity Investment Losses	21,793	14,159
Borrowing	5,945	5,027
	40,656	32,004
NET LOSS	(12,944)	(4,279)
RETAINED EARNINGS AT BEGINNING OF YEAR	17,763	22,042
RETAINED EARNINGS AT END OF YEAR	$ 4,819	$17,763

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

(Expressed in thousands of United States dollars)

	Years ended December 31, 1999	1998
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements	$(114,792)	$ (63,820)
Equity disbursements	(17,139)	(25,270)
Loan repayments	50,412	43,431
Sales of equity investments	1,531	3,791
Return of capital from equity investments	1,737	321
Proceeds from recovered assets	241	235
Net cash used in investing activities	(78,010)	(41,312)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	80,000	90,000
Repayment of borrowings	(20,000)	(85,000)
Capital subscriptions	80	1,625
Net cash provided by financing activities	60,080	6,625
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	(12,944)	(4,279)
Marketable Securities:		
Purchases	(2,364,420)	(3,206,313)
Sales, maturities, and repayments	2,377,344	3,230,243
	12,924	23,930
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for loan and equity investment losses	21,793	14,159
Decrease (Increase) in receivables and other assets	212	(284)
(Decrease) Increase in accounts payable	(99)	64
(Decrease) Increase in interest and commitment fees payable	(430)	1,004
Unrealized loss on marketable securities	26	125
	21,502	15,068
Net cash provided by operating activities	21,482	34,719
NET INCREASE IN CASH	3,552	32
CASH AT BEGINNING OF YEAR	70	38
CASH AT END OF YEAR	$ 3,622	$ 70
SUPPLEMENTAL DISCLOSURE		
Interest paid during the year	$ 6,318	$ 3,961

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

December 31, 1999 and 1998

PURPOSE

The Inter-American Investment Corporation (the Corporation), a multilateral organization, was established in 1986. The Corporation is a member of the Inter-American Development Bank Group (IDB Group), which also includes the Inter-American Development Bank (IDB) and the Multilateral Investment Fund (MIF). The Corporation began operations in 1989 with the mission to promote the economic development of its Latin American and Caribbean member countries by financing small and medium-size enterprises. The Corporation, together with private investors, accomplishes this mission by making loan and equity investments where sufficient private capital is not otherwise available on reasonable terms, mobilizing additional project funding from other investors and lenders through cofinancing or loan syndications, and providing financial and technical advisory services. The Corporation receives its share capital from its member countries, conducts its operations only in United States dollars, and limits operational activities to its twenty-six regional member countries.

Note A — Summary of Significant Accounting and Related Policies

The accounting and reporting policies of the Corporation conform with accounting principles generally accepted in the United States (US GAAP).

FINANCIAL STATEMENTS PRESENTATION

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

USE OF ESTIMATES

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from these estimates. A significant degree of judgment has been used in the determination of the adequacy of the reserve against losses. There are inherent risks and uncertainties related to the Corporation's operations. The possibility exists that changing economic conditions could have an adverse effect on the financial position of the Corporation.

LOAN AND EQUITY INVESTMENTS

Loan and equity investments are committed when the loan or equity agreement is signed and are recorded as assets when disbursed. Loan investments are carried at the principal amounts outstanding adjusted for allowance for losses. It is the Corporation's practice to obtain collateral security such as, but not limited to, mortgages and third-party guarantees. Investments in equity securities that have a readily determinable market value are classified as available-for-sale and are carried at market value, with unrealized holding gains and losses recorded as a separate component of equity. Equity investments without a readily determinable market value are initially carried at cost. This carrying amount, as described below, is periodically reviewed and adjusted for impairments. On occasion the Corporation enters into put option agreements in connection with equity investments.

Notes to the Financial Statements

December 31, 1999 and 1998

The Corporation considers a loan impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the loan's contractual terms. Impairment, recognized as part of the allowance for losses, is measured as the excess of the recorded investment in the impaired loan over the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent.

