IIC
Inter-American Investment Corporation

Partnership

Growth

Sustainability

Think SME, Think IIC

2010 Annual Report

page 12 SMEs require more than financing for sustainable growth. They also need technical assistance.

Partnership

Building stronger networks for stronger SMEs

page 14 FINPYME *ExportPlus* seeks to improve the ability of SMEs to gain access to international markets.

Growth

Helping the SMEs of today become leaders tomorrow

page 11 An innovative company in Mexico mounts energy efficiency initiatives for municipal lighting systems.

Sustainability

Ensuring development that protects future generations

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FINANCIAL HIGHLIGHTS

USD IN THOUSANDS	YEAR ENDED DECEMBER 31 2010	2009	2008	2007	2006
Statement of Income					
Total income	60,290	63,313	83,423	131,794	71,890
Total income, net of interest expense	41,326	41,790	52,824	108,300	57,656
Total operating expenses	28,686	25,876	24,732	21,638	19,719
Net income	12,447	5,211	13,913	83,473	39,409
Balance Sheet					
Net loan and equity investments	817,402	823,317	878,726	800,446	646,880
Total assets	1,426,588	1,423,983	1,507,044	1,244,216	939,861
Borrowings and long-term debt	634,118	645,556	733,817	498,966	342,229
Equity	773,051	758,879	744,249	734,540	586,906
Ratios					
Return on average assets	0.9%	0.4%	1.0%	7.6%	4.9%
Return on average equity	1.6%	0.7%	1.9%	12.6%	7.5%
Debt to equity	82%	85%	99%	68%	58%
Equity to assets	54%	53%	49%	59%	62%
Liquidity to total assets	42%	41%	40%	33%	28%
Administrative expense to average development-related assets	3.2%	2.8%	2.8%	2.9%	3.2%

OPERATIONAL HIGHLIGHTS

USD IN THOUSANDS	YEAR ENDED DECEMBER 31 2010	2009	2008	2007	2006
Approvals					
Number of projects	49	40	64	62	47
Number of countries	15	17	18	15	13
Approval volume	374,775	300,810	300,548	470,178	330,480
Resource mobilization	536,000	283,000	300,600	273,700	173,000
Disbursements					
Disbursement volume	349,970	141,800	263,200	318,800	284,600
Mobilization volume	287,606	63,000	187,718	243,944	139,899
Investment Portfolio					
Number of projects	210	203	201	157	147
Outstanding development-related assets portfolio	873,938	889,794	933,850	839,927	686,813
Allowance for losses	56,536	66,477	55,124	39,481	39,993
Impaired assets	35,097	31,160	1,092	1,000	9,342
Impaired asset coverage	161.09%	213.34%	5046.47%	3948.07%	427.44%
Past-due loan percentage	3.0%	0.65%	0.56%	0.0%	1.5%
Technical Assistance					
Donor approvals	5,201,131	3,288,405	2,348,020	2,277,655	1,674,514
Number of technical assistance activities completed	351	150	96	112	14
Beneficiaries	986	770	349	141	14

Letter of Transmittal

March 28, 2011

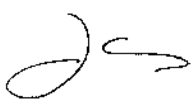
Chairman of the Board of Governors
Inter-American Investment Corporation
Washington, D.C.

Mr. Chairman:

Pursuant to the provisions of Article IV, Section 9(a), of the Agreement Establishing the Inter-American Investment Corporation, I am pleased to transmit the Annual Report of the Corporation for 2010 and its audited financial statements, including its balance sheet as of December 31, 2010 and 2009, and related statements of income, comprehensive income, changes in equity, and cash flow for the years then ended.

The report summarizes the Corporation's main achievements and key milestones over the course of the year.

Yours sincerely,



Luis Alberto Moreno
Chairman
Board of Executive Directors
Inter-American Investment Corporation

Letter from the General Manager

There is a belief that small and medium-sized enterprises could grow and be successful with greater access to credit.

During the IIC's twenty-five years of work, we have come to realize that, while necessary, credit alone does not suffice to guarantee the sustainability of SMEs. For this to occur, ideally credit should be accompanied by technical assistance promoting improvements in areas ranging from governance to innovation.

At the IIC, we work passionately toward this end. Technical assistance is now at the very core of the IIC's strategic offerings. Helping SMEs better manage their capital—both human and economic—is not a secondary or marginal undertaking. It is just as crucial for survival during hard times as it is for long-term sustainability.

In 2010, the IIC decided to group all its technical assistance offerings under the FINPYME® brand. Diagnostic reviews, direct assistance, ethics workshops, family business management and export assistance programs, as well as GREENPYME®, the IIC's tool for improving SME energy efficiency, are all becoming increasingly important.

Our efforts to build partnerships, another value-added mechanism, over the past year were equally crucial. The IIC has taken a lead role in bringing together business schools across the region to provide services to SMEs. Many large companies, chambers of commerce, and governments around the world are supporting other nonfinancial services offered by the IIC to its clients.

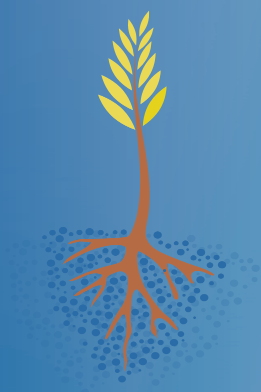
Our decision to add value beyond credit is having a profound demonstration effect.

These commitments will be strengthened in the years ahead. The IIC's recently approved three-year business plan will improve its operational flexibility and efficiency. We want to extend the reach of our services to small and medium-sized enterprises. We will also expand our direct technical assistance and partnership plans.

In short, we are striving to achieve, as an organization, what we are giving our clients: more intelligence and innovation to generate more value in order to be more sustainable.

Jacques Rogozinski
General Manager
Inter-American Investment Corporation

Ensuring Future SME Growth



The IIC's mission—supporting the private sector to promote regional development—has gained momentum since the onset of the global financial crisis. The strategy of maintaining medium- and long-term financial sustainability is central to maximizing development impact, particularly since the IIC's traditional clients are SMEs, key players in the development of inclusive policies and the introduction of Latin America and the Caribbean into the world's most dynamic value chains.

The IIC has made a strategic decision to furnish innovative, dynamic, creative SMEs with modern programs, products, and tools tailored to their needs and to market requirements. The IIC has entered new markets and strengthened its management tools to better measure the development impact of its projects.

The IIC's financial tools have opened up possibilities for SMEs across the region to add value, take risks, and test new business models. IIC investments in infrastructure, working capital, and technical assistance have helped promote the expansion of enterprises in different sectors and the strengthening and sustainability of local economies.

More Infrastructure in Latin America

Private investments in infrastructure promote development and improve economic conditions by expanding access to modern basic services. New infrastructure projects have a direct impact on the growth of regional economies and on the competitiveness and productivity of local enterprises. Thousands of jobs have been created in ports upgraded with IIC funding. Hundreds of millions of dollars were mobilized for airport improvement projects. Investments in telecommunications and the financing of basic services have afforded new business opportunities and helped improve quality of life.

In 2010, the IIC provided a total of $35 million in financing for infrastructure projects—a ten-year high. Loan proceeds went to renewable energy, transportation and warehousing, telecommunications, and airport projects valued at more than $247 million.

As in previous years, the IIC focused on medium-sized projects with capital costs between $25 million and $100 million. In general, these infrastructure projects lack access to adequate financing from traditional market sources or are located in countries where few lenders are capable of meeting the project's capital requirements. IIC resources were channeled through senior loans, subordinated debt, and quasi-equity investments between $8 million and $15 million.

Guanacaste Spreads Its Wings

Coriport S.A.

For years, the Costa Rican province of Guanacaste—located along the Pacific coast and bordering Nicaragua to the north—was a traditional producer of sugar cane, rice, livestock, and fruit. But all that changed with the arrival of the first tourists, mainly from the United States. There were 380,000 visitors to the area in 2009 alone. It has already become one of Costa Rica's main tourist destinations, in a country where tourism is a major industry representing 7 percent of GDP.

This has put Daniel Oduber Quirós International Airport—the country's second-largest airport—in the limelight. Located in Liberia, the largest city in the province, the airport is expecting close to 535,000 travelers on a dozen different airlines in 2011, nearly 24 percent more than in 2010.

In 2010, Coriport built a new international passenger terminal at the airport. Coriport is headed up by Houston Airport System, the world's sixth-largest airport operator. The IIC provided $7.95 million in project financing, out of a total cost of $43.5 million. The terminal will accommodate larger numbers of passengers and commercial and charter flights. It will have a more efficient baggage handling system, more sophisticated security systems, as well as new restaurants, shops, and service areas.

The IIC has long-standing ties to the tourism industry in Costa Rica. Ten years ago, it financed construction of the first five-star hotel in Guanacaste. Financing Liberia's airport is part of the IIC's strategy to help attract more tourism along the border of Costa Rica and Nicaragua. Guanacaste province has a brisk flow of migrants with serious economic problems, for whom the new infrastructure project could become a fresh source of jobs. Expanding the infrastructure also helps drive new investments in the region, boosts development, and improves economic diversification.

Sustainability, the Name of the Game

Microfinance Growth Fund

The Microfinance Growth Fund (MiGroF) seeks to promote microfinance development in more markets through synergies by helping to reduce risk premiums, as well as to step up lending in local currency so that less sophisticated microfinance institutions can protect their operations from foreign exchange risks. In both cases, it is all about protecting the long-term sustainability of microfinance institutions and clients.

Launched in 2009, at the height of the global financial crisis, by U.S. President Barack Obama, MiGroF is an effort to pool resources to leverage up to $250 million in medium- and long-term loans for microfinance institutions across the region. The fund's mission is to deliver financing to microfinance institutions with the capacity to bring resources to end clients—microenterprises and small businesses—and recover the loan funds.

The IIC, together with the IDB's Multilateral Investment Fund, took the lead in structuring the fund and establishing its credit strategy, investment guidelines, corporate governance rules, and operating policies, as well as in selecting its manager, the Swiss firm BlueOrchard Finance.

MiGroF's equity structure rests primarily on a $125 million loan from the Overseas Private Investment Corporation, the foreign investment arm of the U.S. government. The IIC's participation in the fund is up to $5 million, while the Multilateral Investment Fund is contributing up to $10 million and the Corporación Andina de Fomento is providing up to $10 million. Additional contributions are coming from a group of private investors, including Banamex, the Norwegian Microfinance Initiative, and the ACCION International network.

In 2010, MiGroF approved $41.8 million in financing for 17 operations. At year-end, it had disbursed $32 million to 13 microfinance institutions in Bolivia, Ecuador, Honduras, Mexico, Paraguay, and Peru.

SMEs as Agents for Recovery

Haiti Social Investment Fund

Following the devastating earthquake in January 2010, the IIC, in partnership with the IDB and the Government of Spain, agreed to establish the Haiti Social Investment Fund. The fund will provide financing to creditworthy SMEs operating in Haiti or benefiting the country's private sector.

The fund seeks to support Haiti's development and help bring the country's productive sector into the formal economy. It will also channel resources supporting business development.

Through the IIC, the fund will book loans and guarantees to enable financial institutions in the country to provide attractively priced subloans ranging between $10,000 and $300,000. The fund complements the grants and financing offered by the IDB Group and other organizations to support Haiti's public and private sectors. Spain will provide the U.S. dollar equivalent of €50 million, and the IIC will contribute the U.S. dollar equivalent of €1 million. The IIC will also manage the fund and participate in its five-member Investment and Supervision Committee.

Working Capital: Betting on Sustainability

Working capital loans are another way to promote the sustainable growth of SMEs. The loans are designed to provide SMEs with short-term financing—two years or less, with renewable terms—to address specific needs.

In 2010, the IIC approved $21 million in working capital loans—more than double the amount from the previous year. Companies with earnings of up to $20 million per year received loans ranging in size from $2 million to $8 million.

The funds were channeled into small and medium-sized agricultural and agro-industrial, food, and bottling enterprises; beverage manufacturers; and livestock-raising and fishing operations located in Argentina, Costa Rica, the Dominican Republic, Ecuador, and Peru. The companies used the proceeds to incorporate new technology, finance organic expansion, and implement new environmental management policies.

A One-of-a-Kind Coffee Shop

Café Britt Costa Rica S.A.

Located near the immigration counter at Jorge Chávez Airport in Lima, an enormous shop bids farewell to passengers leaving Peru. It is one of Café Britt's points of sale. This one-of-a-kind Costa Rican company has been roasting and selling gourmet coffee and manufacturing premium chocolates and candies sold in more than seventy gift and souvenir shops, like the one in Lima, since 1985.

In 2010, the IIC granted Café Britt an eighteen-month, $4 million working capital loan to help the company plan its operating fund requirements in the five countries in the region where it maintains a presence. Café Britt will use the funds, and other short-term credit lines with local banks, to open a small plant in Mexico and new shops in Costa Rica, and to consolidate its operations in Chile, Peru, and the Caribbean, where it recently opened new stores.

Café Britt is an innovative force in the region's coffee industry, creating new ways to add value to traditional products. Its tourist shops—located at airports and designed to reflect local cultural traditions—are a unique model in Latin America and the Caribbean.


SAN
CARLOS
Desde

Mill Power

Sociedad Agrícola e Industrial San Carlos S.A.

With a talent for innovation, Ingenio San Carlos was the first Ecuadorian sugar mill to build a hospital, a housing complex, and a grocery store for its workers early in the twentieth century. In 2004, the company emerged as a trailblazer yet again when it began selling energy on the wholesale electricity market. The novelty is that the electricity is generated from sugar cane bagasse—a crop residue. It is burned in the mill's boilers and converted into steam and industrial energy. In recognition of its energy generation project, Ingenio San Carlos received the Ecuadorian environmental recognition award in 2010.

Established in 1897 in Guayas province on the Pacific coast, Ingenio San Carlos has a 34 percent share of the sugar market in Ecuador and a network of direct suppliers consisting of 350 small and medium-sized growers. In 2010, the IIC furnished the company with a seven-year, $7 million loan to improve the efficiency and productivity of its planting, harvesting, and cane processing activities. The IIC loan, together with local financing, will also help Ingenio San Carlos meet the large investment requirements associated with operating a sugar mill, which includes 12- and 16-megawatt boilers and turbogenerators that produce biomass energy.

Equity Investments to Spur Development

Equity and quasi-equity investments enable investors and companies to share in the risks and benefits of a business. The investments are powerful tools for promoting the development of SMEs. Equity and quasi-equity investments can help create stable jobs, improve productivity, and enhance the capacity to increase exports.

In 2010, the IIC made equity and quasi-equity investments and subordinated loans totaling $28.5 million, a 159 percent increase over the previous year's approval of $11 million. The investments went into vibrant, innovative companies with high value-added products and services, including telecommunications firms, specialized financial institutions, and multisector investment funds.

The IIC's experience with equity and quasi-equity investments can be broken down into three stages. In the first stage, some twenty years ago, it acted as an investor and direct project manager. In the second stage, it relied on intermediaries and investment funds to reduce its exposure and broaden the scope of its financing. The third stage was marked by a capital increase, disinvestments, and, more recently, the admission of the People's Republic of China as a member country.

In 2009, the Board of Executive Directors approved the IIC's active resumption of equity and quasi-equity investments in Latin America and the Caribbean, which had been very limited since 2003. The admission of China paved the way for the establishment of the China-IIC SME Equity Investment Trust Fund, which China endowed with $75 million.

In 2010, the China-IIC SME Equity Investment Trust Fund helped several companies across the region optimize their capital structure and professionalize their management through direct IIC investments and investment funds. These investments include:

Financing for Family-owned Enterprises. The Multinational Industrial Fund II L.P. (MIF II) is a private investment fund that supports the growth of family businesses in the health, education, logistics, entertainment, and tourism sectors in Mexico. The IIC has a $3 million stake in the fund, and as much as $120 million in additional funds is expected to be raised from Mexican pension funds and institutional investors. Participation in MIF II enables the IIC to reach a larger number of companies than through direct investment. The IIC can also introduce world-class environmental and labor procedures and standards and measure the development impact of the companies financed by the fund. MIF II is the second fund in which the IIC has invested with Wamex Private Equity Management as the fund manager.

Resources for Nonbank Correspondents. Banco de Guayaquil, one of the main retail banks in Ecuador, received a $5 million subordinated loan to leverage the lending capacity of Banco del Barrio, its network of nonbank correspondents in pharmacies, grocery stores, and call shops in urban and rural areas. Banco del Barrio is an active advocate for municipal economies and has improved the availability of banking services for Ecuadorian families with limited access to financing.

Corporate Reorganization. The Peruvian firm Amérika Financiera S.A. received a $3.5 million subordinated loan designed to improve its equity position. Established in 1985 as a leasing company, Amérika Financiera has since become a finance company with a focus on SMEs and has added factoring, exchange transactions, and insurance counseling to its financial leasing services. The firm has been an IIC client since 2002.

Fresh Air in Renewable Energy

Wind Power Energia S.A.

In January 2011, 365 families living in Ecogarden, a condominium in Maringá, in the southern state of Paraná, were among the first Brazilians to switch from conventional electric power. A wind turbine from Wind Power Energia is now providing power for the entire complex, which could produce savings in energy costs of $8,800 per month.

Founded in Fortaleza, in northeastern Brazil, Wind Power Energia designs, manufactures, and markets high-powered wind generation equipment. It is the only company of its kind in Latin America and the Caribbean. The company is expanding its production capacity—currently 300 wind generators per year—and starting to manufacture electromechanical equipment for hydropower plants.

The IIC, which supports energy retrofitting projects designed to reduce dependence on fossil fuels, approved a $5 million loan for the company in 2010, which will enable it to finance its expansion process. A subsidiary of IMPSA, a global company based in Argentina focusing on electricity generation and infrastructure, Wind Power Energia plans to begin selling its generators to wind farms in Argentina, Chile, and Uruguay.

Smart Lights

Optima Energía

There was a time when Optima Energía engineers spent their days in luxury hotels. Now they spend their days on the streets of municipalities in central Mexico. Strangely enough, giving up glamour is a sign of growth.

Based in the northern city of Monterrey, Optima Energía creates systems that optimize the use of electricity, fuel, and water in Mexico—saving clients 50 percent on energy costs. Since it was founded in 1988, the company has completed more than 100 turnkey projects and executed nearly twenty results-based contracts in five- and six-star hotels.

Optima Energía's success in reducing greenhouse gas emissions in the tourism industry caught the attention of Mexico's public sector. Since 2009, the company has been implementing energy efficiency projects for the public lighting systems of twenty-five Mexican municipalities—and it expects to add twenty more by 2013.

In 2010, the IIC approved a nonrevolving credit line for up to $6 million to finance Optima Energía's projects with municipalities, and the Korea-IIC SME Development Trust Fund is furnishing additional resources to study CO_2 emissions. With this investment, the IIC is one of the first multilateral organizations to finance clean energy operations in Latin America and the Caribbean.

One Brand

SMEs require more than financing for sustainable growth. They also need technical assistance. Companies face many hurdles that hinder their ability to compete on open markets, including management, planning, and strategic challenges. Over the years, the IIC has identified several key areas in which SMEs are regularly in need of assistance. In response, in 2010 the IIC put together a comprehensive package of value-added services for SMEs under the FINPYME brand.

The FINPYME program consists of six value-added services: FINPYME *Diagnostics,* FINPYME *Direct Technical Assistance,* FINPYME *ExportPlus,* FINPYME *Family Business,* FINPYME *Integrity,* and GREENPYME, whose use throughout Latin America and the Caribbean is steadily increasing.

In 2010, IIC donors approved twenty-one FINPYME initiatives totaling $5.2 million. Donor countries such as Austria, France, Italy, Norway, the Republic of Korea, Spain, and Switzerland, the Nordic Development Fund, and Belgium's Walloon Region helped finance IIC technical assistance activities in seventeen Caribbean and Central and South American countries.

FINPYME *Diagnostics*

Consolidation

FINPYME *Diagnostics* is a two-phase program. First, it identifies areas presenting management challenges. In the second phase, it provides individual and group technical assistance to improve these areas and management tools aimed at increasing competitiveness.

FINPYME Colombia completed diagnostic reviews of 120 SMEs in 2010, a year after its launch in Bogotá, Cali, and Medellín. This was followed by the technical assistance phase of the FINPYME program, which began with a training workshop for 80 companies focusing on innovation as the engine of competitiveness.

The Colombian experience exemplifies the consolidation of FINPYME *Diagnostics.* The program has completed more than 330 diagnostic reviews of businesses in thirteen Latin American and Caribbean countries. The year 2010 saw the conclusion of the program's group and individual technical assistance phase in four Central American countries and the first Caribbean group training experiences in Belize, Jamaica, and Trinidad and Tobago.

This past year, negotiations have been under way for FINPYME to perform diagnostic reviews and provide technical assistance in 2011 and 2012 in Brazil and Mexico, the region's two largest economies. SMEs in the Brazilian states of Ceará, Paraíba, and Pernambuco could begin their diagnostic reviews in 2011 thanks to partnerships with the Confederação Nacional da Indústria and other trade associations and business support organizations in those states. In Mexico, talks are ongoing to form strategic partnerships and identify states in which to launch the program.

FINPYME
Technical Assistance

Improving Day-to-Day Management

The FINPYME *Direct Technical Assistance* program provides consulting services for IIC clients in areas ranging from environmental regulation compliance and financial analysis to technical and market evaluations. The program is financed in part by the Korea-IIC SME Development Trust Fund and the IDB's technical cooperation trust funds with France and Norway.

In 2008, Productos Ujarrás S.A., a well-known Costa Rican manufacturer and exporter of pasta, gelatins, and tropical fruit jellies, took part in the FINPYME *Diagnostics* program. This was followed by a second technical assistance phase to help the company improve its competitiveness and implement ISO quality standards. After Productos Ujarrás implemented the recommended measures, sales rose by nearly 32 percent in 2009. That same year, the IIC approved a loan to help Productos Ujarrás step up production and expand its plant capacity. The company is currently striving to reduce its production costs, increase its efficiency, and develop new markets.

In 2010, the IIC received donor approval to finance eleven projects under FINPYME *Direct Technical Assistance.* Two projects are providing advisory services to help IIC clients improve their competitiveness. Another five are helping the IIC assess the feasibility of projects by prospective clients. One such project will help strengthen a client's value chain, another will help identify new clients in the Caribbean, and two will help clients with environment-related issues.

Innovating with FINPYME

Subsole Tracks Its Grapes

At the annual meeting of the Asia-Pacific Economic Cooperation forum, the Chilean SME Subsole showcased the fruits of combining its innovative capacity with FINPYME's additionality.

The packaged grapes Subsole sells in Asia, Europe, and the United States carry a bar code that summarizes their story. Inputting the code in the company's online database will render such information as grapevine location, planting and harvesting dates, variety, and phytosanitary treatments received. This traceability system is used at the most state-of-the-art agribusinesses in Latin America.

Subsole is Chile's fifth-largest table grape exporter. It was part of the first FINPYME pilot program back in 2001, when the company's annual sales were less than $30 million. The diagnostic review carried out at the time provided a roadmap to improve Subsole's management. Since then, the IIC has granted Subsole two loans totaling $8 million.

