Inter-American

Investment Corporation

2003 Annual Report

THE INTER-AMERICAN INVESTMENT CORPORATION (IIC) is a multilateral organization. It began operations in 1989 to promote the economic development of its Latin American and Caribbean member countries by financing private enterprises. To fulfill its mission, the IIC provides project financing in the form of direct loans and equity investments, lines of credit to local financial intermediaries, and investments in local and regional investment funds. It particularly targets small and medium-size companies that have difficulty obtaining medium- and long-term financing from other sources.

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

Lending and investing require evaluation of project soundness and probability of success. In this preliminary evaluation process, the IIC advises clients on project design and financial engineering and helps them structure their financial plan.

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

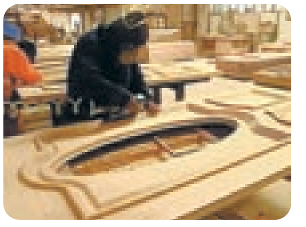
All the powers of the Corporation are vested in its Board of Governors. The IIC Board of Governors consists of a representative and an alternate from each member country. Voting power is proportional to each country's paid-in shares. The Board of Governors appoints a Board of Executive Directors to which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

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

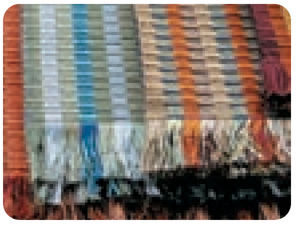
Member Countries:

Argentina
Austria
Bahamas
Barbados
Belgium
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Denmark
Dominican Republic
Ecuador
El Salvador
Finland
France
Germany
Guatemala
Guyana
Haiti
Honduras
Israel
Italy
Jamaica
Japan
Mexico
Netherlands
Nicaragua
Norway
Panama
Paraguay
Peru
Portugal
Spain
Suriname
Sweden
Switzerland
Trinidad and Tobago
United States
Uruguay
Venezuela

Inter-American



Investment Corporation



2003 Annual Report

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Letter of Transmittal

February 10, 2004

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 transmit to you the Annual Report of the Corporation for 2003 and the audited financial statements, including the balance sheet, income and retained earnings statement, and cash flow statement for the fiscal year ended December 31, 2003.

The report summarizes the year's main achievements and key developments and provides a brief explanation of the IIC's governing bodies. There is also a summary of the Corporation's operations in 2003: direct projects, subloans, subinvestments, and cofinancing operations approved during the year.

Yours sincerely,

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

Letter from the General Manager

How the IIC is perceived is shaped to a large extent by its strategic approach to communicating with public forums and the media. We are thus using this year's annual report as a tool for getting closer to our partners and clients.

We have sought to provide not only a summary of our products and services, but also a statement of our corporate mission and an overview of our staff, our history, and the problems that our unique institution faces.

The IIC's developmental mandate focuses exclusively on Latin America and the Caribbean, a region consisting chiefly of emerging economies. And our client base is, above all, the region's small and medium-size companies.

This edition of the annual report goes beyond the usual summary of the IIC's operations and structure. There is a new section with facts and figures on the institution that seeks to foster a better understanding of the Corporation's role, mandate, image, and hallmark.

We hope that the information provided herein is useful and leads to clearer and more direct communication with our readers.

Jacques Rogozinski
General Manager
Inter-American Investment Corporation

The IIC in Facts and Figures

What is the IIC? How is it organized, and what is its mission?

The IIC is a multilateral finance institution with forty-two member countries. According to its Charter, its purpose shall be to promote the economic development of its regional developing member countries by encouraging the establishment, expansion, and modernization of private enterprises, preferably those that are small and medium-scale, in such a way as to supplement the activities of the Inter-American Development Bank.[1]

To fulfill its mandate, the IIC offers a range of financial products and services, either directly (long-term loans, guarantees, equity investments, and issue underwritings) or by means of lines of credit through local financial intermediaries that provide funding for corporate investments, refinancings, and working capital, as well as guarantee facilities and financial and operating lease facilities. In addition, in response to the region's economic situation and requirements, this year the IIC's Board of Executive Directors provided the Corporation with broader operational flexibility, authorizing the temporary use of new instruments to support small and medium-size companies.

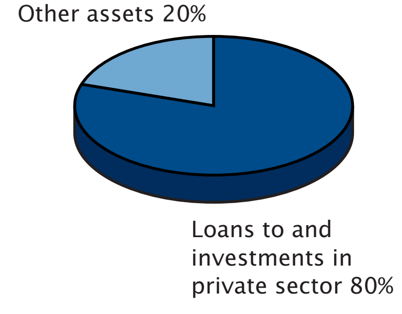
The IIC has also provided financing for private equity funds and offered loans for supply chain support programs and structured loans. Looking ahead, the IIC is committed to expanding its presence in the region and fostering long-term relationships with its clients as they grow and diversify.

This year alone, funding disbursed by the IIC benefited more than 2,935 small and medium-size companies, including small producers.[2]

The Corporation's mandate to foster private sector development, primarily through the support of small and medium enterprises, acquires singular meaning when examined in terms of its development effectiveness. This is seen as a **litmus test** of how productively the developmental capital entrusted by the shareholders of the IIC is applied and what results are tangibly achieved on the

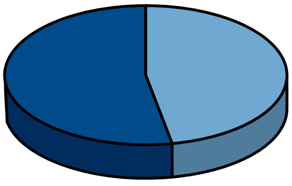
This year there were 2,935 beneficiaries of funds disbursed by the IIC.