ALLOWANCE FOR LOSSES ON LOAN AND EQUITY INVESTMENTS

The Corporation follows the policy of periodically reviewing and risk ranking all loan and equity investments and establishing an allowance based on that review. Management's judgment is based on the risk ratings and performance of individual investments, the size and diversity of the Corporation's portfolio, economic conditions, and other factors considered significant by management. The calculation of the allowance for losses includes the use of estimates of collateral values and other potential sources of cash flow. The allowance for losses is established through periodic charges to income in the form of a provision for losses on investments. Investments written off, as well as any subsequent recoveries, are recorded through the allowance account. The allowance for losses is maintained at a level that, in management's judgment, is adequate to absorb estimated losses in the loan and equity portfolio and adequately reflects the risk of loss in the Corporation's portfolio.

REVENUE RECOGNITION ON LOAN AND EQUITY INVESTMENTS

Interest and all fees except front-end fees are recognized as income in the periods in which they are earned. Front-end fees and incremental direct costs associated with the origination of loan and equity investments are not amortized since the net is considered immaterial. The Corporation does not recognize income on loans where collectibility is in doubt or payments of interest or principal are past due more than 90 days. Any interest accrued on a loan placed in nonaccrual status is reversed out of income and is thereafter recognized as income only when the actual payment is received and management has concluded that the borrower's ability to make periodic interest and principal payments has been demonstrated. Interest not previously recognized but capitalized as part of a debt restructuring is recorded as deferred income and credited to income only when the related principal is received.

MARKETABLE SECURITIES

As part of its overall portfolio management strategy, the Corporation invests in government and agency obligations, time deposits, and asset-backed securities according to the Corporation's credit risk and duration policies. Government and agency obligations include highly-rated fixed-rate bonds, notes, bills, and other obligations issued or unconditionally guaranteed by governments of countries or other official entities including government agencies. The Corporation's marketable securities portfolio is classified as trading and is reported at market value with changes in fair value and realized gains and losses reported in income from marketable securities. Interest and dividends on securities and amortization of premiums and accretion of discounts are reported in income from marketable securities.

Notes to the Financial Statements

December 31, 1999 and 1998

FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments* (SFAS No. 107), requires entities to disclose information about the estimated fair value of their financial instruments, whether or not those values are recognized on the balance sheet.

For many of the Corporation's financial instruments it is not practicable to estimate the fair value, and therefore, in accordance with SFAS No. 107, additional disclosures pertinent to estimating the fair value, such as the carrying amount, interest rate, and maturity, are provided.

The following methods and assumptions were used by management in estimating the fair value of the Corporation's financial instruments:

Cash: The carrying amount reported in the balance sheet approximates fair value.

Marketable Securities: Fair values for marketable securities are based on quoted market prices. See Note B.

Loan Investments: The Corporation provides custom-tailored financing to small and medium-size enterprises operating in its developing member countries. There is no comparable secondary market for these types of loans. For the majority of loans and related commitments, management is of the opinion that due to the Corporation's unique position in its lending operations and the absence of an established secondary market, it is not practicable to estimate a fair value for the Corporation's lending portfolio at this time. See Note C.

Equity Investments: The Corporation purchases the capital stock of small and medium-size private sector enterprises in Latin America and the Caribbean. In most cases, market prices are not available and alternate valuation techniques are not practicable. See Note C.

Borrowings: The carrying amount reported in the balance sheet for borrowings approximates fair value. See Note E.

ACCOUNTING AND REPORTING DEVELOPMENTS

In June 1998, FASB issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* The standard establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires a company to recognize all derivative instruments as either assets or liabilities in the statement of financial position and to measure those instruments at fair value. The statement requires that changes in the derivative's fair value be recorded each period in earnings or as other comprehensive income depending on whether a derivative is designated as part of a hedge transaction. SFAS No. 133, as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of FASB Statement No. 133* is effective for the Corporation's fiscal year 2001 and must be applied to (a) derivative instruments and (b) certain derivative instruments embedded in hybrid contracts that were issued, acquired, or substantially modified after December 31, 1997. Management is evaluating the impact that the adoption of this standard will have on the Corporation's results of operation or financial position.

Note B — Marketable Securities

The Corporation had an unrealized loss of $26,000 for the year ended December 31, 1999 ($125,000 unrealized loss-year ended December 31, 1998), which was included in income from marketable securities.

Note C — Loan and Equity Investments

The Corporation monitors the outstanding loan and equity portfolios for geographic concentration of credit risk. At December 31, 1999, countries with the largest aggregate credit exposure to the Corporation included Argentina, Brazil, and Bolivia. See the Summary of Projects by Country as of December 31, 1999, in Note K.