Subsole started out as a grape growers association. Today, it is a vertically integrated organization with nearly 200 growers that farm more than 3,600 hectares of land. Its production process has been updated in part, with four cold storage facilities to chill fruit, and it has modern export mechanisms, including its own shipping company. In 2009, Subsole's sales totaled $117 million, 90 percent of which were exports.

FINPYME
ExportPlus

Eyes on the World

FINPYME *ExportPlus* was developed by the IIC as part of the World Trade Organization's Aid for Trade initiative. The technical assistance program seeks to improve the ability of SMEs to gain access to international markets.

The program's first projects took place in 2009 and 2010 in Guatemala, with support from the Italian government. FINPYME *ExportPlus* provided training to 297 Guatemalan SMEs in such areas as sustainable wastewater treatment, product labeling and process improvements, implementation of phytosanitary standards, and improvements in wood production line processes.

In 2010, additional countries expressed an interest in FINPYME *ExportPlus*. Resources were channeled to Haiti with the support of the Walloon Region of Belgium, and activities began in The Bahamas, Barbados, Guyana, and Suriname with funding from the Korea-IIC SME Development Trust Fund. The Korean Trust Fund also approved financing for FINPYME *ExportPlus* in Costa Rica, the Dominican Republic, and Nicaragua, where progress is being made in identifying local partners. The program will also mount activities in Bolivia and El Salvador in 2011 with fresh Italian government resources.

FINPYME
Family Business

Time to Get Professional

A small business owner and his two sons attending a family business workshop in Bogotá in 2009 highlight the need for the FINPYME *Family Business* program and proper succession planning. Shortly before the workshop, the business had practically ground to a halt following the death of the owner's wife. The father and sons had no idea how to handle the day-to-day management of the business, because the mother had always been in charge of those details. Now they didn't know essential aspects of how to run the business, such as when and how to buy supplies and whom and what to pay.

With such an SME in mind, FINPYME *Family Business* was launched in 2008. The first workshop was held in Panama to help family-owned SMEs adopt better corporate governance practices. The latest training workshop was held in Trinidad and Tobago in 2010, bringing the total number of family businesses participating in the workshops to fifty. Family entrepreneurs learn about succession planning and operating protocols, and are armed with handbooks detailing how to run a board of directors or family council. In 2011, the IIC will bring best practices in family business management to seven more countries with support from the Republic of Korea and Spain.

Argentina, Terminal Zárate S.A.

FINPYME Integrity

Universal Business Ethics

In recent years, the IIC has been focusing more on adding programs to spread best business practices across the region. In 2008, the IIC signed an agreement with the World Economic Forum to bring ethics training programs to SMEs. In early 2010, the IIC offered to work with the U.S. Department of Commerce to develop materials to train experts in business ethics jointly. As a result, the International Trade Administration, the Department of Commerce division charged with promoting best business practices, entered into an agreement with the IIC. Shortly thereafter, the IIC added the Korean Chamber of Commerce and Industry to its network of partners.

FINPYME *Integrity,* which has the financial backing of the Korea-IIC SME Development Trust Fund, is an outgrowth of those agreements and the FINPYME *Family Business* program. Its objective is to foster a more robust and transparent business environment for SMEs across the region by helping companies adopt effective integrity, transparency, and anti-corruption practices. The goal is to help SMEs comply with regulations, report to shareholders, prevent fraud, and position themselves as trustworthy partners in the value chains of large companies with high standards of corporate integrity.

The initial step in launching the program involved developing a business ethics knowledge package to train the trainers. Then in 2010, the first sixteen training experts—from Barbados, Jamaica, and Trinidad and Tobago—took part in a two-week workshop held in Washington, D.C.

In 2011, these trainers will pass on their knowledge and help SMEs in their home countries adopt best business management and ethics practices, including establishing codes of conduct. At the conclusion of this pilot exercise, an evaluation will determine the feasibility of replicating the program in other countries. Once the design is finalized, the training tool will be made publicly available online.

GREENPYME

Energy Efficiency against Climate Change

GREENPYME is a technical assistance initiative that promotes energy efficiency and the use of clean technologies by SMEs to mitigate environmental impacts. The program, launched in 2008, organizes training and awareness-raising workshops, conducts energy audits, and provides incentives for investing in energy matrix changes.

GREENPYME's first pilot project, which took place in 2009, involved the Half Moon Resort vacation complex in Montego Bay, Jamaica. After making investments recommended by the program, the hotel will be one of the first in the Caribbean to reduce its carbon emission levels.

In 2009, GREENPYME expanded its training workshops to Bogotá, Cali, and Medellín in partnership with BBVA Colombia and with support from the Korea-IIC SME Development Trust Fund. In response to interest in the program, GREENPYME will perform thirty-six energy audits of manufacturing and service companies in Colombia.

In 2010, GREENPYME received $2.7 million from the Nordic Development Fund to mount activities in Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. In 2011, it will perform energy audits of SMEs and conduct energy efficiency workshops in those countries. The program will also continue to seek to form new partnerships to disseminate knowledge and provide technical assistance, such as the strategic partnership established with BAC International Bank.

BREAKDOWN OF FINPYME TECHNICAL ASSISTANCE ACTIVITIES

PROGRAM	COUNTRY	AMOUNT
FINPYME *Diagnostics*[1]	Brazil, Colombia, Mexico	$ 290,950
FINPYME *Direct Technical Assistance*[2]	Argentina, Bahamas, Barbados, Chile, Costa Rica, Guatemala, Haiti, Jamaica, Mexico, Trinidad and Tobago	417,611
FINPYME ExportPlus[1]	Bahamas, Barbados, Costa Rica, Dominican Republic, Guyana, Nicaragua, Suriname	902,850
FINPYME *Family Business*[1]	Colombia, Costa Rica, Dominican Republic, El Salvador, Honduras	129,400
FINPYME *Integrity*[1]	Barbados, Jamaica, Trinidad and Tobago	447,920
GREENPYME[3]	Colombia, Central America	2,937,400
Human Resources[1]	Regional	75,000
Total		$5,201,131

1 Resources from the Korea-IIC SME Development Trust Fund.
2 Resources from the Norwegian Consulting Services Trust Fund ($70,000) and the Korea-IIC SME Development Trust Fund ($347,611).
3 Resources from the Nordic Development Fund ($2,615,800) and the Korea-IIC SME Development Trust Fund ($321,600).

DONOR SUPPORT FOR TECHNICAL ASSISTANCE PROGRAMS

DONOR	FINPYME	FINPYME *Direct Technical Assistance*	FINPYME *ExportPlus*	FINPYME *Family Business*	FINPYME *Integrity*	GREENPYME	Human Resources*
Austria	X	X				X	X
Denmark		X				X	
France		X					
Italy		X				X	X
Nordic Development Fund						X	
Norway		X					
Portugal							X
Republic of Korea	X	X	X	X	X	X	X
Spain	X	X		X			X
Switzerland		X				X	X
United States		X			X		X
Walloon Region, Belgium			X				X

*Donor-funded human resources include TAS secondees, consultants, and fellows working at IIC headquarters.

Tents for Haiti

In light of exceptional circumstances and the urgency resulting from the earthquake in January 2010, FINPYME *ExportPlus,* through the support of the *Initiative Wallonie-Belgique pour Haïti,* donated twenty tents to families that lost their homes during the earthquake.

The tents were delivered to small farmers who are suppliers of Carifresh, an IIC client that produces fresh mangos, mainly for export. The tents were shipped by Schreiber, a Wallonian company in Lontzen, Belgium, whose workers donated the cost of their labor as a contribution to the relief efforts in Haiti.

Partnerships: The Key to Technical Assistance

Brief History of FINPYME

If the present is an accumulation of learning, then today's FINPYME is the symbol of a decade's worth of knowledge-building to help the IIC sustain its active, efficient value-adding strategy through partnerships, support for SMEs going beyond mere financing, and a determination to promote the sustainability of businesses as well as the environment.

The history of FINPYME is an accounting of this accumulation of lessons learned and a reflection of the IIC's long-term strategy. In fact, the IIC understands that providing value-added services to SMEs is at the very core of its business, to help SMEs increase their competitiveness, gain greater access to commercial financing, and efficiently and effectively participate in the global economy.

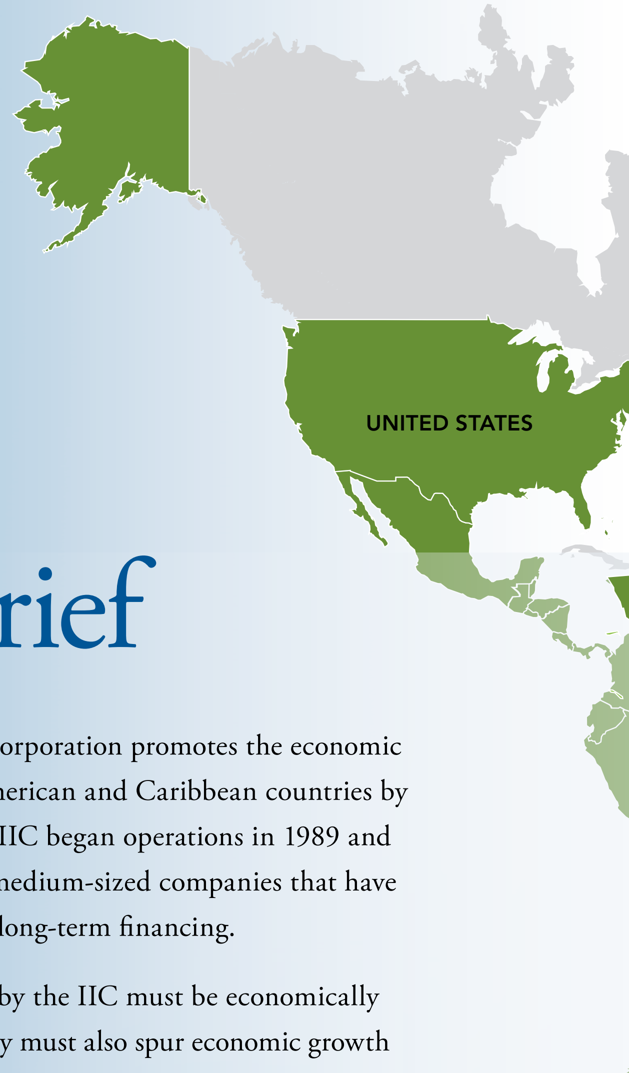
The first IIC technical assistance projects—the direct predecessors of FINPYME—began in 2000. Fifty SMEs participated in the innovative program in Bolivia and Chile. Five years later, the Republic of Korea joined the IIC, allocating $40 million to establish the Korea-IIC SME Development Trust Fund to buttress the IIC's business strategy and expand and modernize SMEs in Latin America and the Caribbean. Since then, the Korean Trust Fund, together with resources from various donors, has served as the cornerstone for financing IIC nonfinancial service operations.

In 2008, the IIC expanded its capacity to provide nonfinancial services by establishing the Technical Assistance and Strategic Partnerships Division (TAS). That year, TAS launched the FINPYME program in Central America, forming its first partnerships with major business schools: Universidad Latinoamericana de Ciencia y Tecnología in Costa Rica, Instituto Tecnológico de Santo Domingo in the Dominican Republic, Escuela Superior de Economía y Negocios in El Salvador, Universidad Rafael Landívar in Guatemala, El Zamorano in Honduras, Universidad Americana in Nicaragua, and Universidad Católica Santa María La Antigua in Panama. This IIC initiative was a first in the region.

Partnerships with local organizations, such as educational institutions and trade associations, have proven an efficient mechanism for ensuring the sustainability of the IIC's technical assistance activities. In 2008, these types of partnerships made it possible for the IIC to perform 160 diagnostic reviews in Central and South America and begin providing direct technical assistance to SMEs in Costa Rica, El Salvador, Guatemala, and Nicaragua.

In 2009, FINPYME formed a growing number of partnerships, enabling the expansion of diagnostic reviews to Colombia and five Caribbean countries. Key partners in academia and trade and business organizations have become an important part of IIC operations designed to add value to SMEs. The IIC also built partnerships with educational institutions such as Universidad de los Andes, Universidad EAFIT, Universidad ICESI, and the University of the West Indies, as well as with the chambers of commerce of Bogotá, Cali, and Medellín.

In 2010, just as the IIC was consolidating its FINPYME offerings under one brand, talks were under way to perform diagnostic reviews and provide technical assistance in Brazil and Mexico beginning in 2011 and 2012. The partnership model will be replicated in those countries as well.



IIC in Brief

The Inter-American Investment Corporation promotes the economic development of member Latin American and Caribbean countries by financing private enterprises. The IIC began operations in 1989 and focuses on supporting small and medium-sized companies that have difficulty accessing medium- and long-term financing.

Enterprises and projects financed by the IIC must be economically feasible and operate efficiently. They must also spur economic growth and promote environmental stewardship. The IIC supports enterprises that create jobs, help broaden capital ownership, or facilitate the transfer of resources and technology. Projects generating foreign exchange or fostering economic integration in Latin America and the Caribbean are also eligible for support by the IIC.

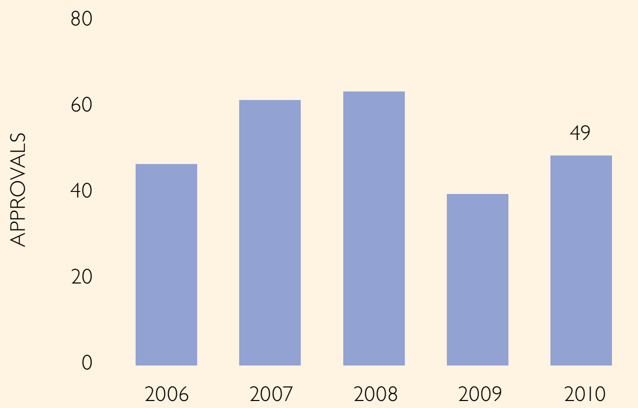
As a multilateral finance organization, the IIC provides a range of financing alternatives including direct loans, guarantees, equity investments, and credit lines to financial intermediaries. IIC operations also serve as a catalyst for attracting technology, know-how, and additional project financing from other sources. Resources are mobilized through cofinancing and syndication agreements; support for underwriting stocks, bonds, and other securities; and joint ventures partners.

A member of the Inter-American Development Bank (IDB) Group, the IIC is legally autonomous, and its resources and management are separate from those of the IDB. The IIC is headquartered in Washington, D.C. and has staff in ten Latin American and Caribbean countries.

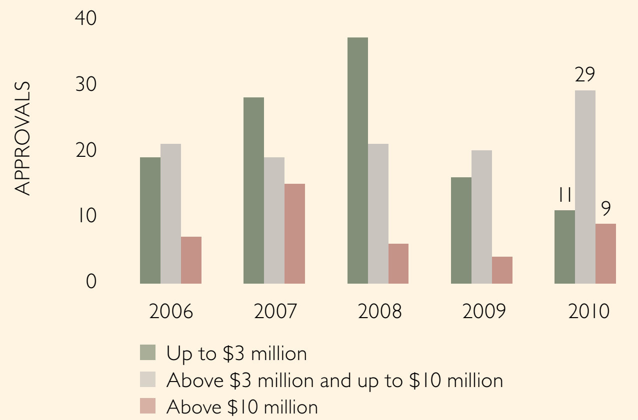
44 MEMBER COUNTRIES

Key Operating Indicators

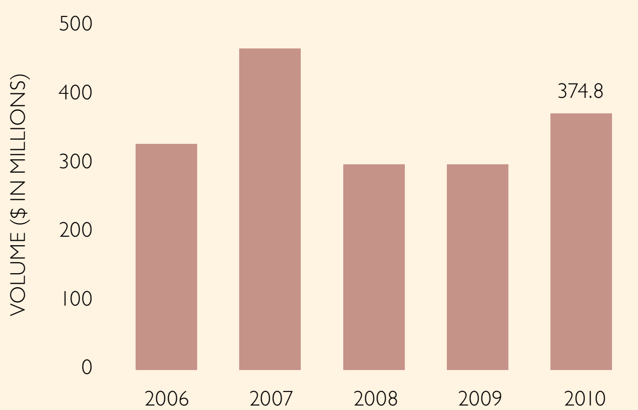
NUMBER OF APPROVALS



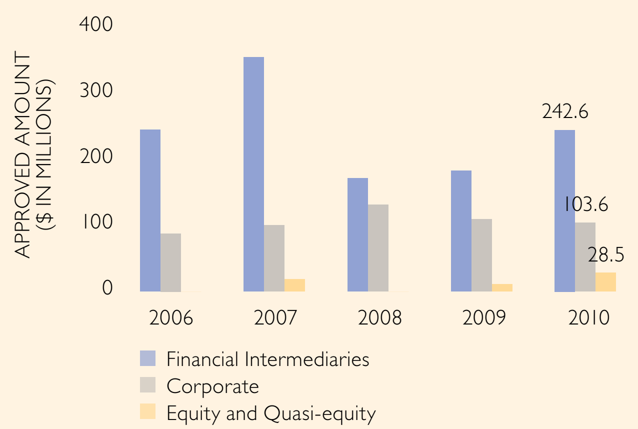
APPROVALS BY INVESTMENT SIZE



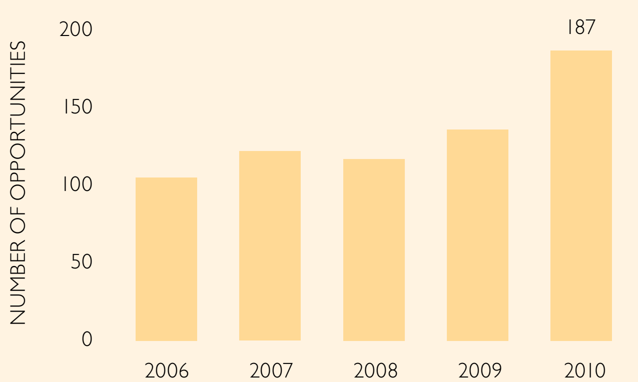
APPROVAL VOLUME



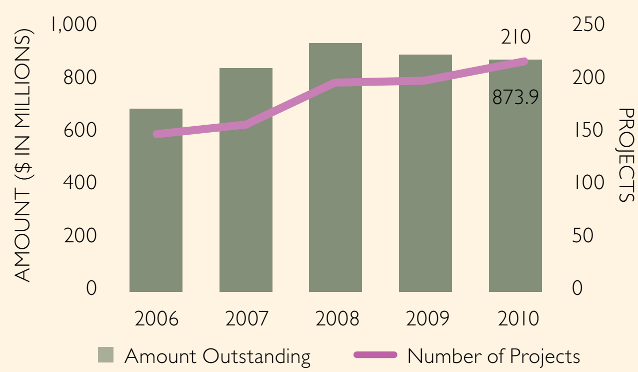
APPROVAL VOLUME BY TYPE OF OPERATION



POTENTIAL INVESTMENT OPPORTUNITIES CONSIDERED



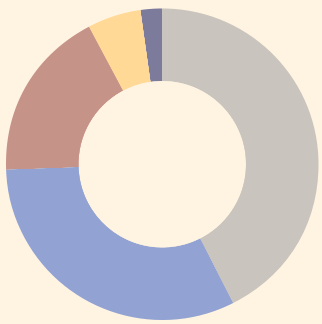
INVESTMENT PORTFOLIO*



*Does not include the RBTT transaction, which is reported in the financial statements as investment securities.

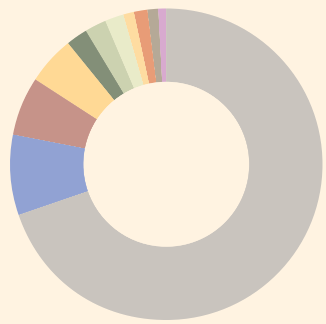
Composition of Approvals in 2010

INVESTMENT ACTIVITY BY REGION



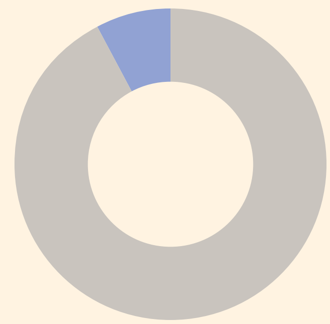
- Mexico and Central America 42.6%
- Southern Cone 31.9%
- Andean Countries 18.0%
- Regional 5.3%
- Caribbean 2.2%

INVESTMENT ACTIVITY BY SECTOR



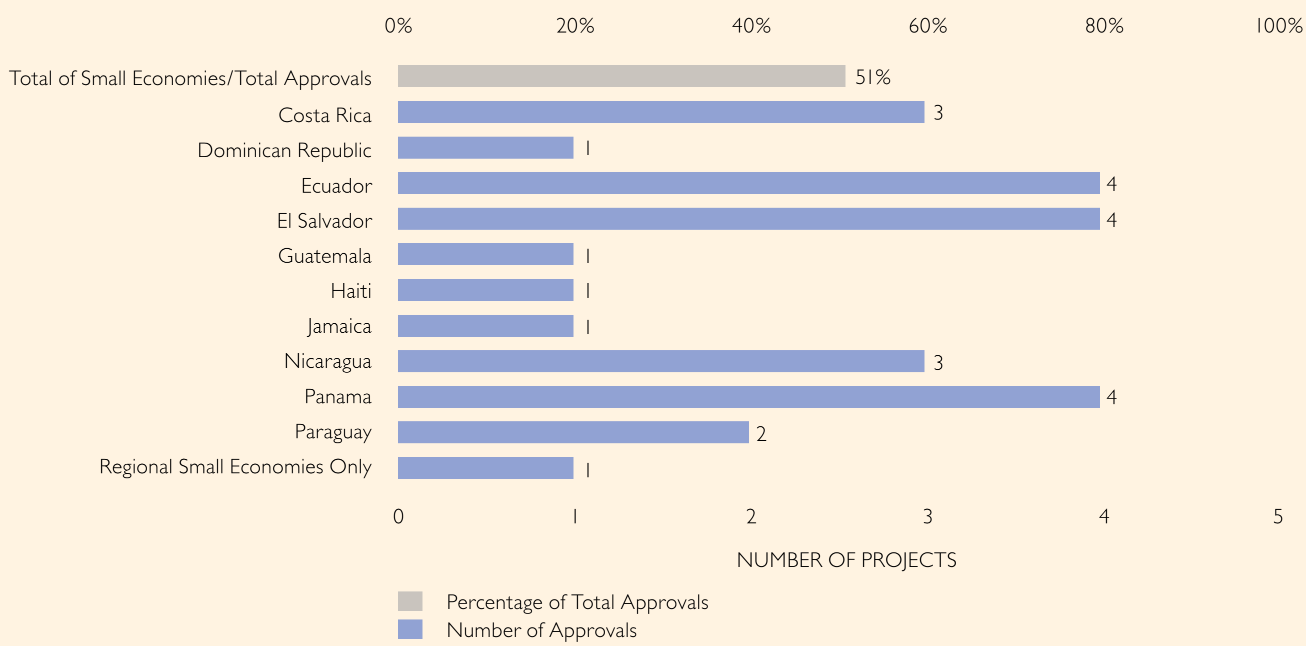
- Financial Services 69.9%
- Agriculture and Agribusiness 8.1%
- Utilities and Infrastructure 6.1%
- Others 5.0%
- Food, Bottling, and Beverages 2.4%
- Oil and Mining 2.1%
- Transportation and Warehousing 1.9%
- Technology, Communications, and New Economy 1.3%
- Wood, Pulp, and Paper 1.3%
- Investment Funds 1.1%
- Education 0.7%

INVESTMENT ACTIVITY BY TYPE



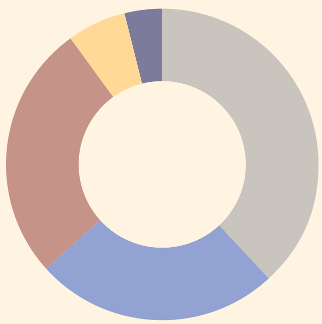
- Loan 92.4%
- Equity and Subordinated Debt 7.6%

COMPOSITION OF APPROVALS IN TERMS OF GEOGRAPHY AND SIZE

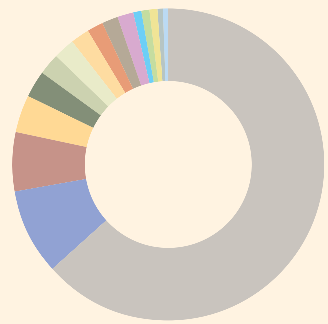


Investment Portfolio and SME Programs

OUTSTANDING PORTFOLIO BY REGION*



OUTSTANDING PORTFOLIO BY SECTOR*



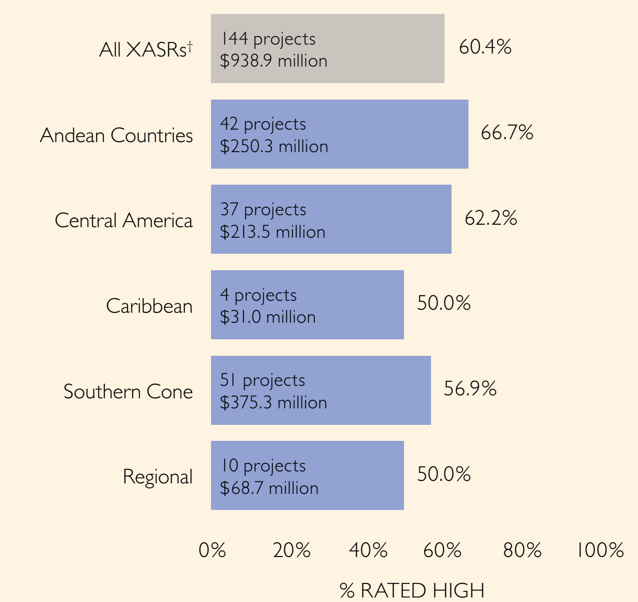
*Does not include the RBTT transaction, which is reported in the financial statements as investment securities.