Composition of IIC Assets



1. Agreement Establishing the Inter-American Investment Corporation, Article I, Section 1.
2. Including direct loans and equity investments, revolving funding facilities, loans made by financial intermediaries with funds provided by the IIC, and other programs.

Percentage Breakdown of the IIC's Net Portfolio by Country Group (based on number of projects)



ground—that is, as seen from the standpoint of the main beneficiaries of its operations. In concrete terms, this can be measured in terms of direct economic benefits generated by SME-targeted investments, typically evidenced by the promotion of entrepreneurship, job creation, elevation of workers' incomes to combat poverty, foreign exchange generation or savings, and the ability of SMEs to grow competitively and expand on a sustainable basis. An integral dimension of effectiveness is to help build up their creditworthiness, and the catalytic effect of IIC financing in terms of resource mobilization from commercial lenders and capital markets. These benefits are optimized through IIC operations' design, from the outset, and then closely monitored through their execution in the field. It is also relevant to underscore that often the IIC provides credit assistance to entrepreneurs located in underdeveloped or remote areas within the region's national economies, where alternative sources of finance on suitable terms are not readily accessible to SMEs, as well as in underprivileged or marginal areas within or in the proximity of urban communities.

The Corporation systematically appraises each project proposal at the very entry point in its portfolio for is what is intentionally designed as the operation's *additionality*. This concept of performance encompasses, in addition to the direct benefits already cited, such broader developmental benefits as more efficient financial intermediation, improved environmental performance and stronger labor safety standards. In addition to these benefits, there is an increased effort dedicated to upgrading corporate management and accounting standards and to seeking greater equity in the treatment of minority shareholders, wherever applicable. The Corporation is fully committed to use all the means at its disposal to maximize its development effectiveness through suitable results-oriented management tools and its direct support to SMEs through advisory services and other means at its disposal. In this endeavor, the IIC attempts to harmonize its practices and standards at the pace of the progress being made by its peer international organizations supporting private sector development in emerging market economies.

What is the IIC's specific mandate?

Asset structure and geographic distribution of projects

The IIC has a unique developmental mandate: it focuses exclusively on Latin America and the Caribbean, a region consisting chiefly of emerging economies, and its client base comprises, preferably, small and medium-size companies.

An analysis of the composition of the IIC's assets shows that approximately 80 percent are loans to and equity investments in the private sector, while about 20 percent are placed in other assets. Developmental assets account for a far larger percentage of the overall portfolio than at similar development finance institutions.

The historical distribution of the portfolio reflects the significant, sustained effort made by the IIC for its operations to support what are called the C and D countries of the region: respectively, those with a limited domestic market and those that are less developed.[3] Approximately 47 percent of the number of operations is concentrated in C and D countries. This diversification effort becomes even more meaningful if only the new approvals for 2003 are taken into consideration: 62 percent of the number of new operations went to C and D countries.

The percentage of assets going to developmental operations and the geographic distribution of its portfolio make the IIC truly unique among the multilateral organizations supporting the private sector in developing regions.

Meeting the requirements: 464 applications were received; 26 met all the requirements and were approved.

Client support

To meet the minimum eligibility requirements for IIC loans and equity investments, a company must, among other prerequisites, provide independently audited financial statements and proof of meeting IIC environmental and workplace safety standards.

In many cases, small and medium-size companies do not meet these requirements initially. So the IIC provides technical support in designing and implementing better practices in these areas. It thus helps companies meet these standards, compete on more favorable terms, and gain access to funding for their investments on better terms. Providing this support involves greater effort on the part of the IIC and its clients alike. Companies receiving direct financing from the IIC are not the only ones that must meet these requirements; even the financial intermediaries that the IIC works with are bound by con-

- *Average approval time for funding through financial intermediaries: five months*
- *Average approval time for corporate loans and programs: ten months*

3. The country classification by letters (A, B, C, D) is in accordance with IDB's methodology, which divides the countries into the following groups:
   Group A: Argentina, Brazil, Mexico, Venezuela
   Group B: Chile, Colombia, Peru
   Group C: Bahamas, Barbados, Costa Rica, Jamaica, Panama, Suriname, Trinidad and Tobago, Uruguay
   Group D: Belize, Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Nicaragua, Paraguay

IIC External Review Group: It is well known in financial circles that smaller investments often require substantially more work per dollar invested than larger investments.

Moody's: "The IIC lends without sovereign guarantees to riskier segments of the private sector in Latin America and the Caribbean."

Standard & Poor's: "The corporation has the most difficult mandate of any rated MDFI."

tract to attend environmental training workshops to learn how to make environmental management part of their own operations and turn good environmental practices into competitive advantages. It is important to note that commercial banks do not usually impose such requirements in order to provide financing. The fact that 464 applications were received this year and 26[4] operations were approved illustrates the effort involved.

Evaluation and processing[5]

As explained above, in each case the IIC works with its clients on improvements that will enhance their corporate governance and help them become eligible for financing from the IIC.