Loan and equity investments approved by the Board of Executive Directors to be held by the Corporation but not yet signed as commitments and loan and equity investment commitments signed for which disbursement has not yet been made (net of cancellations) are summarized below:

	DECEMBER 31, (IN THOUSANDS)	
	1999	1998
Investments Approved but not Committed		
Loan	$111,000	$127,168
Equity	19,000	20,700
Total	$130,000	$147,868
Investments Committed but not Disbursed		
Loan	$ 84,029	$ 52,050
Equity	25,343	33,457
Total	$109,372	$ 85,507

The Corporation's loans accrue interest at one-, three-, and six-month London Inter-Bank Offered Rate (LIBOR) plus a spread ranging from 2.25% to 5.00%. At December 31, 1999, the one-, three-, and six-month average LIBOR rates were 5.83%, 6.00%, and 6.14%, respectively (5.12%, 5.17% and 5.17%, respectively, at December 31, 1998).

The maturity structure of the Corporation's loan investments is as follows:

	DECEMBER 31, (IN THOUSANDS)			
	1999		1998	
	PRINCIPAL OUTSTANDING	AVERAGE SPREAD OVER LIBOR	PRINCIPAL OUTSTANDING	AVERAGE SPREAD OVER LIBOR
Due in one year or less	$ 48,193	3.76%	$ 58,589	3.61%
Due after one year through five years	154,302	3.44%	129,860	3.66%
Due after five years through ten years	65,478	3.31%	32,478	3.85%
Total	$267,973		$220,927	

Notes to the Financial Statements

December 31, 1999 and 1998

Loans placed in nonaccrual status at December 31, 1999, totaled $32,226,000 ($41,859,000–December 31, 1998). Interest income reversed on nonaccrual loans during the year ended December 31, 1999, totaled $4,076,000 ($3,775,000-year ended December 31, 1998). Cash collections on reversed income during the year ended December 31, 1999, totaled $254,000 ($249,000-year ended December 31, 1998).

The Corporation's investment in impaired loans at December 31, 1999, was $20,339,000 ($36,773,000-year ended December 31, 1998). The average investment in impaired loans for the year ended December 31, 1999, was $28,556,000 ($30,371,000-year ended December 31, 1998). Allowance for losses against impaired loans at December 31, 1999, was $10,932,000 ($18,631,000-at December 31, 1998). The Corporation recognized $128,000 in interest income from loans classified as impaired at December 31, 1999 ($0-at December 31, 1998).

Activity in the allowance for loan and equity losses was as follows:

	DECEMBER 31, (IN THOUSANDS)					
	1999			1998		
	LOANS	EQUITY	TOTAL	LOANS	EQUITY	TOTAL
Balance at beginning of year	$ 28,149	$ 9,645	$ 37,794	$26,041	$5,354	$31,395
Investments written off	(17,333)	(7,742)	(25,075)	(7,056)	(939)	(7,995)
Recoveries	218	23	241	15	220	235
Provision for losses	13,533	8,260	21,793	9,149	5,010	14,159
Balance at end of year	$ 24,567	$10,186	$ 34,753	$28,149	$9,645	$37,794

Note D — Receivables and Other Assets

Receivables and other assets are summarized below:

	DECEMBER 31, (IN THOUSANDS)	
	1999	1998
Accrued Income on Marketable Securities	$ 239	$ 903
Accrued Income on Loan Investments	4,768	4,089
Accrued Dividends on Equity Investment	102	—
Receivable on Equity Sales, net	1,053	1,728
Accrued Interest on Equity Sales	110	—
Other	224	4
Fixed Assets:		
Furniture, Office Equipment, and Leasehold Improvements, at cost	1,129	1,042
Computer Hardware, Software, and Systems Development, at cost	2,040	1,948
Less: Accumulated Depreciation and Amortization	(2,928)	(2,765)
Fixed Assets, net	241	225
Total	$6,737	$6,949

During 1998, the Corporation sold its participation in certain equity investments and recorded notes receivable totaling $1,800,000 and a related valuation allowance of $72,000. The Corporation recognized a $416,000 gain related to these equity sales, which is included in gain on sale of equity investments during the year ended December 31, 1998. The outstanding balance on this receivable was $1,200,000 with a related valuation allowance of $147,000 at December 31, 1999.