SME PROGRAMS

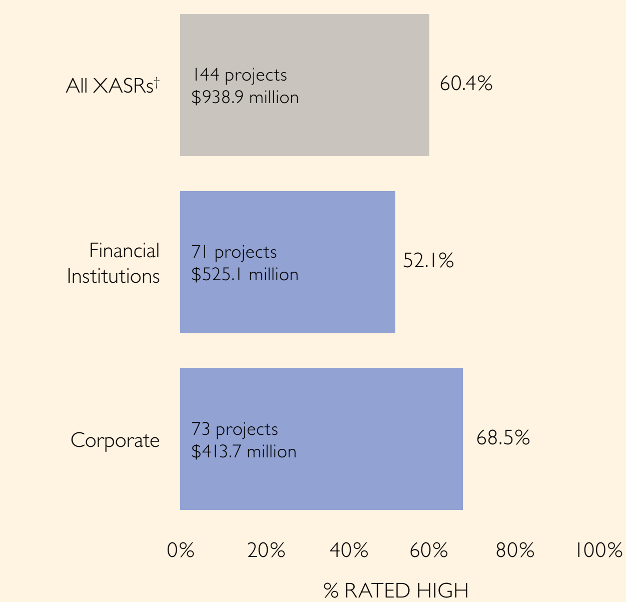
FINPYME *Diagnostics*	Cumulative number of diagnostics completed	335
	Cumulative number of companies that received individual or group technical assistance	353
GREENPYME	Cumulative number of participants in workshops	760
	Cumulative number of technical assistance activities	83
FINPYME *Family Business*	Cumulative number of participants in workshops	181
Direct technical assistance	Cumulative number of projects with a technical assistance component	58
Environmental Training Workshop	Cumulative number of participants in workshops	453
Loans made through financial intermediaries	Cumulative number of subloans	1,615,116
IFEM	Cumulative number of projects approved	10
SBRL	Cumulative number of projects approved	38
	Cumulative value of technical assistance for IIC direct clients	$ 2,669,570
	IFEM average financing	$ 2,165,000
	SBRL average financing	$ 254,553

2010 Development Results

DEVELOPMENT RESULTS BY REGION*



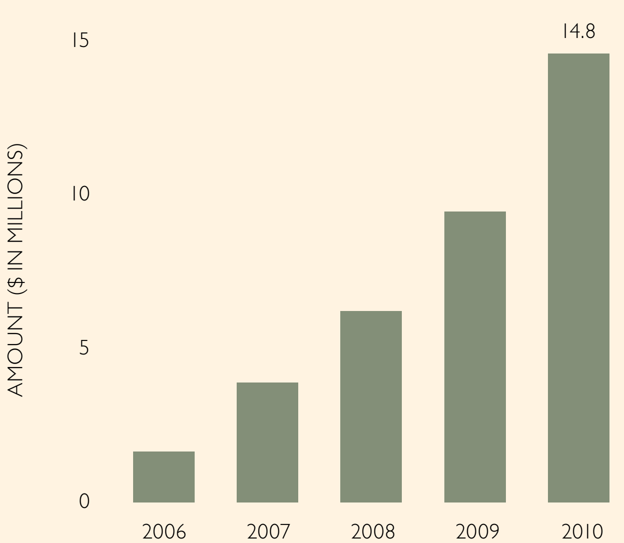
DEVELOPMENT RESULTS BY TYPE OF INVESTMENT*



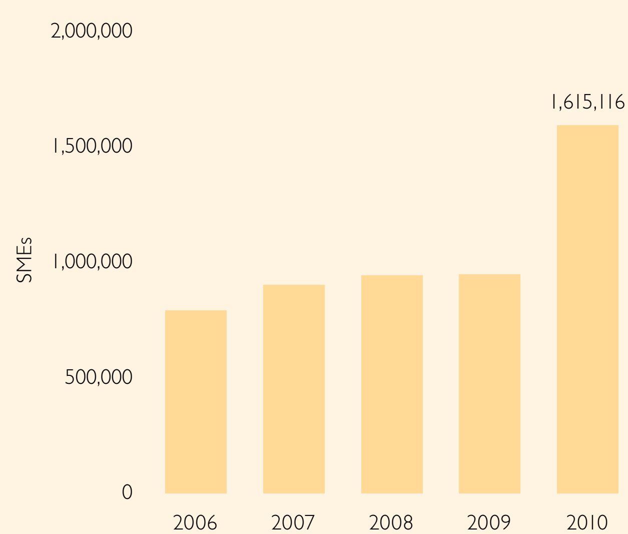
*XASR data as of December 31, 2010. Covers projects approved by the IIC from 1989 to 2005 and evaluated by the IDB's Office of Evaluation and Oversight (OVE). For a more detailed treatment of the results, please refer to the section on development outcomes.

†Expanded Annual Supervision Report

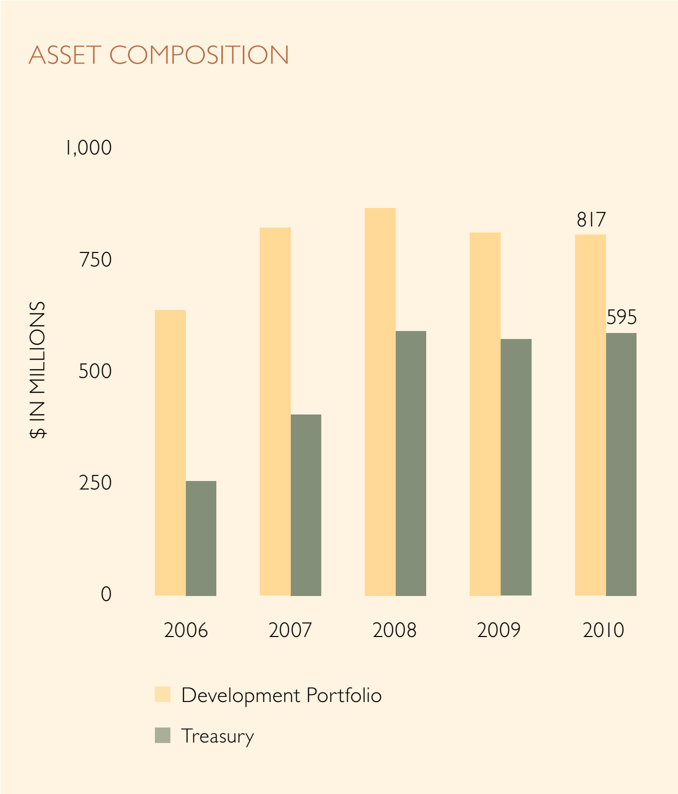
CUMULATIVE AMOUNT OF TECHNICAL ASSISTANCE PROGRAMS AND PROJECTS APPROVED

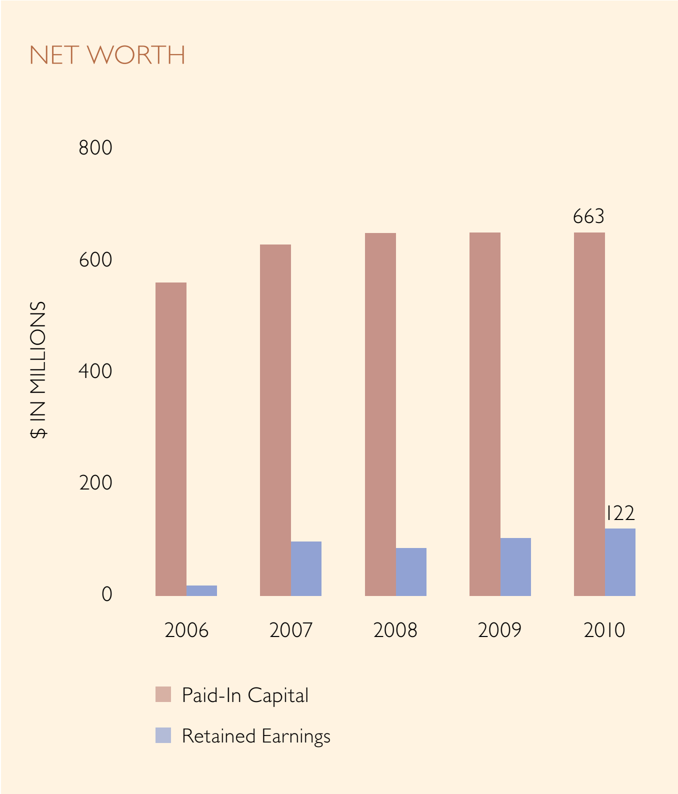


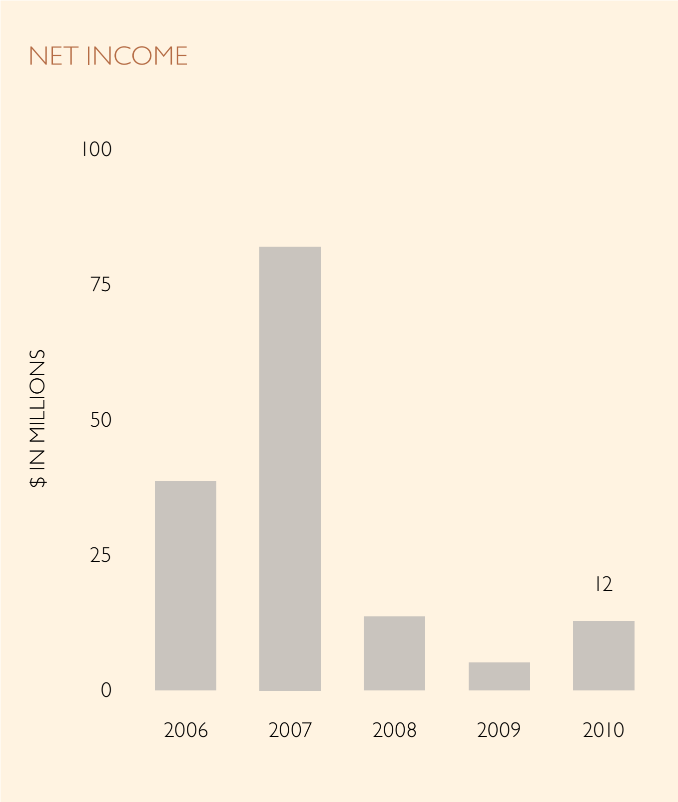
CUMULATIVE NUMBER OF SMEs REACHED THROUGH FINANCIAL INTERMEDIARIES

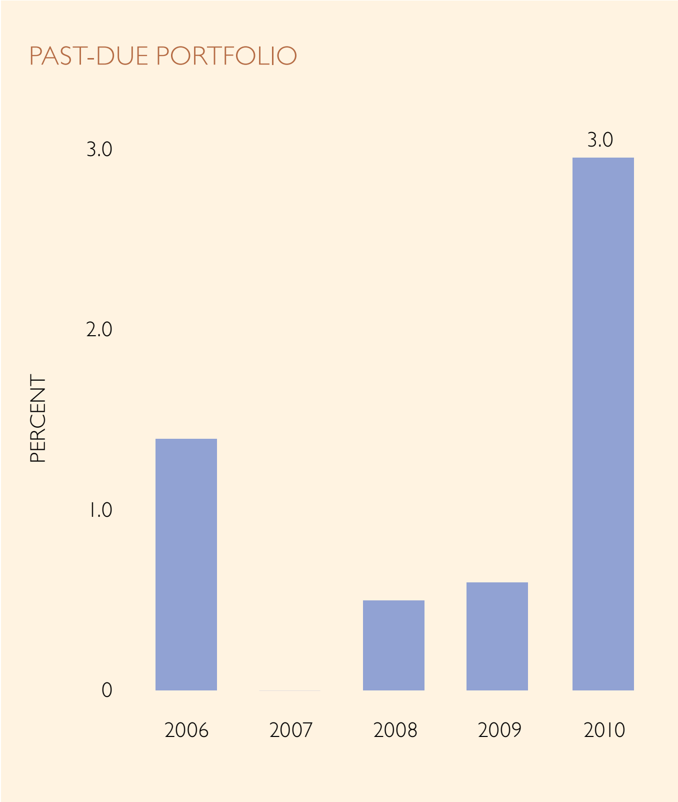


Financial Indicators







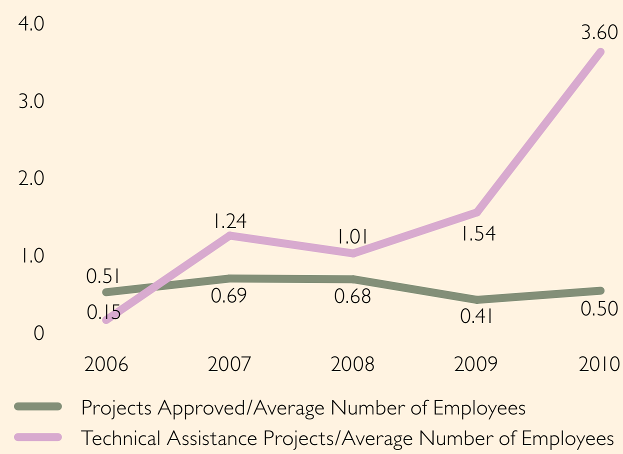


A More Relevant Indicator for the IIC

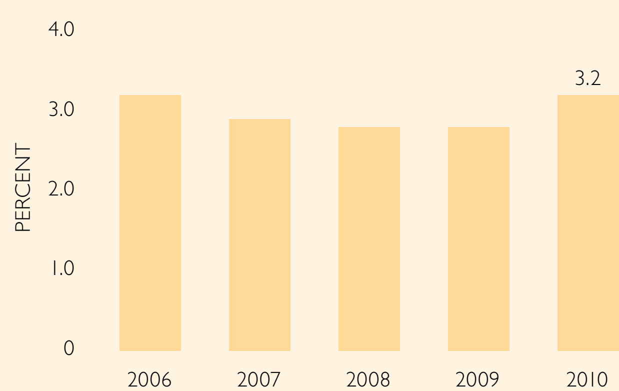
Institutions that finance projects traditionally measure their productivity based on expenses-to-assets indicators. These metrics favor institutions that carry out large operations, as opposed to the IIC, which focuses on small and medium-sized enterprises.

Therefore, in 2010 the IIC added the investments-by-employee indicator, which measures productivity regardless of project size. In 2010, each IIC employee generated 0.50 financing operations and 3.60 nonfinancial projects.

PRODUCTIVITY



ADMINISTRATIVE EXPENSE/AVERAGE DEVELOPMENT RELATED ASSETS



Aggregate Procurement

COUNTRY	AMOUNT ($ IN THOUSANDS)
Argentina	$ 328,116
Austria	$ 358
Bahamas	$ 2,612
Barbados	$ 11,250
Belgium	$ 6,853
Belize	$ 8,227
Bolivia	$ 13,231
Brazil	$ 226,167
Chile	$ 162,915
Colombia	$ 32,755
Costa Rica	$ 72,902
Denmark	$ 8,102
Dominican Republic	$ 48,343
Ecuador	$ 38,717
El Salvador	$ 15,921
Finland	$ 2,331
France	$ 34,161
Germany	$ 81,356
Guatemala	$ 49,707
Guyana	$ 600
Honduras	$ 57,498
Israel	$ 13,530
Italy	$ 48,922
Jamaica	$ 48,083
Japan	$ 22,170
Mexico	$ 100,637
Netherlands	$ 70,593
Nicaragua	$ 23,687
Norway	$ 7,551
Panama	$ 40,030
Paraguay	$ 25,077
People's Republic of China	$ 8,400
Peru	$ 72,813
Portugal	$ —
Republic of Korea	$ 1,057
Spain	$ 28,276
Suriname	$ —
Sweden	$ 5,895
Switzerland	$ 27,972
Trinidad and Tobago	$ 1,000
United States	$ 508,831
Uruguay	$ 87,198
Venezuela	$ 42,531
Regional	$ 18,530

2010 Overview

Operating Results

In 2010, the IIC approved $374.8 million in direct loans and investments and $536 million in cofinancing operations that substantially leveraged the resources provided directly by the IIC.

Operations Approved in 2010

COUNTRY	COMPANY	SECTOR	APPROVED AMOUNT	TOTAL PROJECT COST	PROJECT DESCRIPTION
Argentina	AGCO Capital Argentina S.A.	Financial Services	$ 10,000,000	$ 10,000,000	AGCO grants collateralized loans for purchases of agricultural machinery. The loan proceeds will be used to provide financing to individuals and SMEs in Argentina.
	Compañías Asociadas Petroleras S.A.	Oil and Mining	8,000,000	60,000,000	Compañías Asociadas Petroleras is engaged in oil and gas exploration, recovery, development, and production. The operation provides medium-term financing, a scarce commodity on the local market. The company will use the financing to strengthen its financial profile and its position in Argentina's oil sector, a major job creator.
	Terminal Zárate S.A.	Transportation and Warehousing	7,000,000	24,000,000	Terminal Zárate is a privately owned port complex that handles containers, general cargo, and vehicles, and provides related services for foreign trade. The loan will finance expansion of its pier and container yard and improvements to parking lots.
Brazil	Banco Daycoval S.A.	Financial Services	15,000,000	100,000,000	Banco Daycoval is a medium-sized Brazilian bank specializing in SMEs. It will provide financing to companies in a variety of sectors through subloans of up to $500,000.
	Banco Industrial e Comercial S.A.	Financial Services	13,000,000	86,000,000	Banco Industrial e Comercial will channel the funds to Brazilian manufacturing, agribusiness, service, and commercial SMEs to finance short- and medium-term working capital requirements.
	Banco Pine S.A.	Financial Services	15,000,000	100,000,000	Banco Pine specializes in secured structured loans and provides financial and strategic consulting services, treasury and investment products, and BNDES onlending lines. The bank will use the loan proceeds to grant loans to SMEs in a variety of sectors.
	Itaú Unibanco S.A.	Financial Services	40,000,000	265,000,000	Itaú Unibanco is a leader in various niche markets in Brazil. It has an international presence and a highly segmented loan portfolio. The funds will be used for subloans to finance local SMEs.

COUNTRY	COMPANY	SECTOR	APPROVED AMOUNT	TOTAL PROJECT COST	PROJECT DESCRIPTION
Brazil (cont.)	Wind Power Energia S.A.	Utilities and Infrastructure	$ 5,000,000	$ 5,000,000	Wind Power Energia designs, produces, and markets high-powered wind generation equipment, with the capacity to produce 300 wind generators each year. The financing will provide the company with working capital to meet increased demand for generators and wind farms.
Colombia	Sociedad Operadora de Aeropuertos Centro Norte, Airplan S.A.	Utilities and Infrastructure	10,000,000	165,000,000	Airplan holds the concession to operate, maintain, and upgrade six airports in Colombia, through which four million passengers—27 percent of the country's total air traffic—travel every year. The loan proceeds will enable it to remodel and expand terminals.
	Tablemac MDF S.A.S.	Wood, Pulp, and Paper	5,000,000	57,000,000	Tablemac is one of the chief particleboard and preassembled furniture manufacturers in Colombia. The loan will enable it to build a medium-density fiberboard production plant and expand its product portfolio.
Costa Rica	Café Britt Costa Rica S.A.	Food, Bottling, and Beverages	4,000,000	4,000,000	Café Britt produces and exports coffee and gourmet chocolates. It will use the loan proceeds as working capital and to consolidate its operations in other Latin American countries.
	Coriport S.A.	Utilities and Infrastructure	7,950,000	43,500,000	Coriport is in charge of the renovation, expansion, and operation of Daniel Oduber Quirós International Airport in the Guanacaste tourist area. The loan will finance the design, planning, financing, construction, operation, and maintenance of a new passenger terminal.
	Financiera Desyfin S.A.	Financial Services	1,000,000	1,000,000	Financiera Desyfin provides domestic and international factoring services, working capital loans, and various credit lines. The loan proceeds will strengthen its capital structure and leverage the growth of its portfolio, with a goal of providing direct financing to at least 65 SMEs and indirect financing to 455.
Dominican Republic	Wind Telecom S.A.	Technology, Communications, and New Economy	5,000,000	85,700,000	Wind Telecom provides Internet, pay TV, and telecommunications services. With this operation, the IIC will promote access to these services and help expand innovative technologies in a market with high growth potential.