Doing so often means a longer loan approval and disbursement process—on average, five months each for operations through financial intermediaries and ten months for corporate projects and revolving programs in 2003.

This process increases the initial processing costs, but better corporate governance usually has a subsequent favorable impact on project success, access to new sources of funding, and compliance with export standards.

Independent review

The IIC's External Review Group,[6] made up of renowned international experts from ten countries and created to evaluate the development of new instruments and the IIC's future strategic orientation, has fully acknowledged these singularities. According to the External Review Group, it is well known in financial circles that smaller investments often require substantially more work per dollar invested than larger investments. There are many reasons for this phenomenon: the sponsors of smaller investments are usually less sophisticated than those that sponsor larger undertakings; smaller businesses are less stable than larger ones and thus more likely to drop projects; much more supervision of business planning and accounting is required; credit standards are usually lower; and costs of purchases of materials and machinery are usually higher. In order to be successful

4. Out of these twenty-six approved projects and programs, sixteen requests were received in 2003.

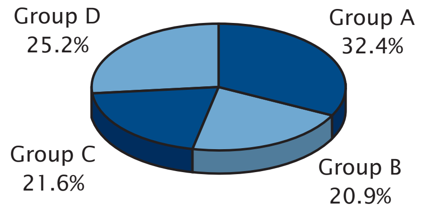
5. The IIC's Website (www.iic.int) provides information on how to apply for financing. Requests for information may also be addressed to the IIC's regional offices or its head office in Washington, D.C. The Website also provides an initial inquiry form that, once filled out by the company or financial institution in search of funding, is automatically directed to the appropriate IIC division.

6. For more information on the External Review Group's report, see p. 18.

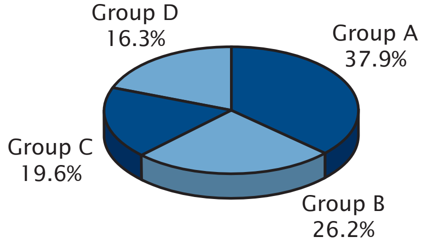
in promoting and financing smaller investments, therefore, a special effort is needed that emphasizes technical assistance and close supervision.

Separately, the rating agency Standard & Poor's reported, "The corporation has the most difficult mandate of any rated MDFI [multilateral development finance institution]."[7, 8] And, according to Moody's Investors Service, the IIC lends "without sovereign guarantees to riskier segments of the private sector in Latin America and the Caribbean."[9]

Percentage Distribution of Active Projects by Country Group (by number of projects)



Percentage Distribution of Active Projects by Country Group (by amount of financing)



Staffing

IIC governance encompasses all of the functions required for efficient fulfillment of its mission as a multilateral finance institution charged with fostering the development of the private sector. Business development, structuring and evaluating investments in companies and financial institutions, and portfolio supervision are key to fulfillment of the IIC's goals in such areas as environmental protection, labor standards, improved corporate governance at small and medium-size companies, and assessment of project additionality and socioeconomic developmental impact. There are also essential internal functions such as treasury, auditing, accounting, loan recovery and workout, legal services in support of the operations areas, and the translation of documents and reports for the IIC's governing bodies.

To fulfill its multilateral mission, the IIC has eighty-seven staff positions.[10] Seventeen of these positions are in the three regional offices (Colombia, Costa Rica, and Uruguay). Seventy are at the head office in Washington, D.C.; among these are twenty investment officers who work directly on originating and developing new projects and five who are assigned full time to direct supervision of a portfolio of seventy-five projects (corporate and financial institutions), including annual field visits. The remaining staff provides indirect support for Operations and include the Legal Division, the Finance and Risk Management Division, and the Credit Analysis, Loan Recovery and Workout, Environmental Engineering, and Corporate Affairs Units.

7. Standard & Poor's, *Supranationals*, September 2003, and Standard & Poor's, *Sovereigns*, Inter-American Investment Corporation, July 14, 2003, p. 2
8. The rated institutions mentioned by S&P include the International Finance Corporation, the European Bank for Reconstruction and Development, the Asian Development Bank, the African Development Bank, the Corporación Andina de Fomento, and the Central American Bank for Economic Integration.
9. Moody's Investors Service, *Inter-American Investment Corporation, Global Credit Research,* February 2003
10. As of November 30, 2003

The Year in Review

- *Fourteen corporate projects approved*
- *Ten operations with financial intermediaries*
- *Two programs*

- *Resources channeled by the IIC in 2003: $318.7 million*

The Corporation in 2003

Operating results

This year, the IIC's Board of Executive Directors approved twenty-six projects and programs in fifteen countries—including one regional project—totaling $193.7 million. The average amount per operation was $7.5 million, broken down as follows:

- fourteen direct corporate operations for an average amount of $4.8 million;
- ten operations with financial intermediaries averaging $9.6 million, to finance small and medium-size enterprises; and
- two programs and other agreements for an average amount of $15 million, to channel loans to small producers.

Three of the year's loans will be cofinanced, thus mobilizing $125 million in funding from banks and other third parties. The total amount of the resources channeled by the IIC in 2003 is $318.7 million.