The Corporation depreciates fixed assets on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years. Costs associated with the development of computer software for internal use are capitalized and amortized over the useful life of the software.

Note E — Borrowings

The Corporation's outstanding borrowings consist of revolving credit line agreements with Deutsche Bank Luxembourg, S.A. (Deutsche Bank) and Caja de Ahorros y Monte de Piedad de Madrid (Caja). Borrowings under these agreements are due one, three, or six months after disbursement and are renewable.

Borrowings under these agreements consist of the following:

	DECEMBER 31, (IN THOUSANDS)	
	1999	1998
Deutsche Bank, $75 million expiring October 2000	$ 60,000	$20,000
Caja, $50 million expiring July 2001	20,000	—
Caja, $100 million expiring March 2006	70,000	70,000
Total	$150,000	$90,000

Interest accrues at variable rates based on one-, three- or six-month LIBOR rates set at the effective date of each borrowing. The Corporation's weighted average cost of borrowings for the year ended December 31, 1999, was 5.39% (5.85%-year ended December 31, 1998). The Corporation also pays a commitment fee ranging from .05% to .10% on the unused available line of credit. Total commitment fees paid on all lines for the year ended December 31, 1999, totaled $40,000 ($46,000-year ended December 31, 1998).

In 1997, the Corporation and the Inter-American Development Bank executed a loan agreement allowing the Corporation to borrow up to $300,000,000 until November 2001. No funds were drawn under this loan agreement during 1999 or 1998.

Note F — Capital

The following table lists the capital stock subscribed and subscriptions receivable for each member country at December 31, 1999 (US$ thousands):

	Capital Stock Subscribed		Subscriptions Receivable from Members
	Shares	Amount	
Argentina	2,327	$ 23,270	
Austria	100	1,000	
Bahamas	43	430	
Barbados	30	300	
Belize	30	300	$ 220
Bolivia	187	1,870	
Brazil	2,327	23,270	
Chile	690	6,900	
Colombia	690	6,900	
Costa Rica	94	940	
Denmark	310	3,100	
Dominican Republic	126	1,260	
Ecuador	126	1,260	
El Salvador	94	940	
France	626	6,260	
Germany	626	6,260	
Guatemala	126	1,260	
Guyana	36	360	
Haiti	94	940	
Honduras	94	940	
Israel	50	500	
Italy	626	6,260	
Jamaica	126	1,260	
Japan	626	6,260	
Mexico	1,498	14,980	
Netherlands	310	3,100	
Nicaragua	94	940	
Panama	94	940	
Paraguay	94	940	
Peru	420	4,200	
Spain	626	6,260	
Suriname	30	300	225
Switzerland	310	3,100	
Trinidad and Tobago	94	940	
United States	5,100	51,000	
Uruguay	248	2,480	
Venezuela	1,248	12,480	
Total 1999	20,370	$203,700	$ 445
Total 1998	20,340	$203,400	$ 300

On December 14, 1999, the Board of Governors approved a resolution increasing the authorized capital of the Corporation from $203,700,000 to $703,700,000. The resolution allocated $500,000,000 for subscriptions by member countries during the subscription period ending February 28, 2000. Members will pay subscriptions in eight installments, the last of which is payable on October 31, 2007.

Note G — Participations

The Corporation mobilizes funds from commercial banks and other financial institutions (Participants) through loan participations, which are sold by the Corporation, without recourse, to Participants. These loan participations are administered and serviced by the Corporation on behalf of the Participants. During the year ended December 31, 1999, the Corporation called and disbursed $24,940,000 ($62,000,000-year ended December 31, 1998) of Participants' funds. The undisbursed Participants' commitments were $26,560,000 at December 31, 1999 ($1,000,000-at December 31, 1998).

Note H — Related Party Transactions

The Corporation obtains some administrative and overhead services from the IDB in those areas where common services can be efficiently provided by the IDB. The Corporation has a lease agreement with the IDB for office space that expires in 2002. Payments for office space may vary based on actual usage.