COUNTRY	COMPANY	SECTOR	APPROVED AMOUNT	TOTAL PROJECT COST	PROJECT DESCRIPTION
Ecuador	Banco Bolivariano C.A.	Financial Services	$ 7,000,000	$ 7,000,000	Banco Bolivariano, traditionally a corporate banking institution, began providing personal banking services some years ago, offering products for SMEs and consumer and credit products. It will use the loan to expand its portfolio by granting subloans to SMEs in amounts of up to $500,000.
	Banco de Guayaquil S.A.	Financial Services	5,000,000	5,000,000	Banco de Guayaquil provides multipurpose financial services to individuals, SMEs, and corporations. The loan will strengthen its capital base, provide financing for SMEs, and sustain its network of nonbank correspondents, known as Banco del Barrio.
	Moderna Alimentos S.A.	Food, Bottling, and Beverages	5,000,000	29,000,000	Moderna Alimentos is a leading manufacturer and seller of bread, pasta, and wheat flour—controlling 40 percent of the market in Ecuador. The loan will help it consolidate and increase production and sales of wheat flour and wheat products.

Ecuador, Sociedad Agrícola e Industrial San Carlos

COUNTRY	COMPANY	SECTOR	APPROVED AMOUNT	TOTAL PROJECT COST	PROJECT DESCRIPTION
Ecuador (cont.)	Sociedad Agrícola e Industrial San Carlos S.A.	Agriculture and Agribusiness	$ 7,000,000	$ 10,000,000	Ingenio San Carlos is an integrated producer of sugar, cogenerated electricity, and alcohol. It will use the loan proceeds to finance investments in fixed assets to maintain capacity and improve the efficiency of its sugar cane planting and harvesting processes and its production plant.
El Salvador	Banco de América Central S.A.	Financial Services	20,000,000	20,000,000	Banco de América Central is part of Grupo BAC Credomatic. The loan will provide medium-term financing, which will be channeled to eligible projects in El Salvador, and will help diversify its sources of medium-term financing, which have become scarcer since the onset of the financial crisis.
	Cajas y Bolsas S.A.	General Manufacturing	1,250,000	1,900,000	Cajas y Bolsas manufactures boxes and graphic arts products. The loan proceeds will be used to finance the purchase of new printing and stamping equipment.
	Compañía Azucarera Salvadoreña S.A. de C.V.	Agriculture and Agribusiness	6,000,000	6,000,000	Compañía Azucarera Salvadoreña produces sugar and molasses for domestic and international markets and produces electricity in its 60-megawatt cogeneration plant. The working capital loan will enable the company to properly plan for its operating fund requirements.
	Jinsal S.A. de C.V.	Other	220,000	220,000	Jinsal has China's United Motor concession in El Salvador. It imports and sells motorcycles and spare parts and provides motorcycle maintenance. The loan, under the SBRL, will be used to repay a short-term loan.
Guatemala	Banco Internacional S.A.	Financial Services	3,000,000	3,000,000	Banco Internacional has an extensive portfolio of high-tech financial products and service channels. The loan will finance a number of SME clients in Guatemala and serve as a cornerstone of its medium-term financing strategy. Its subloans to businesses will average about $150,000, with terms of twenty-four months.
Haiti	Haiti Social Investment Fund	Investment Funds	1,145,000*	71,915,000*	The fund, created jointly by the IIC, the IDB, and the Government of Spain, will provide lower-cost financing to SMEs operating in Haiti. Local financial institutions will onlend the fund's resources through subloans. It will also provide tools for companies to improve their governance.

*Approximate amounts. The exact amounts will be the U.S. dollar equivalent of €812,000 and of €51,000,000, respectively.

Argentina, Compañías Asociadas Petroleras S.A.

Mexico, Edilar S.A. de C.V.

COUNTRY	COMPANY	SECTOR	APPROVED AMOUNT	TOTAL PROJECT COST	PROJECT DESCRIPTION
Jamaica	Jamaica Broilers Group Limited	Livestock and Poultry	$ 2,000,000	$ 2,000,000	Jamaica Broilers Group, one of the country's leading business groups, is engaged in poultry raising, balanced poultry feed production, and ethanol processing. The medium-term loan meets part of its operating fund requirements. The IIC will also provide technical assistance, including an energy efficiency audit to identify opportunities for reducing energy consumption and costs.
Mexico	Almacenadora Mercader S.A.	Agriculture and Agribusiness	10,000,000	10,000,000	Almacenadora Mercader is the largest officially authorized warehouse facility in Mexico, with operations in twenty-one states. The loan will enable it to provide some 1,500 small growers of white corn, wheat, and sorghum with working capital by purchasing their crops (with a buyback option) or storing their grain.

COUNTRY	COMPANY	SECTOR	APPROVED AMOUNT	TOTAL PROJECT COST	PROJECT DESCRIPTION
Mexico (cont.)	Banco Compartamos S.A.	Financial Services	$ 32,000,000	$ 32,000,000	Compartamos is Mexico's largest microfinance institution, with a 34 percent market share, and one of the largest in Latin America and the Caribbean. The loan proceeds will be used to develop the microenterprise segment. Initial projections estimate that Compartamos could grant some 500,000 microloans throughout the life of the loan.
	Celsol S.A. de C.V. (Optima Energía)	Other	6,000,000	44,700,000	Optima Energía specializes in optimizing electric power, fuel, and water consumption. It is the first Mexican firm to use results-based contracts, the most sophisticated type of contract for energy efficiency projects. The uncommitted, non-revolving credit line will be used to mount energy efficiency initiatives for public lighting systems.
	Constructoras ICA S.A. de C.V. (CICASA)	Other	3,500,000	14,500,000	CICASA is a construction company that is part of Mexico's ICA group of companies and operates in the civil, industrial, and housing construction segments, with projects for the public and private sectors. The operation will enable CICASA to meet previously assumed capitalization requirements of Los Portales S.A., a Peruvian company in which it holds shares. Los Portales will invest in the construction of housing units for low-income families in the interior of Peru, among other activities.
	Edilar S.A. de C.V.	Education	2,500,000	2,500,000	Edilar sells and finances purchases of teaching and cultural materials for public school teachers in twenty-seven Mexican states, designed to help promote their professional development and improve their teaching methods. The loan will finance the company's expansion and improve its ability to lend to teachers. Since each sale by Edilar amounts to roughly $1,000, the IIC loan could benefit 2,500 teachers.
	Grupo FinTerra S.A. de C.V.	Financial Services	4,000,000	4,000,000	FinTerra provides individual loans to small and medium-sized growers; the proceeds of the loan will help develop this sector. The average loan size shall be of approximately $165,000.

COUNTRY	COMPANY	SECTOR	APPROVED AMOUNT	TOTAL PROJECT COST	PROJECT DESCRIPTION
Mexico (cont.)	Multinational Industrial Fund II L.P.	Investment Funds	$ 3,000,000	$ 120,000,000	The fund's objective is to make equity investments in Mexican companies with high growth potential and annual sales between $10 million and $100 million. The investment amounts shall range from $10 million to up to $25 million.
Nicaragua	Casa Pellas S.A.	Other	3,500,000	3,500,000	Casa Pellas is a diversified company that distributes Toyota, Suzuki, and Hino vehicles and spare parts, and Yamaha motorcycles, engines, and industrial equipment. The financing will enable it to meet its permanent working capital needs.
	Kola Shaler Industrial S.A.	Food, Bottling, and Beverages	110,000	110,000	Kola Shaler is a 100-year-old company whose carbonated beverages are sold in grocery stores and supermarkets in Nicaragua, as well as in Miami and California. Recently, it entered the flavoring, vinegar, and wine markets and plans to expand its operations in Central America. The loan, furnished under the SBRL program, will enable it to purchase returnable glass containers to reduce costs and replace non-biodegradable plastic bottles.
	Lubricantes Importados de Nicaragua S.A.	Other	600,000	600,000	Lubrinsa distributes all Texaco-Chevron products (except fuel) at the national level. The IIC loan will allow the company to increase its working capital.
Panama	Banco Aliado S.A.	Financial Services	10,000,000	10,000,000	Banco Aliado is an institution with centralized operations based in Panama. The loan will provide financing for eligible enterprises through subloans of up to $500,000.
	Banco Bilbao Vizcaya Argentaria Panamá S.A.	Financial Services	20,000,000	20,000,000	BBVA operates in Panama as a retail bank, both on the local market and in international transactions. The loan will provide SME clients with financing for their operating requirements, including working capital loans and revolving lines of credit. The assets or annual income of eligible enterprises may not exceed $10 million per year, and the size of corresponding subloans may not exceed $500,000.
	Banco Internacional de Costa Rica S.A.	Financial Services	15,000,000	15,000,000	Banco Internacional de Costa Rica is a private bank located in Panama offering a complete line of financial services to Central American companies. The loan will buttress the bank's lending activities, help finance the growth of its SME portfolio, and allow the bank to expand its medium-term financing.

COUNTRY	COMPANY	SECTOR	APPROVED AMOUNT	TOTAL PROJECT COST	PROJECT DESCRIPTION
Panama (cont.)	Multibank S.A.	Financial Services	$ 6,000,000	$ 6,000,000	Multibank provides banking services to SMEs, corporations, and individuals. The loan will enable it to provide working capital to SMEs in Panama and finance housing for low-income Panamanians. The subloans shall not exceed $500,000; in the case of residential housing, the commercial value of the housing units shall not exceed $90,000.
Paraguay	Agrofértil S.A.	Agriculture and Agribusiness	5,000,000	78,800,000	Agrofértil sells agricultural inputs, stores and markets grain, and provides agronomy services to mostly small and medium-sized farmers. The funding will strengthen its financial profile and underpin its investments in fixed assets and working capital. It will also help Agrofértil increase financing for agricultural SMEs.
	Emprendimientos Hoteleros S.A.E.C.A.	Tourism and Hotels	1,500,000	1,500,000	Emprendimientos Hoteleros owns the building where the Sheraton Hotel Asunción operates. The loan proceeds will be used to convert meeting rooms into seventeen standard furnished rooms, as well as to build and furnish meeting rooms. Part of the proceeds shall be used for working capital and the amortization of a loan with a local bank.
Peru	Amérika Financiera S.A.	Financial Services	3,500,000	3,500,000	Amérika Financiera is the product of the reorganization of América Leasing S.A., a financial leasing company, into a finance company. The transformation allowed it to expand its range of products and services, strengthening its equity and increasing its SME portfolio. The subordinated loan will enable it to improve its equity position.
	Banco Interamericano de Finanzas S.A.	Financial Services	6,000,000	6,000,000	Banco Interamericano de Finanzas provides financial intermediation services for foreign trade operations. It also provides personal banking services for middle-, upper-middle-, and higher-income clients. The proceeds from the subordinated loan will be used to finance projects with some 100 companies in Peru, capped at a maximum of $1 million each.
	Banco Santander Perú S.A.	Financial Services	15,000,000	15,000,000	Banco Santander focuses on commercial, corporate, and global banking. The loan proceeds will provide working capital financing to SMEs that participate in Banco Santander's *Confirming* Program and are suppliers of Banco Santander clients. The subloans to be granted by Banco Santander will not exceed $250,000.

COUNTRY	COMPANY	SECTOR	APPROVED AMOUNT	TOTAL PROJECT COST	PROJECT DESCRIPTION
Peru (cont.)	Ica Pacific S.A.	Agriculture and Agribusiness	$ 2,500,000	$ 6,250,000	Ica Pacific is an agribusiness specializing in growing green asparagus and pomegranates. The main purpose of the loan is to replace short-term loans and finance permanent working capital. The loan will also bolster the company's growth and production capacity by providing long-term financing for long-cycle crops.
	Leasing Total S.A.	Financial Services	1,500,000	1,500,000	Leasing Total finances SMEs serving large companies in areas such as health, mining and hydrocarbons, construction, and trade. The loan will help finance the growth of its financial leasing portfolio and diversify its sources of medium-term financing.
Regional	Banco La Hipotecaria S.A. and La Hipotecaria S.A. de C.V.	Financial Services	10,000,000	10,000,000	La Hipotecaria provides mortgages for new and existing homes and personal loans for its mortgage customers. The loan will finance the growth of its mortgage portfolio in Panama and El Salvador, which targets clients with monthly incomes averaging $580. The average price of the housing units financed is $26,500.

Mexico, Banco Compartamos S.A.

Panama, Barrio La Constancia financed by Banco La Hipotecaria S.A.

COUNTRY	COMPANY	SECTOR	APPROVED AMOUNT	TOTAL PROJECT COST	PROJECT DESCRIPTION
Regional (cont.)	Corporación Interamericana para el Financiamiento de Infraestructura S.A.	Financial Services	$ 5,000,000	$ 5,000,000	Corporación Interamericana para el Financiamiento de Infraestructura is a nonbank financial institution that finances infrastructure projects in Latin America and the Caribbean, particularly energy, transportation, gas and oil production, airport, port, telecommunications, social infrastructure, and tourism projects. The loan will finance its short-term working capital requirements.
	Microfinance Growth Fund (MiGroF)	Financial Services	5,000,000	250,000,000	Designed to promote the sustainability of Latin American microfinance institutions, MiGroF supplies microfinance institutions with funding to expand their loan portfolios and help facilitate the sustained growth of micro- and small enterprises in the wake of the financial crisis. In the initial phase, some fifty microfinance institutions will receive an average of $3 million in funding per institution.
Total			**$374,775,000**	**$1,822,695,000**	

Development Outcomes

How the IIC Measures Development Impact

The IIC uses two tools to measure the development impact of its operations, with a number of indicators in common. One is the Development Impact and Additionality Scoring system (DIAS), introduced in 2008. The DIAS system estimates the potential development impact at the outset and throughout the life of a project. The other tool is the Expanded Annual Supervision Report (XASR).

In use since 2001, XASRs measure a project's development outcome and assess the IIC's investment outcomes, work quality, and additionality. In its 2010 report,[1] the IDB Office of Evaluation and Oversight (OVE)—which independently validates the reliability of the analysis, the impartiality and consistency of the ratings, and the lessons learned from the XASR—concluded that 88 percent of projects rated by the IIC achieved high development outcomes.[2] In comparison, in 2009, OVE found that 67 percent of IIC investments had achieved similar outcomes.

OVE evaluated sixteen XASR reports on seven corporate operations and nine operations with financial intermediaries that reached maturity in 2009 after three to five years of operation. OVE also determined that the XASRs provide objective evaluations of investment portfolio performance.

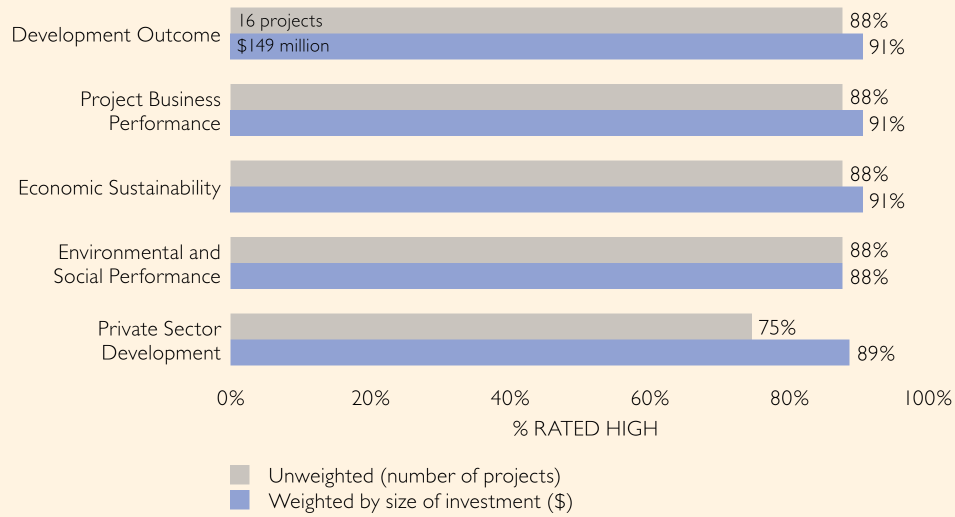
The IIC, in collaboration with the IDB's Knowledge and Learning Sector, launched the intranet portal *Lessons in Action*. This new knowledge management tool facilitates the documentation of lessons learned and project experiences both at the IIC and within the IDB Group. The new portal contains more than seventy lessons learned garnered from projects the IIC has executed over the past twenty years. It will help identify, document, disseminate, and further apply lessons learned from collective operational and corporate practices.

The tool represents an important step toward building an institutional knowledge base on issues relating to SME development. It will help the IIC capture information using lessons from past experiences to shape and inform future operations in the region, thereby enabling staff to work more efficiently and with greater impact.

[1] OVE's Eighth Independent Evaluation Report is scheduled to be presented to the IIC Board of Executive Directors in the first half of 2011.

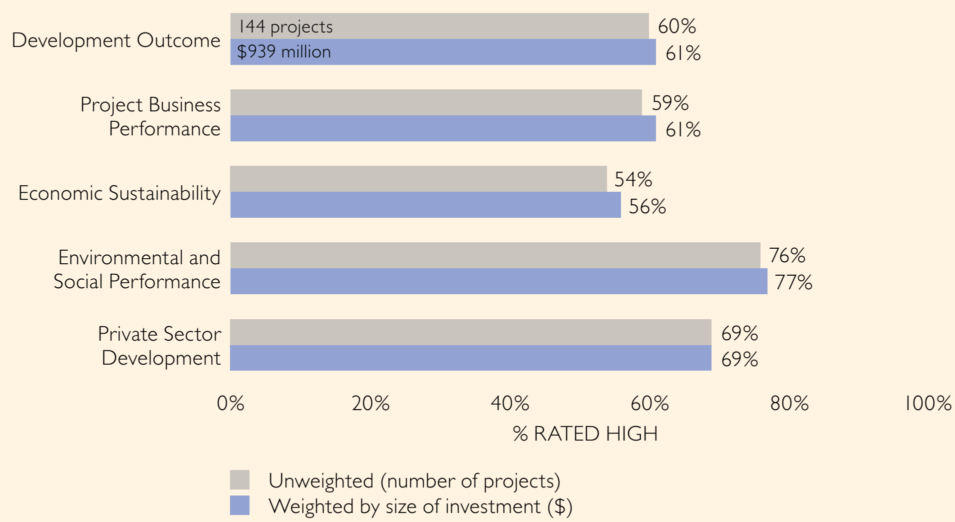
[2] Defined as projects with a rating of highly successful, successful, or mostly successful.

2010 DEVELOPMENT OUTCOMES*

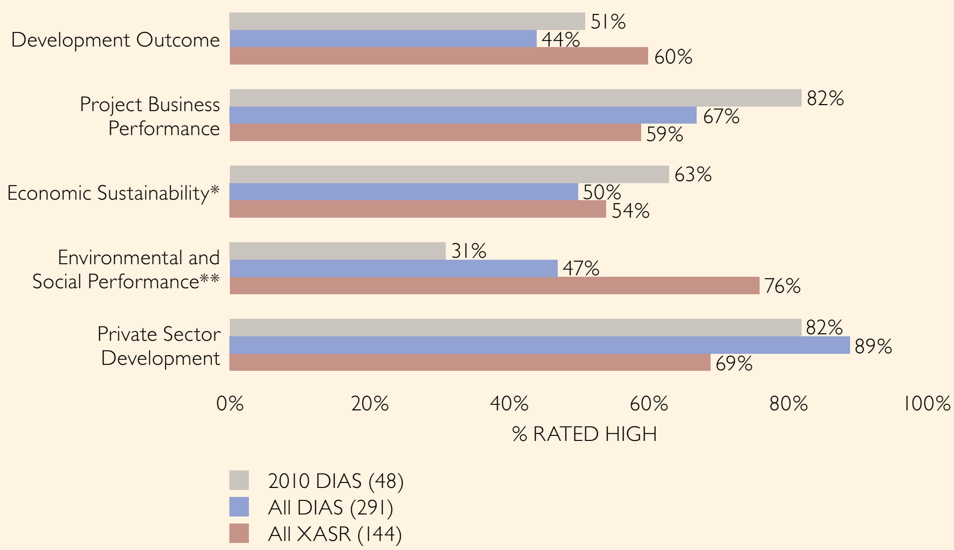


*Eighth OVE report.

CUMULATIVE DEVELOPMENT OUTCOMES FOR INVESTMENTS



PREDICTING DEVELOPMENT OUTCOMES: A COMPARISON OF DIAS AND XASRs



* DIAS data include only corporate projects; financial intermediary projects are not included.

**A modification to the DIAS system in 2010 resulted in a decrease in the percentage of projects rated as high for the environmental and social effects indicator. Previously, this indicator also captured the level of additional effort a company would be required to undertake to comply with the IIC's environmental and social requirements. However, due to a change in the DIAS scoring system, the level of effort or corrective action necessary is now captured in another section of the DIAS.

IIC, a Leader among Multilateral Organizations

Evaluation System Review

According to a 2010 benchmarking review commissioned by the Evaluation Cooperation Group of Multilateral Development Banks, the IIC's evaluation system meets 98 percent of the evaluation practices used by multilateral development banks serving the private sector and is the most harmonized such system.

The review, the third of its kind since the implementation of this mechanism in 2005, compared the evaluation practices of multilateral development banks against agreed-upon optimal standards. In fact, the IIC's evaluation system design is based on these Evaluation Cooperation Group of Multilateral Development Banks standards.

The results speak to the IIC's commitment to evaluation. The favorable outcome is also significant owing to the fact that the benchmarking review used third-generation standards, which are stricter than those used in the two previous reviews.

Financial intermediary loans are a key tool frequently used by multilateral development organizations to channel funds to firms and organizations in their member countries.

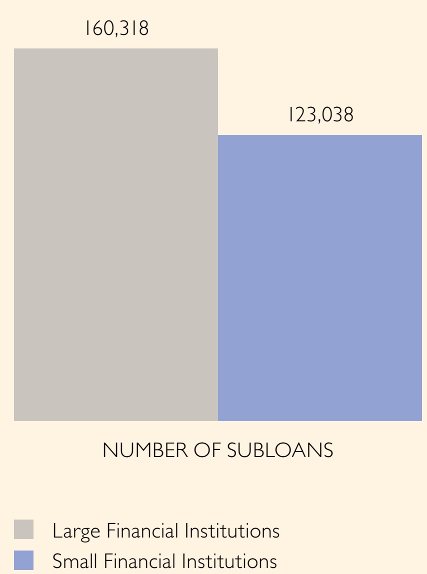
Development Impact of Financial Intermediaries

In a study completed in 2010, the IIC compiled more detailed information on the development impact of operations with financial intermediaries approved since 2000. According to the study, which used only data from projects in the early maturity phase and with a completed XASR,[3] large financial institutions[4] served 160,318 SMEs (through subloans averaging $4,055 in size), while smaller financial institutions[5] served 123,038 SMEs (through subloans averaging $1,930 in size).