The year's approvals followed identification of 464 potential projects in twenty-six countries; 388 were not considered because they did not meet basic IIC criteria regarding size, additionality, or perceived risk, among others. The remaining seventy-six passed on to subsequent phases. Twenty-six transactions were submitted for consideration and approval by the Board of Executive Directors.

The following tables show the IIC's main operating indicators for 2003.

Percentage Distribution of the Active Portfolio by Type of Project in 2003

	Number of Projects (%)	Total Financing Approved (%)
Supply chains	2.9	5.2
Guarantees in local currency	0.7	3.0
Cofinancing	1.4	5.7
Financial institutions	30.7	26.6
Investment funds	17.9	19.2
Direct projects	46.4	40.2
Total	**100.0**	**100.0**

Key Operating Indicators in 2003

Average financing, financial intermediaries excluded *(US$000)*	4,800
Average financing to financial intermediaries *(US$000)*	9,600
Average financing through financial intermediaries with IIC resources *(US$000)*	326
Average financing or guarantees in revolving programs and supply chains *(US$000)*	9
Average number of months required for approving operations with financial intermediaries	5
Average number of months required for approving operations with companies, revolving programs, and supply chains	10
Total write-offs/total loan and equity investment disbursements *(aggregate as of 12/31/03)*	9.2%
Provisions/loan and equity investment portfolio *(December 2003)*	22.7%
Number of companies requesting IIC financing	464
Number of projects and programs that met IIC requirements and were approved	26
Number of projects (corporate and financial institutions) under supervision	75
Number of beneficiaries of indirect loans *(through financial intermediaries and investment funds)*	65
Number of direct beneficiaries through programs and supply chains	2,870
Total beneficiaries, all investments	2,935

Percentage Distribution by Sector in 2003 (Number of Projects)

Agency lines	1.4
Agriculture and agribusiness	11.5
Aquaculture and fisheries	6.5
Capital markets	2.9
Chemicals and plastics	1.4
Education	2.2
Financial services	31.0
Food, bottling, and beverages	1.4
General manufacturing	3.6
Health	0.7
Industrial processing zones	2.2
Investment funds	17.3
Livestock and poultry	0.7
Nonfinancial services	1.4
Oil and mining	0.7
Small Loan Program	0.7
Technology, communications, and new economy	0.7
Textiles, apparel, and leather	1.4
Tourism and hotels	4.3
Transportation and warehousing	2.2
Utilities and infrastructure	4.3
Wood, pulp, and paper	1.4
Total	**100.0**

- *Total revenue: $22.0 million*
- *Total expenses: $19.8 million*
- *Net profit: $2.2 million*

- *Estimated jobs created: 9,239*
- *Estimated generation of annual value added: $242 million*
- *Estimated annual FX generation: $146 million*
- *Total cost of projects: $398 million*

Financial results for the year

IIC income from all sources in 2003 amounted to $22.0 million. Income from lending operations totaled $13.4 million ($11.9 million from interest and $1.5 million from fees). Capital gains and dividend income from the equity investment portfolio totaled $2.6 million for the year. Total expenses, including –$0.5 million in provisions, were $19.8 million, producing a net profit of $2.2 million.

Transparent reflection of reserve coverage for the total portfolio is of great importance for IIC Management. The coverage ratio (reserves/total loans and equity investments outstanding) remained relatively stable in fiscal year 2003, as lower reserves against loans for projects located in stabilizing countries such as Argentina and Brazil were offset by higher reserves required for loans in other countries and projects.

Developmental impact

Year 2003 approvals are expected to lead to the creation of more than 9,200 jobs, generate annual exports worth $146 million, and contribute $242 million per year to the region's gross domestic product. The $193.7 million approved in 2003 will support the implementation of projects with a total cost of $398 million. For every dollar earmarked by the Corporation for operations approved in 2003, two dollars will be mobilized from other sources.

Of the IIC's committed investments, 92 percent had been fully disbursed by December 31, 2003.

Programs and supply chains

Traditionally, the number of projects approved has been a key management indicator. However, it does not provide a full picture of the Corporation's results or developmental impact. A corporate loan going directly to a single beneficiary should not be given the same weight as a revolving financing program that reaches hundreds or thousands of users over an extended period. The impact of the Corporation's activities is thus better measured using complementary data on program execution. Such data measure the real scope of some of the Corporation's programs that are by nature more difficult to structure and implement. Although some of the programs were approved in previous years, the fact that they are revolving ensures ongoing access to funding for up to eight years; so continued access to financing directly benefits thousands of small producers and small and medium-size companies. Some examples of such operations are provided below.

Exportadora Subsole in Chile

This $7 million operation approved in 2001 and mainly disbursed in 2003 also exemplifies the significant multiplier effect achieved by making it easier for some fifty small fruit growers to access new technology and advice on farming and business issues. Subsole not only operates as an export company, vertically integrating production and distribution activities. It also organizes its producers, transfers technology to them, advises them with respect to agricultural and business issues, and provides some of them with financing for planting and/or harvesting, using proceeds from the IIC loan channeled through Subsole. The IIC loan enables financing through Subsole to create thousands of seasonal jobs per year over the life of the project. This was previously reported as one single transaction, so the actual impact of this kind of program in terms of number of beneficiaries was not accounted for.