The Corporation paid the following amounts to the IDB for office space and certain administrative support services:

	DECEMBER 31, (IN THOUSANDS)	
	1999	1998
Office Space	$1,092	$1,081
Support Services	464	644
Total	$1,556	$1,725

Accounts payable due to the IDB were $274,000 at December 31, 1999 ($153,000–at December 31, 1998). In 1999 and 1998, no amounts were outstanding to the IDB under an existing loan agreement. See Note E.

The Corporation has an advisory services agreement with the IDB's Multilateral Investment Fund (MIF). Fees of $400,000 were received for the year ended December 31, 1999 ($400,000-year ended December 31, 1998).

Note I — Retirement Plan

The IDB sponsors a defined benefit retirement plan (the Retirement Plan) covering substantially all of the staff of the Corporation and the IDB. Under the Retirement Plan, benefits are based on years of service and average compensation, with the staff contributing a fixed percentage of remuneration, and the Corporation and the IDB contributing the remainder of the actuarially determined cost of future Retirement Plan benefits. The total contribution is based upon the aggregate funding method. All contributions to the Retirement Plan and all other assets and income held for purposes of the Retirement Plan are separated from the other assets and income of the Corporation and the IDB. They can be used only for the benefit of the Retirement Plan participants and their beneficiaries, until all liabilities to them have been paid or provided for. Information regarding the accumulated benefit obligation and related assets attributable to the Corporation is not maintained. The total allocated expense to the Corporation for the purposes of the Retirement Plan was $468,000 for the year ended December 31, 1999 ($968,000-year ended December 31, 1998).

Note J — Non-Pension Postretirement Benefits

The Corporation also provides certain health care and other benefits to retirees. All current staff who participate in the Retirement Plan and who meet certain requirements are eligible for these postretirement benefits when they retire under the Retirement Plan.

The Corporation contributes an actuarially determined expense to the IDB's Postretirement Benefits Plan (the Plan) annually. The Corporation's portion of total assets is prorated to the Plan based upon the Corporation's funding rate and the rate of return on the assets, net of any payments to employees for postretirement benefits. The Corporation funded $765,000 to the Plan for the year ended December 31, 1999 ($917,000-year ended December 31, 1998). Future funding contributions to the Plan are projected to equal the annual actuarial cost.

The following table provides a reconciliation of the changes in the Plan's benefit obligations and fair value of assets:

	DECEMBER 31, (IN THOUSANDS)	
	1999	1998
Reconciliation of benefit obligation		
Obligation at January 1	$ 5,739	$ 6,027
Service cost	749	674
Interest cost	304	288
Actuarial loss (gain)	594	(1,250)
Obligation at December 31	7,386	5,739
Reconciliation of fair value of Plan assets		
Fair value of Plan assets at January 1	5,537	3,814
Actual return on Plan assets	1,137	806
Employer contributions	765	917
Fair value of Plan assets at December 31	7,439	5,537
Funded status		
Funded status at December 31	53	(202)
Unrecognized transition obligation	2,619	2,793
Unrecognized gain	(2,491)	(2,425)
Net amount recognized	$ 181	$ 166

Actuarial gains and losses that exceed 10% of the accumulated postretirement benefit obligation are amortized over the average remaining life of active participants of approximately 11.1 years. Unrecognized net transition obligations are amortized over 15 years.

The weighted-average actuarial assumptions taken into consideration for the calculation of the benefit obligation are as follows:

	1999	1998
Discount rate	6.25%	5.25%
Expected return on Plan assets	7.00%	6.00%

The accumulated postretirement benefit obligation was determined using health care cost trend rates of 8.5% to 10.0% for those participants assumed to retire in the United States. The rate was assumed to decrease gradually to 5.5% in 2011 and thereafter. For those participants assumed to retire outside of the United States, a 10.0% increase was used.