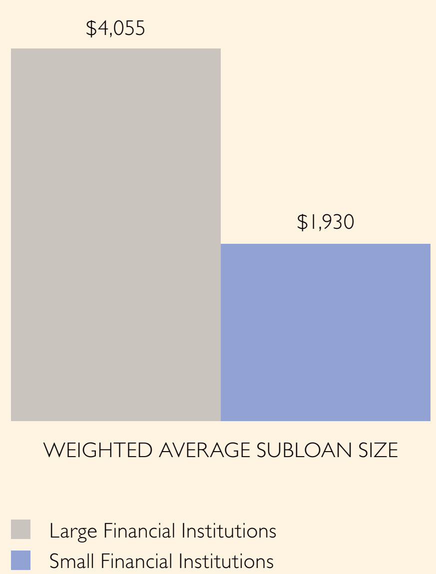
Financial intermediary loans are a key tool frequently used by multilateral development organizations to channel funds to firms and organizations in their member countries. The IIC has approved over $1.6 billion in loans to financial intermediaries since 2000.

The rapid growth of the IIC's portfolio with financial intermediaries reflects a decision taken at the Special Summit of the Americas in 2004, where Latin America and Caribbean heads of state agreed to triple the number of loans made to microenterprises and SMEs by the end of 2007 through operations with financial intermediaries.

ONLENDING ACTIVITY BY SIZE OF FINANCIAL INSTITUTION, NUMBER OF SUBLOANS



ONLENDING ACTIVITY BY SIZE OF FINANCIAL INSTITUTION, WEIGHTED AVERAGE SUBLOAN SIZE



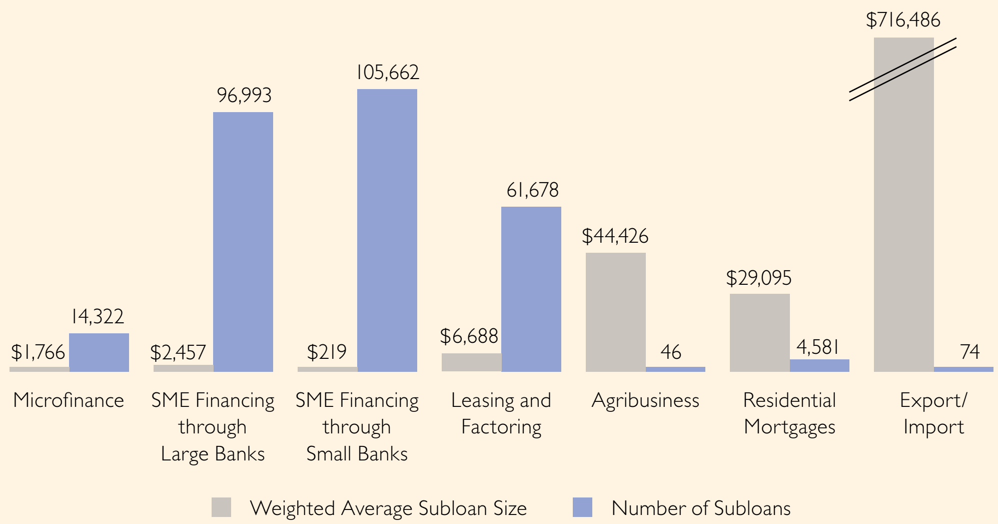
[3] The data is from XASRs and is considered final for the purposes of this Annual Report, although projects continue to provide financing to SMEs throughout the life of the IIC loan.

[4] Institutions with total assets exceeding $500 million.

[5] Institutions with total assets of less than or equal to $500 million.

Dominican Republic, Wind Telecom S.A.

ONLENDING ACTIVITY BY USE OF PROCEEDS



The IIC has approved over $1.6 billion in loans to financial intermediaries since 2000.

Costa Rica, IIC Sustainability Week

IIC Sustainability Week

Environmental and Social Sustainability

Training and technical assistance are essential to ensure that projects offer more than just financial and economic benefits. In 2010, the IIC focused its additionality efforts largely on environmental sustainability and protection.

The IIC conducted three workshops in the region in 2010 as part of its launch of the first Sustainability Week. The first workshop, organized in conjunction with the IDB Environmental and Social Safeguards Unit, brought together twenty-five financial institutions from twelve Western Hemisphere countries, including Brazil, Mexico, and the United States. At the workshop, IIC and IDB clients learned to develop their own environmental risk management systems, a mechanism designed to improve their competitiveness and profitability.

A second workshop, on the challenges and opportunities for financial institutions stemming from climate change, included training on the carbon credit markets, carbon emissions trading, and the consequences of global warming for the banking system and its clients. Twenty institutions from eleven countries attended presentations about the experiences of organizations seeking to promote projects to reduce greenhouse gas emissions, among other topics.

Participants in the third workshop, which focused on the implementation of energy efficiency plans, learned about reducing the cost of energy and their organizations' ecological footprint. Thirty-six companies from nine regional countries took part in the workshop organized by the IIC and the IDB with backing from the Korea-IIC SME Development Trust Fund and BAC San José.

Financial Results

The IIC increased its portfolio provisions and write-offs in 2010 in the face of specific portfolio issues that materialized in the first half of the year. The impact on results was mitigated by an increase in portfolio recoveries, which totaled $6.1 million. The combination of these circumstances, the drop in LIBOR, and the low lending and investment levels in the first half of the year were all factors that prevented the IIC from achieving higher final income figures for the year.

Nonetheless, with the stronger credit market and more positive economic outlook in the second half of the year, there was good cause to believe that the deterioration in portfolio quality and interest income had passed the inflection point. The results of this improvement will show up in 2011.

The IIC's liquidity management performance was also noteworthy. By using part of its liquid assets to finance new placements, the IIC avoided creating greater leverage. These steps did not affect the IIC's liquidity position, which was sustained by the consistent repayment of loans by its clients.

Loan loss provisions went from $66.5 million in 2009 to $56.5 million in 2010, and remained at levels deemed appropriate to respond to a negative and uncertain economic climate. Portfolio write-offs rose to $15.1 million, an increase over 2009, when they stood at $2.5 million.

Net profit for the year was $12.5 million, compared with $5.2 million in 2009. Efficiency, as measured

A conservative approach and better diversification of its operations helped the IIC's treasury investment portfolio end the year in good standing.

Mexico, IIC and Nordic Development Fund

by the net interest income to administrative expense ratio, went from 1.4 times in 2009 to 1.2 times in 2010.

Treasury Investment Portfolio Risk

The effects of the financial and economic crisis were felt in new market segments—such as public debt—but a conservative approach and better diversification of its operations helped the IIC's treasury investment portfolio end the year in good standing. Profitability was affected by the drop in interest rates and the IIC's need to maintain a larger portion of its funds in overnight investments and very low-risk securities.

Asset Quality

The year began with uncertainty and volatility, but conditions started to improve in the second half. The global recession affected asset quality, although loan loss provisions covered the IIC's at-risk portfolio appropriately.

The past-due portfolio increased from 0.65 percent in 2009 to 3.04 percent in 2010, and impaired loans grew from 3.63 percent in 2009 to 4.18 percent in 2010. The past-due portfolio increased because of further deterioration of some problem assets already in the 2009 impaired portfolio. As of year-end 2010, the ratio of loan loss provisions to past-due loans was 2.22 times; the ratio of loan loss provisions to impaired loans was 1.61 times.

Capital Adequacy

The Agreement establishing the IIC limits borrowing to three times net worth. In practice, the IIC has succeeded in keeping its leverage below this ceiling. The liabilities-to-equity ratio dropped from 0.88 in 2009 to 0.85 in 2010.

Liquidity

The IIC's strategy is to use its excess liquidity to boost investments in development assets without increasing the institution's overall leverage. Despite the use of these resources, the IIC's liquidity at year-end 2010 remained high: the liquidity-to-debt ratio went from 0.87 in 2009 to 0.91 in 2010, due mainly to the high rate of loan repayments by IIC clients.

Standard & Poor's raised the IIC's rating from AA- to AA in 2010.

Improved Rating: AA

Standard & Poor's raised the IIC's rating from AA- to AA in 2010. According to the rating agency, the reasons for the upgrade lie in the strength of the IIC's financial profile, the support of the IDB Group, and the IIC's prudent management of its operations.

Sources of Funding

Historically, the IIC's primary source of funding has been capital contributions from member countries and bilateral loans from commercial banks. The IIC began to diversify its sources of funding in 2005.

With financial markets hurt by the impact of the banking crisis, the IIC sought to improve its debt profile in 2010. It rescheduled $552 million worth of debt and succeeded in easing short-term payment deadlines. It also negotiated $60 million in new credit lines.

The IIC's credit risk had been substantially reduced by year-end 2010, thanks to its strong cash position and the reduction in its financial liabilities to $653.5 million, 1.7 percent less than at the beginning of the year.

Pension and Postretirement Benefit Plans

There was a 20.4 percent increase in the value of the assets backing the IIC's pension obligations in 2010, as markets began to rally and contributions increased. Management and the Board of Executive Directors decided to increase contributions to pension and postretirement benefit plans, with the pension assets-to-liabilities coverage ratio improving slightly to 94 percent.

The IIC Business Plans

Three years ago, when Management and the Board of Executive Directors discussed the 2008–2010 business plan issues paper, the Latin American and Caribbean region was experiencing its fastest growth spurt in forty years. At that time, the boiling point for the global financial crisis, the imminence and

severity of which escaped many analysts, was still more than a year away.

In December 2007, the Board approved the 2008–2010 business plan, the 2008 administrative and capital budget proposal, and the 2008 funding strategy for the IIC. But everything changed after August 2008. Management and the Board worked together to improve the IIC's operational flexibility, introducing necessary tools for addressing the changing needs of its clients.

Implementation of the 2008–2010 Business Plan

Most of the objectives of the 2008–2010 business plan have been met and the IIC has remained both relevant and profitable, despite the fact that the plan was implemented in the midst of one of the worst global crises on record.

The 2008–2010 business plan was defined by six objectives and two initiatives (the so-called "6+2" conceptual framework). The two initiatives, both of which are fully operational, involved the creation of the Technical Assistance and Strategic Partnerships Division and the resumption of IIC equity investment activities.

As for the six objectives:

1. ***Increase development assets.*** Total approvals originated by the IIC[6] are at $976 million, 7.9 percent above the originally projected $904 million and 11.6 percent above the new $875 million revised target established in the wake of the financial crisis.[7]
2. ***Improve geographic portfolio diversification.*** Net active approvals in C and D countries have doubled, taking their share of the IIC portfolio from less than 24 percent to more than 36 percent.
3. ***Fulfill IIC's role within the IDB Group Private Sector Integrated Business Plan.*** The IIC has built a relevant $65 million portfolio with small financial institutions, giving rise to $93 million in operations with companies with up to $100 million in revenues, and has referred more than forty operations to other IDB Group private sector windows.
4. ***Implement the DIAS.*** The Development Impact and Additionality Scoring System (DIAS) for evaluating projects at the time of their origination and during their supervision has been fully implemented. Almost 300 projects have been rated, and the quality of the portfolio built since 2008 in terms of its development impact is better than projected.
5. ***Maintain IIC's credit risk ratings.*** The goal of maintaining the IIC's credit rating was exceeded with Standard and Poor's upgrade of its rating to AA. Moody's has not changed its rating.
6. ***Achieve a minimum return on equity of 3 percent per year.*** The year 2010 marks the IIC's eighth consecutive year of profitability. Though the target of an average return on equity of 3 percent has not been achieved, the goal of maintaining the long-term value of shareholder equity has been met.


Argentina, Terminal Zárate S.A.

The year 2010 marks the IIC's eighth consecutive year of profitability.

[6] The IDB Group's Private Sector Integrated Business Plan established that the IIC would not forge new ties with large financial institutions and would focus on those with assets of less than or equal to $500 million. To make up for the need to maintain a balanced portfolio, it was projected that the IDB's Structured and Corporate Finance Department would generate $211 million in transactions with larger banks. Of this sum, $30 million has been originated.

[7] The crisis shortened the weighted average life of the IIC portfolio by more than a year. As a result, though approvals were close to projected figures, real portfolio growth failed to live up to expectations.

A new long-term goal for the IIC: positioning itself as the recognized authority for SME development in the Latin American and Caribbean region.

The Next Three Years

The IIC is proposing a 1+1=3 conceptual framework for the period 2011–2013 to replace the 6+2 framework currently in place. The new framework will center on growth and productivity as the cornerstones of the IIC's enhanced development impact, laying the groundwork for a new long-term vision.

Goal of the First Pillar of Development: Growth

While strictly adhering to the "portfolio approach," the IIC will seek to increase its development-related assets, measured by the level of its gross outstanding portfolio, by at least 25 percent to maximize the use of its current capital base. The IIC will begin deploying the quasi-equity resources to be furnished by the IDB as part of the ninth general increase, at the suggestion of the Governors, as the funds become available. These resources are expected to significantly improve the IIC's ability to reach SMEs by increasing its risk-bearing capacity.

To achieve this goal, the IIC will seek to increase its operational flexibility by mounting initiatives aimed at:

1. Improving the ability to reach very small companies;
2. Building the capacity to deploy technical assistance;
3. Developing a new model for providing local currency financing; and
4. Creating a new operational and development model designed to reach larger corporate clients.

The IIC will also explore the possibility of providing advisory services and building its capacity to manage loan and equity trust funds as a new line of business.

Goal of the Second Pillar of Development: Productivity

The IIC will strive to increase the number of project approvals to eighty per year by 2013, without adding to its current 107 authorized staff positions.

To achieve this goal, the IIC will seek to enhance its operational efficiency by:

1. Developing a new human resource allocation model recognizing the institution's developmental mandate;
2. Implementing major process and systems updates; and
3. Negotiating a comprehensive service agreement with the IDB and looking for ways to leverage the IIC's competitive advantage to provide services to other IDB Group private sector windows.

Result: Enhanced Development Impact

The IIC believes that successful achievement of the goals of these two pillars of development will significantly enhance its development effectiveness.

To advance this final objective, the IIC will strive to further improve the developmental quality of its loan and equity investments by regularly updating the IIC's general evaluation framework; and significantly expand the volume and scope of its technical assistance products and focus this strategy on final SME beneficiaries rather than on programs.

Furthermore, successful implementation of the 1+1=3 framework will give the IIC the resources needed to develop and disseminate knowledge products focusing on SMEs. This new framework will be a major step forward in pursuit of the IIC's new long-term goal of positioning itself as the recognized authority for SME development in the Latin American and Caribbean region, a goal that can be summed up as *Think SME, Think IIC.*

Think SME, Think IIC

Working within the IDB Group

Renegotiation of the IDB Global Multi-Sector Credit Facility

In 2010, the IDB and the IIC renegotiated the long-term $300 million Multi-Sector Credit Facility for the IIC, which will expire at the end of 2015. Formalized in 1997, the facility, from which the IIC has drawn $100 million to date, granted special pricing to the IIC. The Governors' decision to renegotiate this lending operation in the context of the IDB's general capital increase came at a crucial point for the IIC and reflects the strong relationship between the two institutions. The terms of this facility take into consideration the IIC's mission, its role and financial leverage capacity, and its mandate for capital preservation. As the IDB Group's private sector window specializing in SMEs, the IIC will continue using these resources to increase its capacity to support innovative operations with high, long-term developmental impact.

Support for the IIC

One of the two pillars of the IIC's 2011–2013 Business Plan aims at tracing a new path for growth in order to maximize the use of existing capital resources within the parameters set by the portfolio approach.

If successful, within the next three-year period the IIC will have exhausted its capacity to grow its portfolio of assets that require capital funding—most important, equity investments and financial support for smaller companies in the region—and would be limited to replacing these asset types and classes as repayments are received.

To maintain the IIC's capacity to increase its support for these highly developmental interventions in the longer term, capital is the required source of funding. Therefore, the financial support considered in the context of the IDB general capital increase will be essential to achieving this goal.

Division of Labor among the IDB Group's Private Sector Windows

Management firmly believes that there is great value in collaborating more closely with all private sector windows and all relevant public sector departments within the IDB Group. The Office of the Vice President for Private Sector and Non-Sovereign Guaranteed Operations has worked closely with all windows, in particular the Structured and Corporate Finance Department and the IIC, to define the rules of the game for the next planning cycle.

The recently drafted Non-Sovereign Guaranteed Business Plan 2011–2015 constitutes a step in the right direction. The document states that it does not intend to supplant the window-specific planning processes and that it seeks to provide a unified direction and justification for the work of the IDB Group to achieve development through the private sector.

In the specific case of the IIC, Management has committed to internalizing all institutionally relevant priorities related to the IDB's ninth general capital increase as well as the country-specific priorities set through the normal strategic process conducted by the IDB.

Governance

Structure

Board of Governors

All the powers of the IIC are vested in its Board of Governors, consisting of one Governor and one Alternate Governor appointed by each member country. Among the powers vested in the Board of Governors that cannot be delegated to the Board of Executive Directors are the admission of new member countries, the engagement of external auditors, approval of the IIC's audited financial statements, and amendment of the Agreement Establishing the IIC.

Board of Executive Directors

The Board of Executive Directors is in charge of conducting IIC operations. To this end, the Board of Executive Directors exercises all the powers granted to it under the Agreement Establishing the Corporation or delegated to it by the Board of Governors. The Board of Executive Directors establishes the basic organizational structure of the IIC, including the number and general responsibilities of its main administrative and professional positions. It also approves the IIC's budget. The thirteen members and thirteen alternate members of the Board of Executive Directors serve three-year terms and represent one or more IIC member countries.

The four-member Executive Committee of the Board of Executive Directors consists of the Director or Alternate appointed by the member country holding the largest number of shares in the IIC, two Directors representing regional developing member countries of the IIC, and one Director representing the other member countries. All IIC loans to and investments in companies in its member countries are considered by this Committee.

Management

The president of the IDB is the ex-officio Chairman of the Board of Executive Directors of the IIC. He presides over meetings of the Board of

Integrity and Anti-Corruption and Anti-Money Laundering Measures

Throughout the year, the IIC played an active role in the Integrity Due Diligence Guidelines Working Group, an important collaborative effort by the IDB Group's various private sector windows. Under the leadership of the IDB's Office of the Vice President for Private Sector and Non-Sovereign Guaranteed Operations and Office of Institutional Integrity, the working group developed a baseline proposal for new Integrity Due Diligence Guidelines. The guidelines will serve as an internal framework for all IDB Group private sector projects. Each IDB Group window, including the IIC, will implement the guidelines in keeping with their respective corporate governance practices. The IIC is in the process of bringing its current integrity review procedures in line with the new guidelines with a view to approving the guidelines as part of an updated version of its internal integrity review procedure.

In 2010, the IIC and the IDB, together with the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, and the World Bank Group, entered into an Agreement for Mutual Enforcement of Debarment Decisions. Under the terms and conditions set forth in the agreement, each institution will enforce the debarment decisions made by another participating institution. This initiative is an offshoot of the Uniform Framework for Preventing and Combating Fraud and Corruption, adopted in 2006.

The IIC, along with most multilateral and regional development finance organizations, continued to take part in a working group to deal with the use of offshore financial centers. The goal is to identify a common approach to address problems caused by the use of offshore financial centers and tax havens for criminal activities, money laundering, and tax evasion, in particular. The IIC is staying abreast of these matters and has developed internal project review systems and procedures for reporting these matters to its Board of Executive Directors, in line with those of other multilaterals working with the private sector.

As of December 31, 2010, the IIC has 107 staff positions dedicated to fulfilling its developmental mission. It has 24 staff members in ten countries in the region.

Executive Directors but does not have the right to vote except in the case of a tie. He may participate in but may not vote at meetings of the IIC Board of Governors.

The Board of Executive Directors appoints the General Manager of the IIC by a four-fifths majority of the total voting power, on the recommendation of the Chairman of the Board of Executive Directors. The General Manager oversees the officers and staff of the IIC. He handles the everyday business of the IIC under the direction of the Board of Executive Directors and the general supervision of the Chairman of the Board of Executive Directors and is responsible for the organization, appointment, and dismissal of its officers and staff in consultation with the Board of Executive Directors and the Chairman of the Board of Executive Directors. The General Manager may participate in meetings of the Board of Executive Directors but does not have the right to vote at these meetings.

The General Manager also establishes the IIC's operating structure and may modify it to keep pace with the organization's changing needs.

Staff

As of December 31, 2010, the IIC has 107 staff positions dedicated to fulfilling its developmental mission. It has 24 staff members in ten countries in the region: Argentina, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Nicaragua, Paraguay, Peru, and Uruguay. The remaining staff members are based at IIC headquarters in Washington, D.C., including 14 investment officers, who work directly on originating and developing new projects, and 10 staff members assigned full-time to the direct supervision of a portfolio

*Compensation Structure for IIC Headquarters Staff**

Grade	Job Title	Minimum	Maximum	Staff at Grade Level	Average Salary/Grade	Average Benefits†
E2	Executive	$274,358	$329,229	1.35%	$329,229	$128,399
E5	Executive	200,174	250,218	1.35	250,218	97,585
1	Managerial	162,106	235,054	10.8	187,068	72,957
2	Managerial	141,875	212,812	2.7	168,261	65,622
3	Technical	118,403	189,446	6.8	138,798	54,131
4	Technical	104,178	166,684	23.0	117,019	45,638
5	Technical	94,914	142,371	6.8	106,804	41,654
6	Technical	84,755	127,132	6.8	89,088	34,744
7	Technical	75,301	112,951	4.1	77,221	30,116
8	Technical	66,054	99,081	13.5	75,084	29,283
9	Support	58,522	87,783	10.8	61,382	23,939
10	Support	47,188	75,501	8.1	50,766	19,799
11	Support	41,109	65,775	2.7	46,900	18,291
12	Support	36,912	59,060	1.35	44,698	17,432
				100.0%		

*Staff in the region are compensated locally at rate bands determined by the IDB.

†Includes staff leave, end-of-service payments, medical and life insurances, and other nonsalary benefits: home leave, tax reimbursement, appointment travel, relocation and repatriation expenses, dependency allowance, education allowance, mission travel benefits.

Members of the IIC Board of Executive Directors, including Executive Directors, Alternate Executive Directors, Senior Counselors, and Counselors, as well as the Chairman of the Board of Executive Directors, are compensated by the IDB. Information as of December 2010.

of 210 projects with businesses and financial institutions, which includes annual field visits.

Other staff members provide support for project and program activities for the Technical Assistance and Strategic Partnerships, Finance and Risk Management, and Legal divisions and the Corporate Affairs, Credit, Development Effectiveness and Corporate Strategy, Portfolio Management and Supervision, and Special Operations units.