Almacenadora Mercader (Almer)

Almer is a Mexican company that received a $10 million loan in 2001. This warehousing company plays an important role in the tortilla production chain by buying, storing, grading, and selling corn grown by thousands of farmers, mostly small-scale. Almer has used and will continue to use funding from the IIC to finance corn growers through repurchase agreements or by storing grain until it is sold. In both cases, Almer issues certificates of deposit to secure the IIC loan. The Almer project supports the development of Mexico's capital market by laying the groundwork for the eventual securitization of grain purchase instruments (warehousing receipts). The growers obtain access to credit for the next planting cycle and to modern distribution systems and risk management instruments. Thousands of farmers per cycle benefit from the program. However, as explained above, this operation was reported as having a single beneficiary, although as a revolving

Almer: IIC financing reaches 2,800 beneficiaries facility it provides thousands of small growers each year with funding for production. This is why the IIC has changed the way it reports on the scope of these programs. For example, in 2003 more than 2,800 small producers received funding under the Almer program.

Continuing this effort, other such programs were approved this year. Some examples are set out below.

IIC-NAFINSA-commercial banks

IIC-NAFINSA-commercial banks: loan guarantees from $30,000 to $200,000

This year, the IIC created a pilot program for guarantees in local currency in order to improve the terms on which small and medium-size companies receive loans. The IIC thus signed a $20 million trust agreement with Mexico's Nacional Financiera (NAFINSA) for granting loan guarantees ranging from $30,000 to $200,000. This facility will enable small and medium-size companies to obtain lower rates, longer terms, and other advantages when seeking financing. The facility targets small and medium-size companies that supply major corporations and need financing for orders. The facility works as follows: (1) Suppliers receive orders from major corporations. (2) The small and medium-size companies apply for loans from a commercial bank, which in turn requests a guarantee of up to 50 percent from the trust (30 percent NAFINSA, 20 percent IIC). (3) The trust issues the guarantee based on the program's eligibility standards and the financial intermediary's credit rating. Once the operation has been agreed and approved, the IIC directly assumes the risk with each company benefiting from the guarantee. One of the advantages of guarantees under this program is lower credit risk as a contingent liability denominated in local currency. The program is expected to benefit some 500 to 800 companies over its seven-year life. But the program would traditionally have been recorded as if it had benefited only one client.

The IIC assumes up to 20 percent of the direct risk for the guarantees

Sixty companies benefited this year

Rabobank

The operation with Banco Rabobank International Brasil S.A. is an example of a revolving program that was approved this year and will yield results over the next five years. The financing consists of a $15 million senior loan and another, cofinancing loan for up to $85 million. The loan proceeds will be used to finance acquisition by the bank of 100 percent of the senior quotas of Fundo de Investimento em Direitos Creditórios (FIDC), a receivables investment fund set up to acquire discounted receivables issued by certain companies that finance small and medium-size enterprises. The companies that issue accounts receivable will thus be able to provide financing to a larger number of small and medium-size companies. The Comissão de Valores Mobiliários (Brazil's equivalent of the U.S. Security and Exchange Commission) created the FIDC as a means for companies to transfer ownership of accounts receivable by selling them at a discount to the FIDC, which then securitizes them. The loan will enable the IIC to provide financing for 70,000 to 100,000 small and medium-size companies in Brazil. The project will encourage other financial institutions and players in the capital markets to tap this type of financing and use instruments that can further the development of local capital markets.

IIC-Rabobank Brasil: $100 million combined facility; 70,000 to 100,000 small and medium-size companies are expected to benefit over the life of the program

Direct management of subloans

In addition to the IIC's portfolio of financial intermediaries that have received funding, there are some financial intermediaries that have posted poor operating results or have been taken over by local regulatory authorities. In such cases, the IIC has executed the guarantees in its favor, so that the individual loans that the intermediaries had made with IIC funds are now being managed, negotiated, sold, and/or restructured by the IIC without going through an intermediary. As a result, the IIC is now managing a portfolio of approximately 135 subborrower companies, for a total of $14 million outstanding.

Institutional Affairs

The partnership grows

Belgium became the forty-second member country of the Inter-American Investment Corporation at a signing ceremony held in Washington, D.C., in March 2003. All new nonregional countries (Belgium, Finland, Norway, Portugal, and Sweden) to join the IIC as part of the institution's capital increase approved in 1999 have now formally become members.

Governing body activities

Board of Governors

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

The Board of Governors holds an annual meeting in conjunction with the annual meeting of the Board of Governors of the Inter-American Development Bank (IDB). It may meet on other occasions by call of the Board of Executive Directors. The XVIII Annual Meeting of the Board of Governors took place in Milan, Italy, from March 24 to 26, 2003. During this meeting, the Governors approved the IIC's financial statements for the year ended December 31, 2002, as well as the Corporation's annual report.

Board of Executive Directors

The Board of Executive Directors is responsible for the conduct of the operations of the Corporation and, for this purpose, exercises all of the powers given to it by the Agreement Establishing the IIC or delegated to it by the Board of Governors. The Board of Executive Directors determines the basic organization of the Corporation, including the number and general responsibilities of the principal administrative and professional positions, and adopts the budget of the institution. The thirteen members and thirteen alternate members of the Board of Executive Directors serve for three-year terms and represent one or more member countries of the Corporation.