The net periodic benefit cost consists of the following components:

	December 31, (in thousands)	
	1999	1998
Service cost	$749	$674
Interest cost	304	288
Amortization of unrecognized transition obligation and gain	19	42
Less: Expected return on Plan assets	(322)	(260)
	$750	$744

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total of service and interest cost components	$ 270,000	$ (200,000)
Effect on postretirement benefit obligation	1,270,000	$(1,030,000)

Note K — Summary of Projects by Country

The following tables list the outstanding loan and equity investments by country at December 31, 1999 (US$ thousands):

Notes to the Financial Statements

December 31, 1999 and 1998

LOAN INVESTMENTS

MEMBER COUNTRIES WHERE LOANS HAVE BEEN MADE	LOANS APPROVED AND COMMITTED	CANCELLED BALANCE	UNDISBURSED BALANCE	REPAYMENTS AND WRITE-OFFS	LOAN INVESTMENTS OUTSTANDING 1999	1998
Argentina	$108,240	$ 1,248	$ 4,188	$ 28,339	$ 74,465	$ 50,950
Bahamas	1,000	—	—	280	720	880
Bolivia	45,350	2,528	459	10,611	31,752	11,368
Brazil	78,800	6,870	11,465	36,482	23,983	36,422
Chile	31,348	5,000	2,000	16,468	7,880	12,500
Colombia	28,215	2,250	—	22,069	3,896	11,394
Costa Rica	31,000	5,000	986	6,816	18,198	18,953
Dominican Republic	25,550	4,079	4,550	4,806	12,115	12,840
Ecuador	8,000	1,000	—	5,110	1,890	2,254
El Salvador	4,000	—	—	2,545	1,455	2,182
Guatemala	30,050	7,000	9,200	2,923	10,927	4,129
Guyana	3,300	2,500	—	800	—	564
Honduras	19,400	4,900	2,416	3,658	8,426	4,831
Jamaica	11,700	6,141	—	5,559	—	617
Mexico	36,988	5,113	6,000	21,448	4,427	6,334
Nicaragua	22,400	—	11,600	5,862	4,938	4,302
Panama	17,028	—	3,184	5,409	8,435	1,636
Paraguay	19,500	262	8,458	4,308	6,472	3,734
Peru	54,450	4,498	6,663	17,678	25,611	14,456
Regional	3,500	3,500	—	—	—	—
Trinidad & Tobago	15,000	783	4,610	2,585	7,022	2,378
Uruguay	24,937	97	—	22,656	2,184	8,070
Venezuela	31,750	6,000	8,250	4,323	13,177	10,570
Less the effect of restructured interest						(437)
TOTAL 1999	$651,506	$68,769	$84,029	$230,735	$267,973	
TOTAL 1998	$504,288	$67,325	$52,050	$163,549		$220,927

EQUITY INVESTMENTS

MEMBER COUNTRIES WHERE EQUITY HAS BEEN INVESTED	EQUITY APPROVED AND COMMITTED	CANCELLED BALANCE	UNDISBURSED BALANCE	SALES AND WRITE-OFFS	EQUITY INVESTMENTS OUTSTANDING 1999	1998
Argentina	$ 8,872	$ 74	$ —	$ 2,798	$ 6,000	$ 6,000
Bolivia	1,925	600	—	1,325	—	—
Brazil	17,963	1,031	3,902	3,570	9,460	9,869
Chile	10,826	1,708	—	4,118	5,000	7,000
Colombia	9,550	45	—	3,810	5,695	6,553
Costa Rica	500	—	—	500	—	—
Ecuador	2,500	698	—	1,802	—	942
El Salvador	2,000	—	—	—	2,000	2,000
Honduras	1,000	1,000	—	—	—	—
Jamaica	1,518	1,518	—	—	—	—
Mexico	19,927	628	4,087	3,918	11,294	9,525
Nicaragua	1,400	500	—	500	400	625
Peru	5,734	250	1,000	4,484	—	3,000
Regional	60,050	50	12,031	5,059	42,910	29,394
Trinidad & Tobago	598	—	—	—	598	598
Uruguay	6,350	303	—	4,432	1,615	3,337
Venezuela	1,000	1,000	—	—	—	—
TOTAL 1999	$151,713	$9,405	$21,020	$36,316	$84,972	
TOTAL 1998	$142,258	$8,975	$33,457	$20,983		$78,843