Audited Financial Statements

Report of Independent Auditors

To the Board of Governors
Inter-American Investment Corporation

We have audited the accompanying balance sheet of Inter-American Investment Corporation (the Corporation) as of December 31, 2010 and 2009, and the related statements of income, comprehensive income, changes in equity, and cash flows for the years then ended. 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 in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inter-American Investment Corporation at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

McLean, Virginia
March 28, 2011

Balance Sheet

USD THOUSANDS (EXCEPT SHARE DATA)	DECEMBER 31 2010	2009
ASSETS		
Cash and cash equivalents	$ 80,808	$ 99,012
Investment securities		
Trading	400,220	330,471
Held-to-maturity	93,743	125,135
Available-for-sale	20,189	26,589
Investments		
Loan investments	838,992	857,626
Less allowance for losses	(56,536)	(66,477)
	782,456	791,149
Equity investments ($19,865 and $19,430 at fair value, respectively)	34,946	32,168
Total investments	817,402	823,317
Receivables and other assets	14,226	19,459
Total assets	**$1,426,588**	**$1,423,983**
LIABILITIES AND EQUITY		
Accounts payable and other liabilities	$ 16,530	$ 16,387
Interest and commitment fees payable	2,889	3,161
Borrowings, short-term	108,217	110,043
Borrowings and long-term debt ($49,894 and $48,328 at fair value, respectively)	525,901	535,513
Total liabilities	**653,537**	**665,104**
Capital		
Authorized:		
70,590 and 70,590 shares, respectively (Par $10,000)		
Subscribed shares:		
70,590 and 70,590 shares, respectively (Par $10,000)	705,900	705,900
Less subscriptions receivable	(42,529)	(47,199)
	663,371	658,701
Retained earnings	121,739	109,292
Accumulated other comprehensive loss	(12,059)	(9,114)
Total equity	**773,051**	**758,879**
Total liabilities and equity	**$1,426,588**	**$1,423,983**

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

Statement of Income

USD THOUSANDS	YEAR ENDED DECEMBER 31 2010	2009
INCOME		
Loan investments		
Interest and fees	$ 44,210	$ 46,504
Other income	599	856
	44,809	47,360
Equity investments		
Gain on sale	2,118	431
Changes in carrying value	(346)	2,151
Dividends and distributions	155	165
Other income	—	50
	1,927	2,797
Investment securities	9,259	10,561
Advisory service, cofinancing, and other income	4,295	2,595
Total income	**60,290**	**63,313**
Borrowings and long-term debt related expense (net of changes in fair value of related financial instruments)	18,964	21,523
Total income, net of interest expense	**41,326**	**41,790**
(CREDIT)/PROVISION FOR LOAN INVESTMENT AND GUARANTEE LOSSES	**(959)**	**10,285**
OTHER THAN TEMPORARY IMPAIRMENT LOSSES ON EQUITY INVESTMENTS	**677**	**—**
OPERATING EXPENSES		
Administrative	28,548	25,917
Gain on foreign exchange transactions, net	(5)	(41)
Other expenses	143	—
Total operating expenses	**28,686**	**25,876**
Income before technical assistance activities	**12,922**	**5,629**
Technical assistance activities	475	418
NET INCOME	**$12,447**	**$ 5,211**

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

Statement of Comprehensive Income

USD THOUSANDS	YEAR ENDED DECEMBER 31 2010	2009
NET INCOME	$12,447	$ 5,211
OTHER COMPREHENSIVE (LOSS)/INCOME		
Net actuarial (loss)/gain	(4,828)	12,388
Amortization of:		
Transition obligation	174	174
Prior service cost	1,904	(4,536)
	(2,750)	8,026
Unrealized (loss)/gain on investment securities available-for-sale	(195)	294
COMPREHENSIVE INCOME	**$ 9,502**	**$13,531**

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

Statement of Changes in Equity

USD THOUSANDS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	CAPITAL STOCK*	TOTAL EQUITY
As of December 31, 2008	**$104,081**	**$(17,434)**	**$657,601**	**$744,248**
Year ended December 31, 2009				
Net income	5,211	—	—	5,211
Other comprehensive gain	—	8,320	—	8,320
Payments received for capital stock subscribed	—	—	1,100	1,100
As of December 31, 2009	**$109,292**	**$ (9,114)**	**$658,701**	**$758,879**
Year ended December 31, 2010				
Net income	12,447	—	—	12,447
Other comprehensive loss	—	(2,945)	—	(2,945)
Payments received for capital stock subscribed	—	—	4,670	4,670
As of December 31, 2010	**$121,739**	**$(12,059)**	**$663,371**	**$773,051**

*Net of subscriptions receivable.

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

Statement of Cash Flows

USD THOUSANDS	YEAR ENDED DECEMBER 31 2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements	$ (308,886)	$ (127,977)
Equity disbursements	(5,999)	(3,737)
Loan repayments	321,035	191,370
Sales of equity investments	4,313	3,832
Maturities and transfers of held-to-maturity securities	32,684	20,081
Sales of available-for-sale securities	6,240	5,459
Capital expenditures	(531)	(124)
Proceeds from sales of recovered assets	6,144	4,272
Net cash provided by investing activities	**$ 55,000**	**$ 93,176**
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdowns/(Paydowns) of borrowings, net	94,892	(106,174)
Repayment of notes and bonds	(118,005)	—
Capital subscriptions	4,670	1,100
Net cash used in financing activities	**$ (18,443)**	**$ (105,074)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	12,447	5,211
Adjustments to reconcile net income to net cash used in operating activities:		
Realized gains on equity sales	(1,324)	(462)
Change in receivables and other assets	7,526	12,211
Change in carrying value of equity investments	(448)	(2,120)
Provision for loan and guarantee losses	(959)	10,285
Gain on investment securities	(2,292)	(3,718)
Change in accounts payable and other liabilities	(1,194)	(1,347)
Change in Pension Plan and PRBP net assets	(2,301)	(1,976)
Unrealized (gain)/loss on non-trading derivative instruments	(683)	723
Change in value of borrowings at fair value	2,094	(1,186)
Other, net	1,799	1,176
	2,218	13,586
Trading securities		
Purchases	(1,503,328)	(1,638,598)
Sales, maturities and repayments	1,433,905	1,619,378
	(69,423)	(19,220)
Net cash used in operating activities	**$ (54,758)**	**$ (423)**
Net effect of exchange rate changes on cash and cash equivalents	(3)	7
Net decrease in cash and cash equivalents	(18,204)	(12,314)
Cash and cash equivalents as of January 1	99,012	111,326
Cash and cash equivalents as of December 31	**$ 80,808**	**$ 99,012**
Supplemental disclosure:		
Interest paid during the period	$ 17,536	$ 24,137
Held-to-maturity securities transferred to available-for-sale	$ —	$ 12,286

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

Notes to the Financial Statements

(USD thousands, unless otherwise indicated)

PURPOSE

The Inter-American Investment Corporation (the Corporation), a multilateral organization, was established in 1986 and 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. The Corporation also plays a catalytic role in mobilizing additional project funding from other investors and lenders, either through cofinancing or through loan syndications, loan participations, underwritings, and guarantees. In addition to project finance and resource mobilization, the Corporation provides financial and technical advisory services to clients. The Corporation receives its share capital from its member countries, conducts its operations principally in United States dollars, and limits operational activity to its twenty-six regional member countries. 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).

1. BASIS OF PRESENTATION

The accounting and reporting policies of the Corporation conform to U.S. generally accepted accounting principles (GAAP). References to GAAP issued by the Financial Accounting Standards Board (FASB) in these notes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

All amounts presented in the accompanying financial statements and notes are expressed, unless otherwise indicated, in thousands of dollars of the United States of America (U.S. dollars, USD, or $), which is the Corporation's functional currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates—The preparation of financial statements 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. A significant degree of judgment has been used in the determination of the adequacy of the allowance for losses on loan investments and guarantees, the fair value of loan and equity investments, borrowings, and derivative instruments, and the determination of the net periodic benefit cost from pension and postretirement benefit plans and the present value of benefit obligations. 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.

Cash and cash equivalents—Highly liquid investment instruments purchased with original maturities of three months or less, other than those held as trading securities, are considered cash equivalents. The Corporation may hold cash deposits in excess of FDIC insured limits.

Investment securities—As part of its overall portfolio management strategy, the Corporation invests in government and agency obligations, time deposits, commercial paper, and bank instruments 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. Investment securities held by the Corporation are classified based on management's intention on the date of purchase and recorded as of the trade date. The Corporation's portfolio classified as trading includes securities bought and held for the purpose of resale in the near term and are stated at fair value with unrealized gains and losses reported in income from investment securities. Fixed-term securities classified as held-to-maturity represent securities that the Corporation has both the ability and the intent to hold until maturity and are carried at amortized cost. All other securities are classified as available-for-sale and carried at fair value with net unrealized gains or losses included in accumulated other comprehensive income. Interest and dividends on securities, amortization of premiums, and accretion of discounts are reported in income from investment securities. The Corporation's investments in debt securities in Latin American and Caribbean markets resulting from development activities are classified as held-to-maturity and carried at amortized cost on the balance sheet. Such securities are reviewed for evidence of other than temporary impairment at year-end.

Loan and equity investments—Loan and equity investment commitments are legal obligations when the loan or equity agreement is signed and are recorded as assets when disbursed. Loans are carried at the principal amount outstanding adjusted for allowance for losses. The Corporation, in certain instances, obtains collateral security such as, but not limited to, mortgages and third-party guarantees. Equity investments, which include direct equity investments and investments in Limited Liability Partnerships (LLPs), are initially recorded at cost, which generally is the fair value of the consideration given. Direct equity investments and certain LLPs for which the Corporation maintains specific ownership accounts on which the Corporation does not have significant influence are carried at cost less impairment. Fair value accounting is applied to equity investments in LLPs where the Corporation's interest is considered more than minor.

Loan and equity investment carrying amounts are periodically reviewed and, if considered necessary, adjusted for impairment. 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. Equity investments are assessed for impairment on the basis of the latest financial information and any supporting research documents available. These analyses are subjective and are based on, among other things, relevant financial data. Also considered are the issuer's industry trends, the historical performance of the company, and the Corporation's intent to hold the investment for an extended period. When impairment is identified and is deemed to be other than temporary, the equity investment is written down to the impaired value, which becomes the new cost basis for the equity investment. Impairment losses are not reversed for subsequent recoveries in value of the equity investment until it is sold.

Allowance for losses on loan investments—The Corporation recognizes loan portfolio impairment in the balance sheet through the allowance for losses on loan investments, recording a provision or release of provision for losses on loan investments in net income, which increases or decreases the allowance for losses on loan investments. Loan investments charged 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 probable losses in the loan portfolio. Management's judgment is based on the risk ratings and performance of individual loan investments, economic conditions, and other factors considered significant by management.

The allowance for losses on loan investments reflects estimates of both probable losses already identified and probable losses inherent in the portfolio but not specifically identifiable. The determination of identified probable losses represents management's best judgment of the creditworthiness of the borrower and is established based upon the periodic review of individual loan investments. This estimate considers all available evidence including, as appropriate, the present value of the expected future cash flows discounted at the loan's contractual effective date, the fair value of collateral less disposal costs, and other observable market data. Because of the purpose of the Corporation and the nature of the loans, secondary market values are usually not available. For the remaining loan portfolio, the allowance for losses is established via a process that estimates the probable loss inherent in the portfolio based on various analyses. Each loan is rated as a function of its risk and loss estimates are derived for each rating classification. These ratings are based on past experience and available market information and include country risk, the risk of correlation or contagion of losses between markets, nonperformance under sponsor guarantees and support agreements, as well as on financial statements prepared in accordance with accounting principles other than those generally accepted in the United States of America. The loss estimates are derived from industry data and IIC historical data.

Revenue recognition on loan investments—Interest and fees, except front-end fees, are recognized as income in the periods in which they are earned. The Corporation does not recognize income on loans where collectability is in doubt or, generally, when payments of interest or principal are past due more than 90 days. Any uncollected interest accrued on a loan placed in nonaccrual status is reversed out of income and is thereafter recognized as income only when received and is returned to accrual status once 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.

Front-end fees and incremental direct costs associated with the origination of loan investments are not deferred and amortized over the life of the loan because front-end fees serve only to reimburse the Corporation for the cost of originating a loan. Any nonrefundable loan origination fees under/over loan origination costs are considered immaterial for the financial statements.

Revenue recognition on equity investments—Dividend and profit participations received from equity investments that are accounted for under the cost less impairment method are recorded as income when such distributions are declared. Gains on the sale or redemption of equity investments accounted for under the cost less impairment method are recorded as income when received. For LLPs carried at fair value, distributions are considered on the assessment of each underlying investment net asset value and recorded as changes in carrying value of equity investments.

Guarantees—The Corporation offers credit guarantees covering, on a risk-sharing basis, third-party obligations on loans undertaken for or securities issued in support of projects located within a member country to enhance their credit standing and enable them to complete a wide variety of business transactions. These financial guarantees are commitments issued by the Corporation to guarantee payment performance by a borrower to a third party. The Corporation's policy for requiring collateral security with respect to these instruments and the types of collateral security held is generally the same as for loans. Guarantees are regarded as issued when the Corporation executes the guarantee agreement, outstanding when the underlying financial obligation of the third party is incurred, and called when the Corporation's obligation under the guarantee has been invoked. There are two obligations associated with the guarantees: (1) the stand-ready obligation to perform, and (2) the contingent obligation to make future payments. The stand-ready obligation to perform is recognized at the issuance date unless a contingent liability exists at that time or is expected to exist in the near term and is reported at fair value. The contingent liability associated with the financial guarantee is recognized when it is probable that the guarantee will be called and when the amount of the guarantee can be reasonably estimated. Any stand-ready and contingent liabilities associated with guarantees are included in other liabilities. The offsetting entry is consideration received or receivable with the latter included in other assets on the balance sheet. In the event the guarantees are called, the amount disbursed is recorded as a loan investment and specific reserves are established based on the estimated probable loss. Income is earned as the Corporation is released from risk upon the expiration or settlement of the guarantee.

Risk management activities: Derivatives used for non-trading purposes—The Corporation enters into transactions in certain derivative instruments for financial risk management purposes. The Corporation manages its exposure to interest rate movements through the use of derivative financial products, which include interest rate swaps and purchased options positions (i.e., interest rate caps). The derivatives modify the interest rate characteristics of the respective financial instrument to produce the desired interest and none are designated in hedge accounting relationships. The Corporation does not use derivatives for speculative purposes.

Derivatives are recognized in the balance sheet at their fair value and are classified as either assets or liabilities, depending on their nature and their net fair value amount. Changes in fair value of borrowings-related derivatives are recorded in Borrowings and long-term debt related expense.

Deferred expenses—Costs related to the issuance of debt and other financial arrangements are deferred and amortized over the life of the related debt on a straight-line basis, which approximates how the costs would be reflected under the effective interest method.

Fixed assets—The Corporation records fixed assets at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the assets, which range from three to seven years.

Foreign currency transactions—Assets and liabilities not denominated in United States dollars are translated into U.S. dollar equivalents using those foreign exchange rates at which the related asset or liability could be reasonably settled at that date. Revenues and expenses are translated monthly at amounts that approximate weighted average exchange rates. Resulting gains and losses are included in Gain on foreign exchange transactions, net.

Fair value of financial instruments—The Codification requires entities to disclose information about the estimated fair value of their financial instruments and their fair value measurement, whether or not those values are recognized on the balance sheet.

The Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Corporation uses various valuation approaches, including market, income and/or cost approaches. The Codification establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Corporation. Unobservable inputs are inputs that reflect the Corporation's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

  Assets and liabilities utilizing Level 1 inputs include investment securities that are actively traded and certain other sovereign government obligations.

- Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

  Assets and liabilities utilizing Level 2 inputs include investment securities that are not actively traded, derivative contracts, certain corporate loans, and structured borrowings.

- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

  Assets and liabilities utilizing Level 3 inputs include certain corporate loans and private equity investments.

For many of the Corporation's corporate loans it is not practicable to estimate the fair value, and therefore, in accordance with the Codification, additional disclosures pertinent to estimating the fair value, such as the carrying amount, interest rate, and maturity are provided.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Corporation in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value for many financial instruments is derived using pricing models. Pricing models take into account the contract terms (including maturity) as well as multiple inputs, including, where applicable, interest rate yield curves, credit curves, creditworthiness of the counterparty, option volatility, and currency rates. In accordance with FASB ASC 820-10, the impact of the Corporation's own credit spreads is also considered when measuring the fair value of liabilities, including derivative contracts. Where appropriate, valuation adjustments are made to account for various factors, including bid-ask spreads, credit quality, and market liquidity. These adjustments are applied on a consistent basis and are based upon observable inputs where available.

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

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

Investment Securities: Fair values for investment securities are based on quoted prices in active markets for identical assets as of the balance sheet date, when observable. For those investments for which prices and other relevant information, generated by market transactions involving identical or comparable assets, are not available, the income approach valuation has been used, using yield curves, bond or credit default swap spreads and recovery rates based on collateral values as key inputs. Investment securities are generally categorized in Level 1 of the fair value hierarchy.

Loan Investments: The Corporation's methodology to measure the fair value of those loans provided to certain financial institutions through agreements that foster economic development, and for which a combination of observable and unobservable inputs is generally available, requires the use of estimates and present value calculations of future cash flows. The fair value of loan investments is estimated using recently executed transactions, market price quotations (where observable) and market observable credit default swap levels along with proprietary valuation models where such transactions and quotations are unobservable. Determining future cash flows for fair value estimation purposes is subjective and imprecise, and minor changes in assumptions or methodologies may materially affect the estimated values. The lack of objective pricing standards adds a greater degree of subjectivity and volatility to these derived or estimated fair values. Additional information about loan investments is included in Note 9.

Equity Investments: The Corporation purchases the capital stock of small and medium-size private sector enterprises in Latin America and the Caribbean and also invests in LLPs. In most cases, market prices are not available and alternate valuation techniques require a significant degree of judgment. Additional information about LLPs carried at fair value is included in Note 9.

Derivative Contracts: These include swap and option contracts related to interest rates. Fair values are determined by obtaining the present value of estimated future cash flows using appropriate discount rates. The pricing models used do not entail material subjectivity because the methodologies employed do not necessitate significant judgment, and the pricing inputs are observed from actively quoted markets, as is the case for generic interest rate swap and option contracts. All the derivative products valued by the Corporation using pricing models fall into this category and are categorized within Level 2 of the fair value hierarchy. The estimated fair value of derivatives is disclosed in Note 9.

Borrowings and Long-Term Debt: Fair values are determined by obtaining the present value of estimated future cash flows using appropriate discount rates. The estimated fair value of borrowings and long-term debt is disclosed in Note 9.

Taxes—The Corporation, its property, other assets, income, and the operations and transactions it carries out pursuant to the *Agreement Establishing the Inter-American Investment Corporation,* as amended, are immune from all taxation and from all custom duties.

Accounting and financial reporting developments—In July 2010, the FASB issued Accounting Standards Update (ASU) 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* related to Topic 310, *Receivables.* This Update requires additional quantitative and qualitative disclosures to allow financial statement users to understand the credit risk inherent in the creditor's financing receivables portfolio, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and the changes and reasons for those changes in the allowance for credit losses. ASU 2010-20 is effective for annual reporting periods ending on or after December 15, 2011. This Update is not expected to have a material impact on the Corporation's financial position, results of operations, or cash flows.

In February 2010, the FASB issued ASU 2010-09, *Amendments to Certain Recognition and Disclosure Requirements,* related to Topic 855, *Subsequent Events.* This Update affects all entities and requires that for a non-SEC filer subsequent events should be evaluated through the date the financial statements are available to be issued. Further, in the event of revised financial statements, a non-SEC filer should disclose in the revised financial statements the dates through which subsequent events have been evaluated in the available to be issued financial statements and the revised financial statements. ASU 2010-09 is effective for interim or annual periods ending after June 15, 2010. This Update did not have a material impact on the Corporation's financial position, results of operations, or cash flows.

In January 2010, the FASB issued ASU 2010-06 related to Topic 820, *Fair Value Measurements and Disclosures.* The objective of this Update is to amend the fair value disclosure requirements related to Subtopic 820-10 and 715-20. This Update requires that a reporting entity disclose the following: (1) significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers, and (2) present separately information about purchases, sales, issuances, and settlements related to Level 3 fair value measurements. Further, this Update requires enhanced disclosures for a reporting entity to provide fair value measurement disclosures for each class of assets and liabilities and provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. This Update also includes conforming amendments to the guidance for Subtopic 715-20 on employers' disclosures about postretirement benefit plan assets. The conforming amendments to this Subtopic require a change in terminology from major categories of assets to classes. This Update is effective for financial statements issued for interim and annual periods ended after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements. Those disclosures are effective for interim and fiscal years beginning after December 15, 2010. This Update did not have a material impact on the Corporation's financial position, results of operations, or cash flows

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for the effective year ended December 31, 2009, and is not expected to have a material impact on the Corporation's financial position, results of operations, or cash flows for effective periods beginning after December 15, 2010.

In June 2009, the FASB issued FASB ASC 810-10-15-13, formerly SFAS 167, *Amendments to FASB Interpretation No. 46(R).* The Board's objective in issuing this Topic was to improve financial reporting by enterprises involved with variable interest entities. The Board undertook this project to address (1) the effects on certain provisions of FASB ASC 810-10-05, formerly FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities,* as a result of the elimination of the qualifying special-purpose entity concept in FASB ASC 860-40-15-1, formerly FASB Statement No. 166, *Accounting for Transfers of Financial Assets,* and (2) constituent concerns about the application of certain key provisions of FASB ASC 810-10-05, including those in which the accounting and disclosures do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. In February 2010, the FASB issued Accounting Standards Update 2010-10, *Amendments for Certain Investment Funds* (ASU 2010-10), which primarily deferred the effective date of FAS 167 for enterprises which hold investments in entities which are investment companies (as that term is defined in ASC Topic 946, *Financial Services—Investment Companies).* Therefore, the Corporation has deferred the adoption of FAS 167 with respect to its evaluation of investments in its limited partnership equity fund investments. This Topic is not expected to have a material impact on the Corporation's financial position, results of operations, or cash flows.

In June 2009, the FASB issued FASB ASC 860-10-05-1, formerly SFAS 166, *Accounting for Transfers of Financial Assets* an amendment of FASB Statement No. 140. The Board's objective in issuing this Topic is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. The Board undertook this project to address (1) practices that have developed since the issuance of FASB ASC 860-10-05-1, formerly SFAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* that are not consistent with the original intent and key requirements of that Topic and (2) concerns of financial statement users that many of the financial assets (and related obligations) that have been derecognized should continue to be reported in the financial statements of transferors. The Corporation adopted this Topic for the year ended December 31, 2010. This Topic did not have a material impact on the Corporation's financial position, results of operations, or cash flows.

In addition, during the year ended December 31, 2010, FASB issued and/or approved Accounting Standards Updates. The Corporation analyzed and incorporated the new guidance, as appropriate, with no material impact on the Corporation's financial position, results of operations, or cash flows.

3. INVESTMENT SECURITIES

The following reflects net income from investment securities by source:

	YEAR ENDED DECEMBER 31	
USD THOUSANDS	**2010**	**2009**
Interest income	$ 6,967	$ 8,753
Net realized gain	1,966	2,880
Net change in unrealized gain/(loss)	326	(1,072)
	$9,259	**$10,561**

Trading securities consist of the following:

	DECEMBER 31	
USD THOUSANDS	2010	2009
Corporate securities	$ 400,219	$ 280,106
Investment funds	1	50,365
	$400,220	**$330,471**

The composition of available-for-sale securities is as follows:

	DECEMBER 31	
USD THOUSANDS	2010	2009
Corporate securities	$ 20,189	$26,589
	$20,189	**$26,589**

As of December 31, 2010 and 2009, the amortized cost of available-for-sale securities amounts to $20,000 and $26,206, respectively.