The Executive Committee of the Board of Executive Directors is composed of one person who is the Director or Alternate appointed by the member country having the largest number of shares in the Corporation, two persons from among the Directors representing the regional developing member countries of the Corporation, and one person from the Directors representing the other member countries. This four-member committee considers all the Corporation's loans to and investments in companies located in member countries.

Among the matters considered by the Board of Executive Directors in 2003 were

- twenty-five loan and equity investment proposals
- an External Review Group proposal to realign IDB Group private sector operations
- secured transactions regimes for financing small and medium-size enterprises in the region
- the IIC funding program for 2003 and strategy for 2003–2004
- an independent report on the IIC's portfolio
- an action plan for impaired projects
- a trade finance program for small and medium-size companies
- a proposal for new IIC financing initiatives

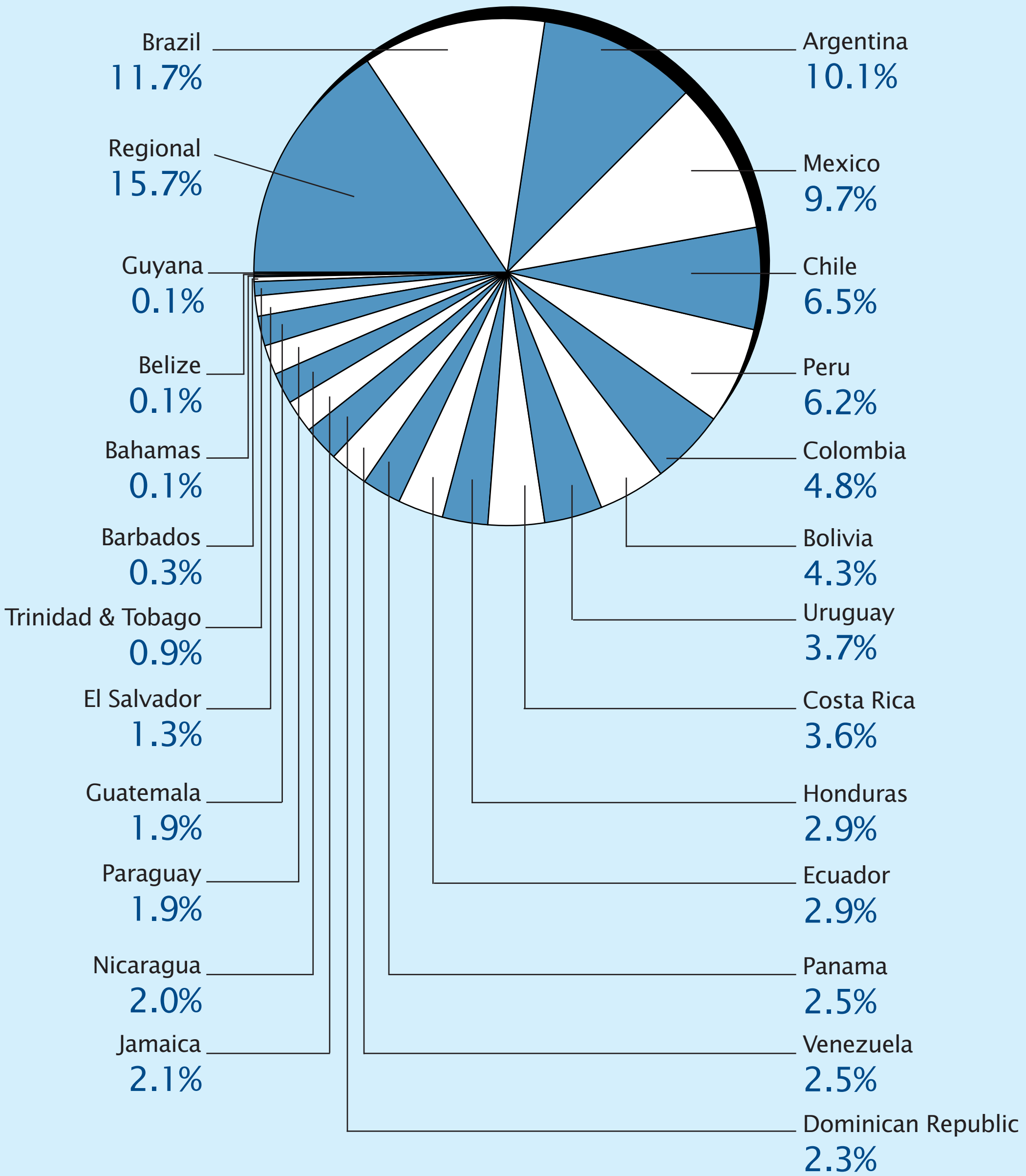
In light of the IIC's 2002 financial results, in February 2003 Management and the Board of Executive Directors agreed on a **Proposed Action Plan for the Inter-American Investment Corporation for 2003** allowing the Corporation to offer additional financing alternatives. The IIC Board of Executive Directors approved eleven projects during the year for trade finance, working capital loans for on-lending to small and medium-size companies through financial intermediaries, an innovative guarantee facility for working capital, and several supply chain transactions.