Governors and Alternate Governors

Country	Governor	Alternate Governor
Argentina	José Luis Machinea	Pedro Pou
Austria	Rudolf Edlinger	Thomas Wieser
Bahamas	William C. Allen	Ruth Millar
Barbados	Owen S. Arthur	Erskine Griffith
Belize	Ralph Fonseca	Keith Arnold
Bolivia	Herbert Müller	Alberto Valdez
Brazil	Martus Antônio Rodriguez Tavares	Armínio Fraga Neto
Chile	Manuel Marfán Lewis	Alvaro Clarke de la Cerda
Colombia	Juan Camilo Restrepo	Mauricio Cárdenas
Costa Rica	Leonel Baruch	Eduardo Lizano Fait
Denmark	Ellen Margrethe Loej	Torben Brylle
Dominican Republic	Héctor Valdez Albizu	Luis Manuel Piantini Munnigh
Ecuador	Alfredo Arizaga González	—
El Salvador	Juan José Daboub	José Luis Trigueros
France	—	Jean Lemierre
Germany	Uschi Eid	Michael Röskau
Guatemala	Irma Luz Toledo Peñate	Edín Homero Velásquez Escobedo
Guyana	Bharrat Jagdeo	Michael Shree Chan
Haiti	Anthony Dessources	Fred Joseph
Honduras	Gabriela Núñez de Reyes	Victoria Asfura de Díaz
Israel	—	Shay Talmon
Italy	Giuliano Amato	Vicenzo Desario
Jamaica	Omar Davies, MP	Shirley Tyndall
Japan	Kiichi Miyazawa	Masaru Hayami
Mexico	José Ángel Gurría Treviño	—
Netherlands	Gerrit Zalm	Eveline Herfkens
Nicaragua	Esteban Duque Estrada	David Robleto
Panama	Victor N. Juliao Gelonch	Ricardo A. Quijano J.
Paraguay	Federico Antonio Zayas Chirife	—
Peru	Efraín Goldenberg Schreiber	Gemán Suárez Ch.
Spain	Rodrigo de Rato y Figaredo	Elena Pisonero Ruiz
Suriname	L.A.E. Alibux	Lesley Winter
Switzerland	—	Adrian Schläpfer
Trinidad and Tobago	—	Carlyle Greaves
United States	Lawrence H. Summers	—
Uruguay	Luis Mosca	Ariel Davrieux
Venezuela	José Alejandro Rojas Ramírez	Jorge Giordani

Information as of December 1999

Executive Directors and Alternate Executive Directors

Name	Country
Raúl Boada Javier Bonilla Saus	Bolivia, Paraguay, and Uruguay
Álvaro Rengifo Toru Kodaki	Israel, Japan, and Spain
George L. Reid Roderick G. Rainford	Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago
Edgar A. Guerra José Carlos Quirce	Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua
Rits de Boer Flemming Nichols	Austria, Denmark, Italy, and Netherlands
A. Humberto Petrei José María Cartas	Argentina and Haiti
Jorge Baca Campodónico Mario Marcel	Chile and Peru
Lawrence Harrington	United States of America
Daniel Oliveira Frederico Álvares	Brazil and Suriname
Adina Bastidas Eduardo Linares	Panama and Venezuela
Moisés A. Pineda Ernesto Selman	Dominican Republic and Mexico
Fernando Tenjo-Galarza Oswaldo Zavala Egas	Colombia and Ecuador
Georges Cahuzac Andreas Hartmann	France, Germany, and Switzerland

Information for the month of December 1999 - CII/DR-198-7

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IIC Management

General Manager	John C. Rahming
Deputy General Manager	Jacques Rogozinski*
Division Chief, Operations Department	Roldán C. Trujillo
Division Chief, Finance, Risk Management and Administration Division	Jorge Zelada
Division Chief, Legal Division, and Legal Counsel	Raul Herrera
Senior Credit Officer and Special Operations Unit Coordinator	Mario Mahler
Chief Engineer	Philip James
Chief Economist	Jorge Roldán

Operations Department

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(Argentina, Bahamas, Barbados, Bolivia, Brazil, Chile, Dominican Republic, Guyana, Haiti, Jamaica, Paraguay, Suriname, Trinidad and Tobago, Uruguay)

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REGION II
(Belize, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Venezuela)

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Human Resources	Mildred Arroyo
Senior Portfolio Officer	Rigoberto Ordóñez
External Relations	Myriam Peró
Treasurer	Barbara D. McGowan

Secretariat

Secretary	Carlos Ferdinand
Deputy Secretary	Armando Chuecos

*Mr. Rogozinski's appointment as IIC General Manager took effect on January 1, 2000.

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