In March 2009, management determined that there was evidence of significant deterioration of an issuer's creditworthiness. As a result, certain securities classified as held-to-maturity, with an amortized cost of approximately $12,367, were reclassified to the available-for-sale category. The Corporation subsequently sold these securities. The amortized cost of the securities sold in 2010 amounted to approximately $6,205 ($6,162 in 2009) with an associated realized gain of approximately $35 (realized loss of approximately $702 in 2009).

The Corporation has no unrealized losses in the available-for-sale securities portfolio as of December 31, 2010 and 2009. Included in the available-for-sale securities portfolio is one security maturing within twenty-four months.

The amortized cost of investments held-to-maturity is as follows:

	DECEMBER 31	
USD THOUSANDS	2010	2009
Corporate securities	$ 46,767	$ 72,239
Government and agency obligations	46,976	52,896
	$93,743	**$125,135**

In November 2010, a non-negotiable certificate of deposit denominated in Mexican pesos included in Corporate securities held by the Corporation matured. In addition, as of December 31, 2010 and 2009, Corporate securities includes a security amounting to $40,767 and $40,983, respectively, corresponding to another development asset with similar characteristics to other investment securities held-to-maturity.

The fair value of investments held-to-maturity is as follows:

	DECEMBER 31, 2010		
USD THOUSANDS	AMORTIZED COST	UNREALIZED (LOSS)/GAIN	FAIR VALUE
Corporate securities	$ 46,767	$(540)	$ 46,227
Government and agency obligations	46,976	675	47,651
	$93,743	**$ 135**	**$93,878**

The maturity structure of investments held-to-maturity is as follows:

	DECEMBER 31	
USD THOUSANDS	2010	2009
Less than twelve months	$46,976	$ 31,238
Between twelve and twenty-four months	6,000	46,914
Over twenty-four months	40,767	46,983
	$93,743	**$125,135**

As of December 31, 2010, management determined that investments within the held-to-maturity portfolio have unrealized losses of $905 ($1,574 unrealized losses as of December 31, 2009). Of these investments, one investment with an amortized cost of $40,767 was in an unrealized loss position for more than twelve months. Management of the Corporation does not have the intent to sell the security and it is more likely than not it will not have to sell the security before recovery of its cost basis.

4. LOAN AND EQUITY INVESTMENTS

The Corporation monitors its outstanding loan and equity portfolios for geographic concentration of credit risk. As of December 31, 2010, individual countries with the largest aggregate credit exposure to the Corporation included Peru, Brazil, and Chile (Brazil, Colombia, and Chile as of December 31, 2009). As of December 31, 2010, outstanding foreign currency equity and loans amounted to $74,486 (foreign currency equity and loans amounted to $151,972 as of December 31, 2009). One of the Corporation's largest exposures is designated as Regional, which consists primarily of multi-country loan investments.

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The distribution of the outstanding portfolio by country and by sector is as follows:

	DECEMBER 31					
	2010			2009		
USD THOUSANDS	LOAN	EQUITY	TOTAL	LOAN	EQUITY	TOTAL
Peru	$ 127,757	$ —	$ 127,757	$ 99,515	$ —	$ 99,515
Brazil	125,906	—	125,906	125,716	—	125,716
Chile	109,792	1,814	111,606	101,946	1,775	103,721
Argentina	67,907	981	68,888	53,602	1,061	54,663
Mexico	53,958	10,594	64,552	63,581	11,167	74,748
Panama	53,333	4,000	57,333	31,666	—	31,666
Regional	38,471	16,726	55,197	41,781	16,968	58,749
Ecuador	45,538	—	45,538	42,875	—	42,875
Costa Rica	43,694	—	43,694	27,745	—	27,745
Colombia	31,350	691	32,041	114,590	460	115,050
El Salvador	23,614	—	23,614	25,698	—	25,698
Paraguay	21,362	—	21,362	29,255	—	29,255
Guatemala	18,316	—	18,316	11,421	—	11,421
Nicaragua	16,566	—	16,566	31,407	—	31,407
Plurinational State of Bolivia	14,059	—	14,059	7,239	—	7,239
Jamaica	10,611	—	10,611	11,425	—	11,425
Haiti	9,531	—	9,531	10,281	—	10,281
Dominican Republic	7,979	—	7,979	7,538	—	7,538
Uruguay	7,323	—	7,323	3,851	—	3,851
Belize	6,000	—	6,000	6,000	—	6,000
Suriname	2,409	—	2,409	3,373	—	3,373
Honduras	2,116	—	2,116	5,321	—	5,321
Guyana	1,400	140	1,540	1,800	140	1,940
Trinidad and Tobago	—	—	—	—	597	597
	$838,992	**$34,946**	**$873,938**	**$857,626**	**$32,168**	**$889,794**
Financial services	$ 544,417	$ 9,638	$ 554,055	$ 600,400	$ 5,227	$ 605,627
Agriculture and agribusiness	79,682	—	79,682	52,713	—	52,713
Utilities and infrastructure	51,381	—	51,381	40,169	—	40,169
General manufacturing	34,074	—	34,074	25,285	—	25,285
Investment funds	—	25,308	25,308	—	26,941	26,941
Food, bottling, and beverages	20,526	—	20,526	20,167	—	20,167
Oil and mining	17,310	—	17,310	10,000	—	10,000
Chemicals and plastics	16,865	—	16,865	20,411	—	20,411
Aquaculture and fisheries	16,289	—	16,289	20,180	—	20,180
Livestock and poultry	14,785	—	14,785	13,357	—	13,357
Wood, pulp, and paper	8,142	—	8,142	8,478	—	8,478
Transportation and warehousing	7,799	—	7,799	3,364	—	3,364
Education	7,041	—	7,041	6,819	—	6,819
Textiles, apparel, and leather	5,743	—	5,743	19,970	—	19,970
Tourism and hotels	1,795	—	1,795	2,740	—	2,740
Tech., comm., and new economy	379	—	379	283	—	283
Nonfinancial services	107	—	107	154	—	154
Health	11	—	11	25	—	25
Other	12,646	—	12,646	13,111	—	13,111
	$838,992	**$34,946**	**$873,938**	**$857,626**	**$32,168**	**$889,794**

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Loan and equity investments committed but not disbursed (net of cancellations) are summarized below:

	DECEMBER 31	
USD THOUSANDS	**2010**	**2009**
Loan	$ 131,748	$ 112,964
Equity	12,183	10,113
	$143,931	**$123,077**

The Corporation's loans accrue interest at fixed and variable rates. The fixed rate loan portfolio amounted to $319,113 as of December 31, 2010 ($281,160 as of December 31, 2009).

Loans on which the accrual of interest has been discontinued totaled $37,218 as of December 31, 2010 ($36,182 as of December 31, 2009). Interest collected on loans in nonaccrual status for the year ended December 31, 2010, was $391 ($768 for the year ended December 31, 2009). Interest income on nonaccruing loans during the year ended December 31, 2010, totaled $296 ($1,091 as of December 31, 2009).

The maturity structure of the Corporation's loan investments is summarized below:

	DECEMBER 31			
	2010		**2009**	
USD THOUSANDS	**PRINCIPAL OUTSTANDING**	**AVERAGE YIELD**	**PRINCIPAL OUTSTANDING**	**AVERAGE YIELD**
Due in one year or less	$ 238,943	6.20%	$ 323,400	4.32%
Due after one year through five years	566,056	6.44%	478,428	4.72%
Due after five years through eleven years	33,993	7.63%	55,798	7.57%
	$838,992		**$857,626**	

The Corporation's investment in impaired loans as of December 31, 2010, was $35,097 ($31,160 as of December 31, 2009). The average amount in impaired loans for the year ended December 31, 2010, was $30,507 ($16,126 for the year ended December 31, 2009). The total amount of the allowance related to impaired loans as of December 31, 2010 and 2009, was $12,831 and $18,131, respectively.

The Corporation's investment in impaired equities as of December 31, 2010, was $677 ($0 as of December 31, 2009).

Changes in the allowance for loan and guarantee losses are summarized below:

	2010			**2009**		
USD THOUSANDS	**LOANS**	**GUARANTEES**	**TOTAL**	**LOANS**	**GUARANTEES**	**TOTAL**
Balance as of January 1	$ 66,477	$—	$ 66,477	$ 55,124	$—	$55,124
Investments charged off, net	(15,126)	—	(15,126)	(2,510)	—	(2,510)
Recoveries	6,144	—	6,144	3,573	5	3,578
(Credit)/Provision for losses	(959)	—	(959)	10,290	(5)	10,285
Balance as of December 31	**$ 56,536**	**$—**	**$ 56,536**	**$66,477**	**$—**	**$66,477**

5. RECEIVABLES AND OTHER ASSETS

Receivables and other assets are summarized below:

	DECEMBER 31	
USD THOUSANDS	**2010**	**2009**
Other current assets:		
Interest receivable on loan investments	$ 7,980	$ 8,351
Interest receivable on investment securities	1,687	1,761
Other current receivables	1,984	1,560
	11,651	11,672
Other noncurrent assets:		
PRBP, net asset	490	—
Interest receivable on loan investments	—	6,493
Receivable on equity sales, net	—	266
Other noncurrent assets	2,085	1,028
	2,575	7,787
Total receivables and other assets	**$14,226**	**$19,459**

As of December 31, 2010, the PRBP net asset reflects the overfunded status of the Plan. Refer to Note 16.

6. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities are summarized below:

	DECEMBER 31	
USD THOUSANDS	**2010**	**2009**
Pension Plan, net liability	$ 6,529	$ 3,324
Employment benefits payable	3,683	3,607
Deferred revenue	2,787	3,289
Accounts payable	1,876	1,517
Due to other IDB Group entities	1,053	586
PRBP, net liability	—	2,267
Other liabilities	602	1,797
Total accounts payable and other liabilities	**$16,530**	**$16,387**

As of December 31, 2010, the Pension Plan net liability reflects the underfunded status of the Plan. As of December 31, 2009, the Pension Plan and PRBP net liabilities reflect the underfunded status of the Plans. Refer to Note 16.

7. BORROWINGS AND LONG-TERM DEBT

Borrowings and long-term debt outstanding, by currency, are as follows:

	DECEMBER 31			
USD THOUSANDS	**2010**		**2009**	
Borrowings and Debt (By Currency)	**AMOUNT OUTSTANDING**	**WEIGHTED AVG. COST**	**AMOUNT OUTSTANDING**	**WEIGHTED AVG. COST**
U.S. dollar	$ 560,000	1.29%	$ 470,000	1.96%
Colombian peso*	—	—	73,307	7.35%
Mexican peso**	7,524	5.88%	36,737	6.35%
Brazilian real	45,034	10.64%	43,094	10.64%
Peruvian nuevo sol	16,434	6.40%	17,072	6.47%
Euro	3,170	1.76%	3,844	3.26%
Argentinean peso	2,062	9.15%	3,175	9.15%
	$ 634,224		**$ 647,229**	
Fair value adjustments	(106)		(1,673)	
Short-term borrowings	(108,217)		(110,043)	
Long-term borrowings	**$ 525,901**		**$ 535,513**	

* Local currency bonds in the amount of 150 billion Colombian pesos matured on December 14, 2010, with a weighted average cost of 4.01% from January 1, 2010, until that date.

**Local currency notes in the amount of 480 million Mexican pesos matured on November 25, 2010, with a weighted average cost of 4.48% from January 1, 2010, until that date.

The Corporation has available a borrowing facility with the IDB amounting to $300,000. In August 2008, the Corporation borrowed $100,000 under this facility. Borrowings under the IDB facility are due fifteen years after the respective disbursement and are renewable. The Corporation has the right to use this facility until November 2015. In addition, as of December 31, 2010, the Corporation has available a stand-by credit facility with a AAA institution amounting to $100,000. The Corporation has the right to use this stand-by credit facility until July 2011. Other credit facilities available amount to $373,883 as of December 31, 2010.

The Corporation's outstanding borrowings as of December 31, 2010, consist of term and revolving credit facilities.

The maturity structure of borrowings outstanding is as follows:

USD THOUSANDS	**2011**	**2012**	**2013**	**2014**	**THROUGH 2023**
Borrowings	$ 108,217	$ 142,658	$ 112,725	$ 60,433	$ 210,085
	$108,217	**$142,658**	**$112,725**	**$60,433**	**$210,085**

8. CAPITAL

The Corporation's authorized share capital was increased to $705.9 million through $500 million and $2.2 million capital increase resolutions approved in 1999 and 2008, respectively. The resolutions together allocated a total of $502.2 million for subscriptions by member countries during the subscription periods. The Corporation issues only full shares, with a par value of ten thousand dollars.

Given that certain capital subscription installments due in connection with the 1999 $500 million capital increase were not paid in accordance with the original deadlines, the Corporation established new terms that received unanimous approval from its Board of Governors in 2008 and continues to work with its member countries concerning the matter. Subscriptions receivable related to the 1999 capital increase amount to $41.4 million. It is expected that all shares authorized under the capital increases will be paid in.

Under the *Agreement Establishing the Inter-American Investment Corporation,* any member may withdraw from the Corporation by notifying the Corporation's principal office in writing of its intention to do so. Such withdrawal shall become effective on the date specified in the notice but in no event prior to six months from the date on which such notice was delivered to the Corporation. Even after withdrawing, a member shall remain liable for all obligations to the Corporation to which it was subject at the date of delivery of the withdrawal notice.

In the event a member withdraws from the Corporation, the Corporation and the member may agree on the withdrawal from membership and the repurchase of shares of said member on terms appropriate under the circumstances. If such agreement is not reached within three months after the date on which such member expresses its desire to withdraw from membership, or within a term agreed upon between both parties, the repurchase price of the member's shares shall be equal to the book value thereof on the date when the member ceases to belong to the Corporation, such book value to be determined by the Corporation's audited financial statements. Payment for shares shall be made, upon surrender of the corresponding share certificates, in such installments and at such times, and in such available currencies as the Corporation shall determine, taking into account its financial position.

The following table lists the capital stock subscribed and subscriptions receivable from members:

	DECEMBER 31		
	TOTAL CAPITAL STOCK SUBSCRIBED		SUBSCRIPTIONS RECEIVABLE FROM MEMBERS
	SHARES	AMOUNT	
		USD THOUSANDS	
Argentina	7,767	$ 77,670	$ —
Austria	345	3,450	—
Bahamas	144	1,440	—
Barbados	101	1,010	—
Belgium	169	1,690	—
Belize	101	1,010	—
Bolivarian Republic of Venezuela	4,311	43,110	—
Brazil	7,767	77,670	—
Chile	2,003	20,030	—
Colombia	2,003	20,030	—
Costa Rica	314	3,140	1,100
Denmark	1,071	10,710	—
Dominican Republic	420	4,200	—
Ecuador	420	4,200	—
El Salvador	314	3,140	—
Finland	393	3,930	—
France	2,162	21,620	—
Germany	1,334	13,340	—
Guatemala	420	4,200	—
Guyana	120	1,200	—
Haiti	314	3,140	—
Honduras	314	3,140	—
Israel	173	1,730	—
Italy	2,162	21,620	—
Jamaica	420	4,200	—
Japan	2,393	23,930	—
Mexico	5,000	50,000	—
Netherlands	1,071	10,710	—
Nicaragua	314	3,140	—
Norway	393	3,930	—
Panama	314	3,140	—
Paraguay	314	3,140	—
People's Republic of China	110	1,100	—
Peru	2,003	20,030	—
Plurinational State of Bolivia	624	6,240	—
Portugal	182	1,820	—
Republic of Korea	110	1,100	—
Spain	2,393	23,930	—
Suriname	101	1,010	—
Sweden	393	3,930	—
Switzerland	1,071	10,710	—
Trinidad and Tobago	314	3,140	—
United States	17,600	176,000	41,429
Uruguay	828	8,280	—
Total 2010	**70,590**	**$705,900**	**$42,529**
Total 2009	**70,590**	**$705,900**	**$47,199**

9. MEASUREMENTS AND CHANGES IN FAIR VALUE

The Corporation's assets and liabilities recorded at fair value have been categorized based on a fair value hierarchy in accordance with the Codification. See Note 2 for a discussion of the Corporation's policies regarding this hierarchy.

The following fair value hierarchy table presents information about the Corporation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2010:

USD THOUSANDS	DECEMBER 31, 2010	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
ASSETS				
Corporate and other debt	$420,329	$420,329	$ —	$ —
Limited liability partnerships*	19,865	—	—	19,865
Non-U.S. sovereign government and agency securities	80	80	—	—
Derivative contracts	480	—	480	—
LIABILITIES				
Borrowings	(49,894)	—	(49,894)	—

*Represents investments that would otherwise be accounted for under the equity method of accounting.

The following fair value hierarchy table presents information about the Corporation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

USD THOUSANDS	DECEMBER 31, 2009	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
ASSETS				
Corporate and other debt	$347,074	$347,074	$ —	$ —
Limited liability partnerships*	19,430	—	—	19,430
Non-U.S. sovereign government and agency securities	9,986	9,986	—	—
LIABILITIES				
Borrowings	(48,328)	—	(48,328)	—
Derivative contracts	(135)	—	(135)	—

*Represents investments that would otherwise be accounted for under the equity method of accounting.

The following table presents gains and losses due to changes in fair value for items measured at fair value for the year ended December 31, 2010:

USD THOUSANDS	OTHER GAINS AND (LOSSES)	INTEREST EXPENSE ON BORROWINGS	TOTAL CHANGES IN FAIR VALUES INCLUDED IN EARNINGS FOR THE YEAR
ASSETS			
Limited liability partnerships*	$ (348)	$ —	$ (348)
Corporate and other debt	1,892	—	1,892
Non-U.S. sovereign government obligations	205	—	205
Derivative contracts	(122)	—	(122)
LIABILITIES			
Borrowings	1,110	(499)	611

*Represents investments that would otherwise be accounted for under the equity method of accounting.

The following table presents gains and losses due to changes in fair value for items measured at fair value for the year ended December 31, 2009:

USD THOUSANDS	OTHER GAINS AND (LOSSES)	INTEREST EXPENSE ON BORROWINGS	TOTAL CHANGES IN FAIR VALUES INCLUDED IN EARNINGS FOR THE YEAR
ASSETS			
Limited liability partnerships*	$2,152	$ —	$2,152
Corporate and other debt	2,894	—	2,894
Non-U.S. sovereign government obligations	50	—	50
LIABILITIES			
Borrowings	2,559	(1,373)	1,186
Derivative contracts	(858)	—	(858)

*Represents investments that would otherwise be accounted for under the equity method of accounting.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2010 and 2009, are as follows:

USD THOUSANDS	FAIR VALUE MEASUREMENTS FOR LLPs USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
As of January 1, 2009	$ 14,408
Net asset change due to net gains	2,152
Distributions received	(421)
Additional investments	3,291
As of December 31, 2009	**$19,430**
As of January 1, 2010	$ 19,430
Net asset change due to net losses	(348)
Distributions received	(1,301)
Additional investments	2,084
As of December 31, 2010	**$19,865**

Some of the Corporation's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: Cash and cash equivalents, Receivables—clients, Receivables—other, and Payables—other.

The Corporation's loans are generally carried at the principal amount outstanding. For disclosure purposes, the Corporation uses a December 31 measurement date to determine the fair value of its loan portfolio. As of December 31, 2010, the carrying amount of loan investments, plus accrued interest, was $260,039 ($244,773 as of December 31, 2009), and their estimated fair value amounted to $262,508 ($244,670 as of December 31, 2009) for those loans for which it is practicable to determine fair value. Management believed that it was not practicable to determine the fair value of the remainder of the loan portfolio, which included custom-tailored financing to small and medium-size enterprises operating in the Corporation's regional member countries. As of December 31, 2010, the carrying value of this remainder portfolio, without including accrued interest, was $581,255 ($621,691 as of December 31, 2009). Any excess or deficit resulting from the difference between the carrying amounts of the loan portfolio and the fair value presented does not necessarily reflect the realizable values (since the Corporation generally holds investments with contractual maturities with the aim of realizing their recorded values and, therefore, maximizing the developmental aspects of the investment).

The Corporation's borrowings and long-term debt are recorded at historical amounts unless elected for fair value accounting under the fair value option allowed by the Codification. The fair value of the Corporation's borrowings and long-term debt was estimated using either quoted market prices or discounted cash flow analyses based on the Corporation's current borrowing rates for similar types of borrowings and long-term debt arrangements. As of December 31, 2010, the carrying value of the Corporation's borrowings and long-term debt, plus accrued interest, was approximately $5,720 higher than fair value ($7,216 as of December 31, 2009). As of December 31, 2010, the estimated fair value of fixed rate term facilities was $126,453 ($94,991 as of December 31, 2009). The bonds issued in Colombia matured on December 14, 2010, and the estimated fair value amounted to $73,215 as of December 31, 2009. The carrying amounts for the remaining borrowings and long-term debt approximated their respective fair value.

The carrying value of equity investments carried at cost less impairment amounts to $15,081 as of December 31, 2010 ($12,738 as of December 31, 2009). For some of these investments, LLPs with a total carrying value of $6,532 as of December 31, 2010 ($7,512 as of December 31, 2009), the estimated fair value amounted to $6,852 as of December 31, 2010 ($13,962 as of December 31, 2009). The carrying value of equity investments carried at fair value amounts to $19,865 as of December 31, 2010 ($19,430 as of December 31, 2009). The amount of total net gains and losses for the year ended December 31, 2010, included in changes in carrying value of equity investments attributable to the change in unrealized net losses relating to assets still held at that date was $793 ($2,121 unrealized net gain as of December 31, 2009). Fair value for investments in LLPs was determined using the partnership's estimated net asset value. For this type of investment, net asset value is considered to be the best estimate of fair value. Generally, the LLPs have finite lives and the Corporation does not sell or redeem its investments in LLPs. Proceeds are distributed to the Corporation as the LLPs sell the underlying investment. Adjustments to the net asset value are made when evidence indicates that fair value differs significantly from net asset value.

10. DERIVATIVE INSTRUMENTS

The location on the balance sheet and the fair value of derivative instruments not designated as hedging instruments under the Codification are as follows:

	DECEMBER 31			
	2010		2009	
USD THOUSANDS	BALANCE SHEET LOCATION	FAIR VALUE	BALANCE SHEET LOCATION	FAIR VALUE
Interest rate contracts	Other assets	$480	Other liabilities	$135

The effect of derivative instruments on the income statement is as follows:

	DECEMBER 31			
	2010		2009	
USD THOUSANDS	LOCATION OF GAIN OR LOSS RECOGNIZED IN INCOME STATEMENT	AMOUNT OF LOSS RECOGNIZED IN INCOME STATEMENT	LOCATION OF GAIN OR LOSS RECOGNIZED IN INCOME STATEMENT	AMOUNT OF LOSS RECOGNIZED IN INCOME STATEMENT
Interest rate contracts	Borrowings and long-term debt related expense	$(306)	Borrowings and long-term debt related expense	$(243)

See Note 2 for additional information on the Corporation's purpose for entering into derivatives not designated as hedging instruments and its overall risk management strategies.