External Review Group

The IIC's External Review Group, made up of international experts from ten countries, was commissioned during 2002 by the Board of Executive Directors to review the strategic mandate and operating performance of the Corporation. The External Review Group finalized its report in July of this year, with a set of concrete recommendations within the broader framework of all private sector–oriented activities supported by the IDB Group. It presented its main recommendations at a joint working seminar of the IDB and IIC Executive Directors last September.

Aggregate Net Approved Projects, by Country

As of 12/31/2003



Among the key findings—first previewed in an interim report to IIC Governors in Milan—is that the IIC should further streamline its operations in support of small and medium-size companies so that it can better respond to client needs and reinforce its field presence throughout Latin America and the Caribbean. The External Review Group also endorsed a number of operational measures and new activity areas to help boost the IIC's financial performance and sustainability. IIC action on several of these recommendations is already under way.

A more ambitious plan to align all the private sector operations of the IDB Group was put forward by the IDB's management group for discussion with the Executive Directors. Possible organizational alternatives for the IDB Group as a whole would likely have, as a common denominator, essential features designed to boost resources for private sector lending and achieve more effective leverage on the financial markets. The membership has reaffirmed, under any eventual course of action, its shared commitment to ensuring continued strong capital adequacy and a call for stronger means to support the small and medium-size company focus of the Corporation. The governing bodies of both the IIC and IDB can be expected to reflect on possible options to seek broad consensus on the strategic rationale and ways and means for combining their efforts more effectively in the future.

Management and permanent functions

Business development

The main goal of the Business Development Unit is to support the IIC's mandate by carrying out business development activities and developing new products for the IIC. The unit was created to carry out nontraditional business activities through alternative operating mechanisms that support small and medium-size companies. To this end, in addition to traditional project financing arrangements, the unit is supporting the development of small and medium-size companies through new mechanisms tailored to specific sector or country needs. It is thus exploring new possibilities for the Corporation and channeling resources through new mechanisms, reaching numerous small and medium-size companies at a low cost.

Through new sector- or country-specific structures, the IIC is working with other public and private institutions for supply chain financing, export financing, local currency financing, and structured operations.

These latter operations, carried out on the capital markets, allow the IIC, together with investment banks, to support small and medium-size companies with secured issues, securitizations, operating and financial leases, and cofinancing in dollars and local currency. The objective is to support the development of local capital markets.

Portfolio and credit risk management

Effective, productive deployment of the resources subscribed by the IIC's shareholders involves sound portfolio management that takes into account primarily the two main types of risk to which the IIC's project companies are subject: macroeconomic risk and credit risk.

Macroeconomic risk is largely beyond the control of the IIC and its clients. However, the appraisal process prior to project approval takes this risk into account and is geared to avoiding situations in which the potential risks would make it virtually impossible to attain the IIC's developmental goals or recover its assets. The Corporation's Credit Unit provides the Credit Committee with an assessment of each project company's credit risk and transaction structure, including a review of the security package. The committee is responsible for recommending to the General Manager whether to present projects for Board consideration, and it thus focuses primarily on credit issues and on ensuring that loans and investments are structured in accordance with the project company's risk profile.