11. GUARANTEES

As of December 31, 2010, no notices of default have been received since inception of the outstanding guarantees (no notices as of December 31, 2009). The maximum potential amount of future payments, which represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties without taking into consideration possible recoveries under recourse provisions or from collateral held or pledged, amounted to $5,701 as of December 31, 2010 ($5,735 as of December 31, 2009). As of December 31, 2010, all outstanding guarantees were provided in currencies other than the United States dollar. None of these amounts bears any relationship to the anticipated losses on these guarantees, and they greatly exceed anticipated losses. Refer to Note 4 for changes in the allowance for guarantee losses.

12. CONTINGENCIES

The Corporation, in the ordinary course of business, is defendant or codefendant or party in various litigation matters inherent to and typical of the operations in which it is engaged. In the opinion of the Corporation's management, the ultimate resolution of these legal proceedings would not have a material adverse effect on the financial position of the Corporation.

13. SUBSEQUENT EVENTS

The Corporation monitors significant events occurring after the balance sheet date and prior to the issuance of the financial statements to determine the impacts, if any, of events on the financial statements to be issued. All subsequent events of which the Corporation is aware were evaluated through the approval date by the Board of Governors on March 28, 2011. Management determined there are no subsequent events that require disclosure under FASB ASC Topic 855, *Subsequent Events.*

14. LENDING ARRANGEMENTS

The Corporation mobilizes funds from commercial banks and other financial institutions in connection with certain of its lending arrangements. These arrangements are administered and serviced by the Corporation on behalf of participants. The arrangements are structured such that the participating lenders must fund their respective share of each loan and there is no recourse to the Corporation.

During the year ended December 31, 2010, the Corporation called and disbursed $202,601 in funds from participating lenders ($63,000 as of December 31, 2009). There were $123,400 in undisbursed funds commitments from participating lenders as of December 31, 2010 ($85,000 as of December 31, 2009).

15. 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 its head office space that will expire in 2020.

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

	YEAR ENDED DECEMBER 31	
USD THOUSANDS	**2010**	**2009**
Office space (headquarters and other)	$ 1,830	$ 1,776
Support services	694	700
Other IDB services	212	150
	$2,736	**$2,626**

Expected payments under the current lease agreement with the IDB are as follows:

USD THOUSANDS	**2011**	**2012**	**2013–2020**
Office space (headquarters)	$ 2,250	$ 2,317	$ 18,195
	$2,250	**$2,317**	**$18,195**

Accounts payable to the IDB were $1,053 as of December 31, 2010 ($586 as of December 31, 2009).

As of December 31, 2010 and 2009, the Corporation had borrowed $100,000 from the IDB credit facility. Refer to Note 7.

The Corporation provides advisory services to IDB Group entities. The Corporation has received full payment for fees payable as of December 31, 2010, under these agreements, for a total amount of $100 ($100 for the year ended December 31, 2009).

16. PENSION AND POSTRETIREMENT BENEFIT PLANS

The IDB sponsors a defined benefit plan (the Pension Plan) covering substantially all of the staff of the Corporation and the IDB. The Pension Plan covers international and local employees. Under the Pension 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 Pension Plan benefits. Any and all of the contributions to the Pension Plan are irrevocable and are held separately in retirement funds solely for the payment of benefits under the Plan.

The Corporation also provides certain health care and other benefits to retirees. All current staff who contribute to the Pension Plan while in active service and who meet certain requirements are eligible for postretirement benefits under the Postretirement Benefit Plan (PRBP). Retirees contribute toward the health care program based on an established premium schedule. The Corporation contributes the remainder of the actuarially determined cost of future health and other benefits. While all contributions and all other assets and income of the PRBP remain the property of the Corporation, they are held and administered separately and apart from the other property and assets of the Corporation solely for the purpose of payment of benefits under the PRBP.

Since both the IDB and the Corporation participate in the Pension Plan and the PRBP, each employer presents its respective share of them. The amounts presented below reflect the Corporation's proportionate share of costs, assets, and obligations of the Pension Plan and the PRBP in accordance with FASB ASC Topic 715, *Compensation—Retirement Benefits.*

Notes to the Financial Statements

(USD thousands, unless otherwise indicated)

Obligations and funded status

The Corporation uses a December 31 measurement date for the Pension Plan and the PRBP. The following table summarizes the change in benefit obligation, change in plan assets, and funded status of the Pension Plan and PRBP, and the amount recognized on the balance sheet:

	PENSION PLAN		PRBP	
USD THOUSANDS	**2010**	**2009**	**2010**	**2009**
Reconciliation of benefit obligation				
Obligation as of January 1	$50,963	$47,075	$30,149	$26,622
Service cost	2,062	2,442	1,330	1,443
Interest cost	3,156	2,871	1,898	1,465
Participants' contributions	787	780	—	—
Plan amendments	—	—	—	4,600
Actuarial loss/(gain)	4,804	(1,686)	2,467	(3,853)
Benefits paid	(529)	(519)	(139)	(142)
Retiree Part D subsidy	—	—	35	14
Obligation as of December 31	61,243	50,963	35,740	30,149
Reconciliation of fair value of plan assets				
Fair value of plan assets as of January 1	47,639	38,512	27,883	19,593
Actual return on assets	4,812	7,540	3,171	4,382
Benefits paid	(529)	(519)	(139)	(142)
Participants' contributions	787	780	—	—
Employer contributions	2,005	1,326	5,315	4,050
Fair value of plan assets as of December 31	54,714	47,639	36,230	27,883
Funded status				
(Underfunded)/Funded status as of December 31	(6,529)	(3,324)	490	(2,266)
Net amount recognized as of December 31	$ (6,529)	$ (3,324)	$ 490	$ (2,266)
Amounts recognized as (liabilities)/assets consist of:				
Plan benefits (liabilities)/assets	(6,529)	(3,324)	490	(2,266)
Net amount recognized as of December 31	**$(6,529)**	**$(3,324)**	**$490**	**$(2,266)**
Amounts recognized in accumulated other comprehensive income consist of:				
Net actuarial loss	6,322	2,949	2,388	933
Prior service costs	49	63	2,784	4,674
Net initial asset	—	—	705	879
Net amount recognized as of December 31	**$ 6,371**	**$ 3,012**	**$ 5,877**	**$ 6,486**

The accumulated benefit obligation attributable to the Corporation for the Pension Plan was $47,618 and $40,158 as of December 31, 2010 and 2009, respectively.

Components of net periodic benefit cost

Net periodic benefit cost consists of the following components:

	PENSION PLAN		PRBP	
	YEAR ENDED DECEMBER 31		YEAR ENDED DECEMBER 31	
USD THOUSANDS	**2010**	**2009**	**2010**	**2009**
Service cost	$ 2,062	$ 2,442	$ 1,330	$ 1,443
Interest cost	3,156	2,871	1,898	1,465
Expected return on plan assets	(3,381)	(3,607)	(2,158)	(1,718)
Amortization of:				
Transition obligation and asset	—	—	174	174
Unrecognized net actuarial gain	—	—	—	52
Prior service cost	14	14	1,890	50
Plan amendments	—	—	—	200
Net periodic benefit cost	**$ 1,851**	**$ 1,720**	**$ 3,134**	**$ 1,666**

The estimated net actuarial gain or loss, prior service cost, and net initial obligation for the Pension Plan and the PRBP that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2011 amount to a net of $14 for the Pension Plan and $2,038 for the PRBP.

Actuarial assumptions

The actuarial assumptions used are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations. Actuarial gains and losses occur when actual results are different from expected results. Unrecognized actuarial gains and losses that exceed 10% of the greater of the benefit obligation or market-related value of the plan assets at the beginning of the year are amortized over the average remaining service period of active participants expected to receive benefits under the Pension Plan and PRBP, which approximates 11.6 and 12 years, respectively.

Unrecognized prior service cost is amortized over 10.5 years for the Pension Plan and 7.9 years for the PRBP. As of December 31, 2009, there was a plan amendment to the PRBP of $4,600. The unrecognized prior service cost for this amendment is amortized over 2.2 years.

The weighted-average assumptions used to determine the benefit obligation and the net periodic benefit cost were as follows:

	PENSION PLAN		PRBP	
	2010	**2009**	**2010**	**2009**
Weighted average assumptions used to determine benefit obligation as of December 31				
Discount rate	5.75%	6.25%	6.00%	6.25%
Rate of compensation increase	5.50%	5.50%		

	PENSION PLAN		PRBP	
	2010	2009	2010	2009
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31				
Discount rate	6.25%	5.75%	6.25%	5.75%
Expected long-term return on plan assets	6.75%	6.75%	7.25%	7.25%
Rate of compensation increase	5.50%	5.50%		

The expected yearly rate of return on plan assets reflects the historical rate of return of asset categories employed by the plans and conservatively applying those returns in formulating the investment policy asset allocations. The discount rates used in determining the benefit obligation are selected by reference to the year-end AAA and AA corporate bond rates.

For participants assumed to retire in the United States, the accumulated postretirement benefit obligation was determined using the following health care cost trend rates:

	PRBP	
	2010	2009
Rate to which the cost trend rate is expected to decline (ultimate trend rate)	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2018	2017
Health care cost trend rate assumed for next year		
Medical	8.00%	8.50%
Prescription drugs	8.00%	8.50%
Dental	5.50%	6.00%
Outside U.S.*	10.00%	10.00%

*Refers to all services provided to those participants assumed to retire outside the United States.

Assumed health care cost trend rates have a significant effect on the amounts reported for the PRBP. 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	
	YEAR ENDED DECEMBER 31			
USD THOUSANDS	2010	2009	2010	2009
Effect on total of service and interest cost components	$ 728	$ 720	$ (526)	$ (702)
Effect on postretirement benefit obligation	7,488	5,664	(5,550)	(4,290)

Plan assets

The assets of the Pension Plan and the PRBP are managed primarily by investment managers employed by the IDB who are provided with investment guidelines that take into account the Pension Plan and PRBP investment policies. Investment policies have been developed so that, consistent with historical returns, there is a high equity allocation with the expectation of sufficient returns to meet long-term funding needs.

(USD thousands, unless otherwise indicated)

Investments maintain an average exposure between 60% and 70% to a well-diversified pool of developed (49% to 58%) and emerging markets equities (2% to 6%), 3% emerging markets debt (1% to 4%), 3% commodity index futures (1% to 4%), 4% real estate related-investments (2% to 8%), and 0% high yield debt (up to 3%). Assets also average 30% to 40% exposure to fixed-income (20%) and inflation-indexed (15%) securities to partially hedge the interest rate and inflation exposure in the Plans' liabilities and to protect against disinflation. The investment policy target allocations as of December 31, 2010, are as follows:

	PENSION PLAN	PRBP
U.S. equities	25%	40%
Non-U.S. equities	24%	30%
Emerging markets equities	4%	0%
Emerging markets debt	3%	0%
Commodity index futures	3%	0%
High yield fixed income	2%	0%
Public real estate	2%	0%
Private real estate/Infrastructure	2%	0%
U.S. Treasury inflation protected securities	15%	10%
Long duration bonds	15%	0%
Core fixed income	5%	20%

Risk management is achieved by the continuous monitoring of each asset category level and investment manager. The investments are rebalanced toward the policy target allocations to the extent possible from cash flows. If cash flows are insufficient to maintain target weights, transfers among the managers' accounts are made at least annually. Investment managers generally are not allowed to invest more than 5% of their respective portfolios in the securities of a single issuer other than the U.S. Government. The use of derivatives by an investment manager must be specifically approved for each instrument.

The following tables set forth the categories of investments of the Pension Plan and PRBP as of December 31, 2010 and 2009, which are measured at fair value and presented together with their weighted average allocation, by level within the fair value hierarchy. These investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, except for investment funds whose classification within the fair value hierarchy depends on the ability to redeem their corresponding shares at their net asset value in the near term.

	PENSION PLAN				
USD THOUSANDS	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**DECEMBER 31, 2010**	**WEIGHTED AVERAGE ALLOCATIONS**
Equity and equity funds:					
U.S. equities	$ 3,168	$ 12,537	$ —	$15,705	29%
Non-U.S. equities	5,909	7,462	—	13,371	24%
Emerging markets equities	—	2,119	—	2,119	4%
Government bonds and diversified bond funds:					
Long duration fixed income funds	8,338	—	—	8,338	15%
Core fixed income funds	2,391	—	—	2,391	4%
U.S. inflation-indexed bonds	8,241	—	—	8,241	15%
Emerging markets debt	—	1,497	—	1,497	3%
Short-term investment funds	1,652	253	—	1,905	3%
Private real estate investment funds	—	—	1,147	1,147	3%
	$29,699	**$23,868**	**$1,147**	**$54,714**	**100%**

	PENSION PLAN				
USD THOUSANDS	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**DECEMBER 31, 2009**	**WEIGHTED AVERAGE ALLOCATIONS**
Equity and equity funds:					
U.S. equities	$ 5,064	$ 11,970	$ —	$17,034	36%
Non-U.S. equities	4,806	6,832	—	11,638	24%
Emerging markets equities	—	1,215	—	1,215	3%
Government bonds and diversified bond funds:					
Fixed income funds	9,429	—	—	9,429	20%
U.S. inflation-indexed bonds	5,174	—	—	5,174	11%
Emerging markets debt	—	1,252	—	1,252	3%
Short-term investment funds	240	590	—	830	2%
Real estate investment funds	—	—	1,067	1,067	1%
	$24,713	**$21,859**	**$1,067**	**$47,639**	**100%**

	PRBP			
USD THOUSANDS	LEVEL 1	LEVEL 2	DECEMBER 31, 2010	WEIGHTED AVERAGE ALLOCATIONS
Equity and equity funds:				
U.S. equities	$ —	$ 14,081	$14,081	39%
Non-U.S. equities	—	9,872	9,872	27%
Government bonds and diversified bond funds:				
Core fixed income funds	7,151	—	7,151	20%
U.S. inflation-indexed bonds	4,145	—	4,145	11%
Short-term investment funds*	(158)	1,139	981	3%
	$11,138	**$25,092**	**$36,230**	**100%**

*Includes forward contracts

	PRBP			
USD THOUSANDS	LEVEL 1	LEVEL 2	DECEMBER 31, 2009	WEIGHTED AVERAGE ALLOCATIONS
Equity and equity funds:				
U.S. equities	$ —	$ 10,200	$10,200	37%
Non-U.S. equities	—	7,107	7,107	25%
Government bonds and diversified bond funds:				
Fixed income funds	5,517	—	5,517	20%
U.S. inflation-indexed bonds	3,445	—	3,445	12%
Short-term investment funds	53	1,561	1,614	6%
	$ 9,015	**$18,868**	**$27,883**	**100%**

Investment securities that are measured at fair value based on quoted market prices in active markets, a valuation technique consistent with the market approach, include U.S. equities, non-U.S. equities, fixed income funds, U.S. treasury inflation indexed bonds, and commodity index futures. Such securities are classified within Level 1 of the fair value hierarchy.

Commingled emerging markets equity and debt funds and short-term investment funds, which are not publicly-traded, are measured at fair value based on the net asset value of the investment funds and are classified as Level 2, as they are redeemable with the investee in the near term at their net asset value per share at the measurement date. This valuation technique is consistent with the market approach.

Real estate investment funds are measured at fair value based on the net asset value of these investment funds and are classified as Level 3 as the length of the time required to redeem these investments is uncertain. The valuation assumptions used by these investment funds include market value of similar properties, discounted cash flows, replacement cost, and debt on property (direct capitalization). These methodologies are valuation techniques consistent with the market and cost approaches.

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2010, are as follows:

USD THOUSANDS	FAIR VALUE MEASUREMENTS FOR THE PENSION PLAN INVESTMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
As of January 1, 2009	$1,556
Total net losses	(401)
Sales and income distributions	(88)
As of December 31, 2009	**$1,067**
As of January 1, 2010	$1,067
Total net gains	240
Sales and income distributions	(160)
As of December 31, 2010	**$1,147**

The amount of total net gains and losses for the year ended, included in changes in carrying value of the Pension Plan investments attributable to the change in unrealized net gain relating to assets held as of December 31, 2010, was $156 (net loss of $552 as of December 31, 2009).

Cash flows

Contributions from the Corporation to the Pension Plan and the PRBP during 2011 are expected to be approximately $2,000 and $4,251, respectively. All contributions are made in cash.

Estimated future benefit payments

The following table summarizes the benefit payments, which reflect expected future service, as appropriate, expected to be paid in each of the next five years and in the aggregate for the subsequent five years. These amounts are based on the same assumptions used to measure the benefit obligation as of December 31, 2010.

USD THOUSANDS	PENSION PLAN	PRBP
Estimated future benefit payments		
January 1, 2011–December 31, 2011	$ 1,300	$ 500
January 1, 2012–December 31, 2012	1,400	600
January 1, 2013–December 31, 2013	1,800	600
January 1, 2014–December 31, 2014	1,900	700
January 1, 2015–December 31, 2015	2,000	700
January 1, 2016–December 31, 2020	14,600	5,900

17. MANAGEMENT OF EXTERNAL FUNDS

The Corporation administers on behalf of donors, which include member countries and other entities, funds restricted for specific uses that include the cofinancing of certain projects, technical studies for borrowers, project-related studies, and research and training programs. These funds are held in trust by the Corporation and are not commingled with the Corporation's funds, nor are they included in the assets of the Corporation. The Corporation receives a management fee that is generally a percentage of the funds received. This fee is shown as an advisory service fee in the statement of income.

Appendixes

Governors and Alternate Governors

(as of December 2010)

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Argentina	Amado Boudou	Mercedes Marcó del Pont
Austria	Josef Pröll	Edith Frauwallner
Bahamas	Zhivargo S. Laing	Ehurd Cunningham
Barbados	Christopher Peter Sinckler	Grantley W. Smith
Belgium	Didier Reynders	Franciscus Godts
Belize	Dean Barrow	Joseph Waight
Bolivia, Plurinational State of	Elba Viviana Caro Hinojosa	Luis Alberto Arce Catacora
Brazil	Paulo Bernardo Silva	Carlos Augusto Vidotto
Chile	Felipe Larraín	
China, People's Republic of	Xiaochuan Zhou	Yi Gang
Colombia	Juan Carlos Echeverry Garzón	Hernando José Gómez Restrepo
Costa Rica	Fernando Herrero Acosta	Rodrigo Bolaños Zamora
Denmark	Susan Ulbæk	Lars Bredal
Dominican Republic	Vicente Bengoa Albizu	Juan T. Montás
Ecuador	Patricio Rivera Yánez	Katiuska King Mantilla
El Salvador	Alexander E. Segovia Cáceres	Carlos Enrique Cáceres Chávez
Finland	Ritva Koukku-Ronde	Jorma Julin
France	Christine Lagarde	Ramón Fernández
Germany	Gudrun Kopp	Rolf Wenzel
Guatemala	Alfredo Del Cid Pinillos	Edgar Baltazar Barquín Durán
Guyana	Bharrat Jagdeo	Ashni Singh
Haiti	Ronald Baudin	Jean-Max Bellerive
Honduras	William Chong Wong	María Elena Mondragón Ordóñez
Israel	Stanley Fisher	Oded Brook
Italy	Giulio Tremonti	Mario Draghi
Jamaica	Audley Shaw, MP	Wesley Hughes, CD
Japan	Yoshihiko Noda	Masaaki Shirakawa
Korea, Republic of	Jeung-Hyun Yoon	Seongtae Lee
Mexico	Ernesto Cordero-Arroyo	José Antonio Meade Kuribreña
Netherlands	Ben Knapen	Yoka Brandt
Nicaragua	Alberto José Guevara Obregón	Antenor Rosales Bolaños
Norway	Ingrid Fiskaa	Henrik Harboe
Panama	Alberto Vallarino Clément	Frank De Lima Gercich
Paraguay	Dionisio Borda	Manuel Vidal Caballero Giménez
Peru	Ismael Alberto Benavides	Luis Miguel Castilla Rubio
Portugal	Fernando Teixeira dos Santos	Carlos Costa Pina
Spain	Elena Salgado	José Manuel Campa Fernández
Suriname	Gillmore Hoefdraad	Woonnie Boedhoe
Sweden	Jan Knutsson	Anders Bengtcén
Switzerland	Beatrice Maser Mallor	Roger Denzer
Trinidad and Tobago	Winston Dookeran	Mary King
United States	Timothy F. Geithner	Robert D. Hormats
Uruguay	Fernando Lorenzo	Pedro Buonomo
Venezuela, Bolivarian Republic of	Jorge A. Giordani C.	Ali Rodríguez Araque

Executive Directors and Alternate Executive Directors

(as of December 2010)

	EXECUTIVE DIRECTOR	ALTERNATE EXECUTIVE DIRECTOR
Argentina and Haiti	Eugenio Díaz-Bonilla	Martín Bès
Austria, Belgium, Germany, Italy, the Netherlands, and People's Republic of China	Mattia Adani	Ulrike Metzger
Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago	Richard L. Bernal	
Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua	Manuel Coronel Novoa	Carmen María Madríz
Bolivarian Republic of Venezuela and Panama	Adina Bastidas	Antonio De Roux
Brazil and Suriname	José Carlos Miranda	Sérgio Portugal
Chile and Peru	Juan Valdivia Romero	Alejandro Foxley Tapia
Colombia and Ecuador	Roberto Prieto Uribe	Xavier Eduardo Santillán
Denmark, Finland, France, Norway, Sweden, and Switzerland	Maria-Anna Fernández	Leena Viljanen
Dominican Republic and Mexico	Cecilia Ramos Ávila	Muriel Alfonseca
Israel, Japan, Portugal, Republic of Korea, and Spain	Luis Martí	Yasusuke Tsukagoshi
Paraguay, Plurinational State of Bolivia, and Uruguay	Marcelo Bisogno	Hernando Larrazábal
United States of America	Gustavo Arnavat	

Channels of Communication

(as of December 2010)

COUNTRY	INSTITUTION
Argentina	Ministerio de Economía
Austria	Federal Ministry of Finance
Bahamas	Ministry of Finance
Barbados	Ministry of Economic Development
Belgium	Ministère des Finances
Belize	Ministry of Budget, Planning and Management, Economic Development, Investment and Trade
Bolivia, Plurinational State of	Ministerio de Planificación del Desarrollo
Brazil	Ministério do Planejamento, Orçamento e Gestão
Chile	Ministerio de Hacienda
China, People's Republic of	People's Bank of China
Colombia	Ministerio de Hacienda y Crédito Público
Costa Rica	Ministerio de Hacienda
Denmark	Danish International Development Agency (DANIDA)
Dominican Republic	Banco Central de la República Dominicana
Ecuador	Ministerio de Economía y Finanzas
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