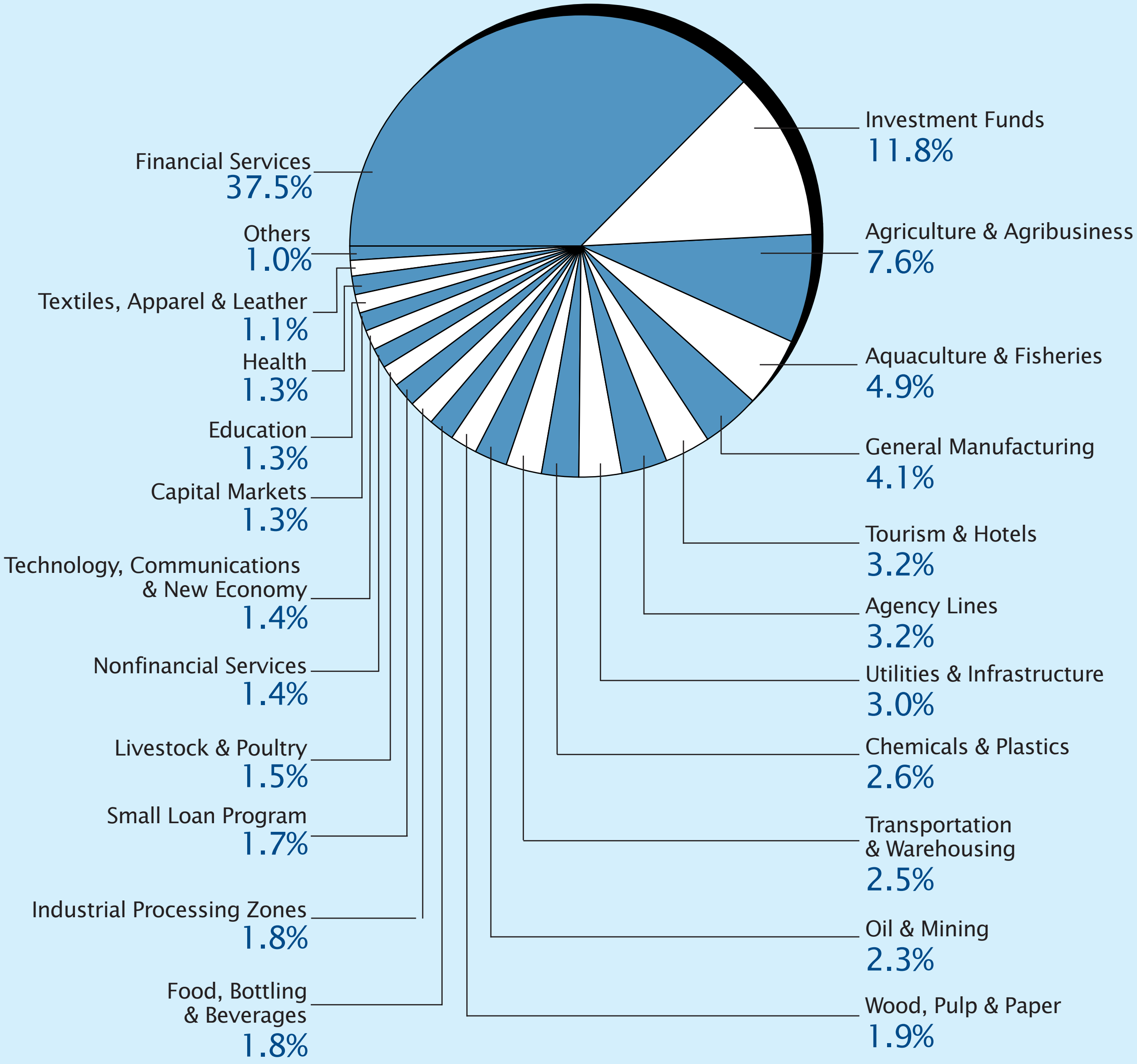
Noncredit issues, such as project developmental and environmental impact, international private sector and capital markets resource mobilization, and IIC policies, are central to IIC's mandate and are taken into account in the process of deciding whether to submit a project to the Board of Executive Directors. To this end, input on these aspects of each project proposal is received from relevant areas prior to the final Credit Committee meeting.

Portfolio Supervision Committee

The Portfolio Supervision Committee is a decisionmaking body chaired by the Finance and Risk Management Division Chief; its voting members hold managerial positions within the Corporation. The main responsibility of the Portfolio Supervision Committee is to monitor the overall quality of the IIC portfolio. The Portfolio Supervision Committee meets on a regular basis, at least once a month, to review the status of the portfolio supervision cycle. Among the major responsibilities of the committee are the validation and

Breakdown, by Sectors, of Aggregate Net Financing Approved

As of 12/31/2003



approval of the risk classification for each individual project in the portfolio and approval of the adequate level of allowance for potential losses in the portfolio. The committee periodically reviews and approves guidelines and procedures designed to improve the supervision process. It reviews specific actions necessary to mitigate risks and protect IIC interests in individual projects.

Credit Committee

The Credit Committee reviews new operations and makes recommendations to the General Manager as to whether they should be submitted for approval by the Board of Executive Directors. The committee is chaired by the Chief Credit Officer. Other members are the Chief of the Special Operations Unit and the Chief of the Portfolio Management and Supervision Unit. The Finance and Risk Management Division Chief advises the Credit Committee on noncredit issues.

Portfolio Management and Supervision Unit

The IIC's Portfolio Management and Supervision Unit, created in 2003, monitors the performance of the IIC's loan and equity investment portfolio once the first disbursement is completed. The unit also oversees the disbursement process.

The IIC's outstanding portfolio as of December 31, 2003, totaled $264.4 million

A total of five investment officers located at the IIC's three regional offices (in Colombia, Costa Rica, and Uruguay) manage and supervise the entire current portfolio of corporate projects and financial intermediaries (funds excluded); the outstanding value of this portfolio as of December 31, 2003, was $264.4 million. The unit's main activities include a regular review of key performance drivers for each exposure, the analysis of periodic financial information, monitoring of subsequent disbursements, and ongoing review of project compliance with agreements.

67 supervision missions in 2003

The active monitoring of the IIC's portfolio and the proximity of the investment officers assigned to the regional offices make for better client service, contribute to the early detection of potential problems, and help the IIC prevent situations that may affect its interests. During the fiscal year ended December 31, 2003, the unit conducted field supervision visits to sixty-seven corporate projects and financial institutions located in twenty countries, covering virtually all IIC member countries in Latin America and the Caribbean.

The monitoring of private equity funds in the portfolio is managed through investment officers assigned to the Corporate Finance and Financial Institutions Department. The Portfolio Management and Supervision Unit also keeps track of fund performance and valuation.

An investment officer assigned to the Portfolio Management and Supervision Unit helps IIC project teams expedite disbursements and ensures that new exposures meet certain minimum quality standards. Current disbursement guidelines have streamlined the disbursement process in order to maximize earning assets while minimizing credit losses for the IIC. Disbursements for this fiscal year totaled $109.7 million—the highest since 1999. Disbursements were made to thirty-three companies and financial institutions located in thirteen countries.

Special Operations Unit

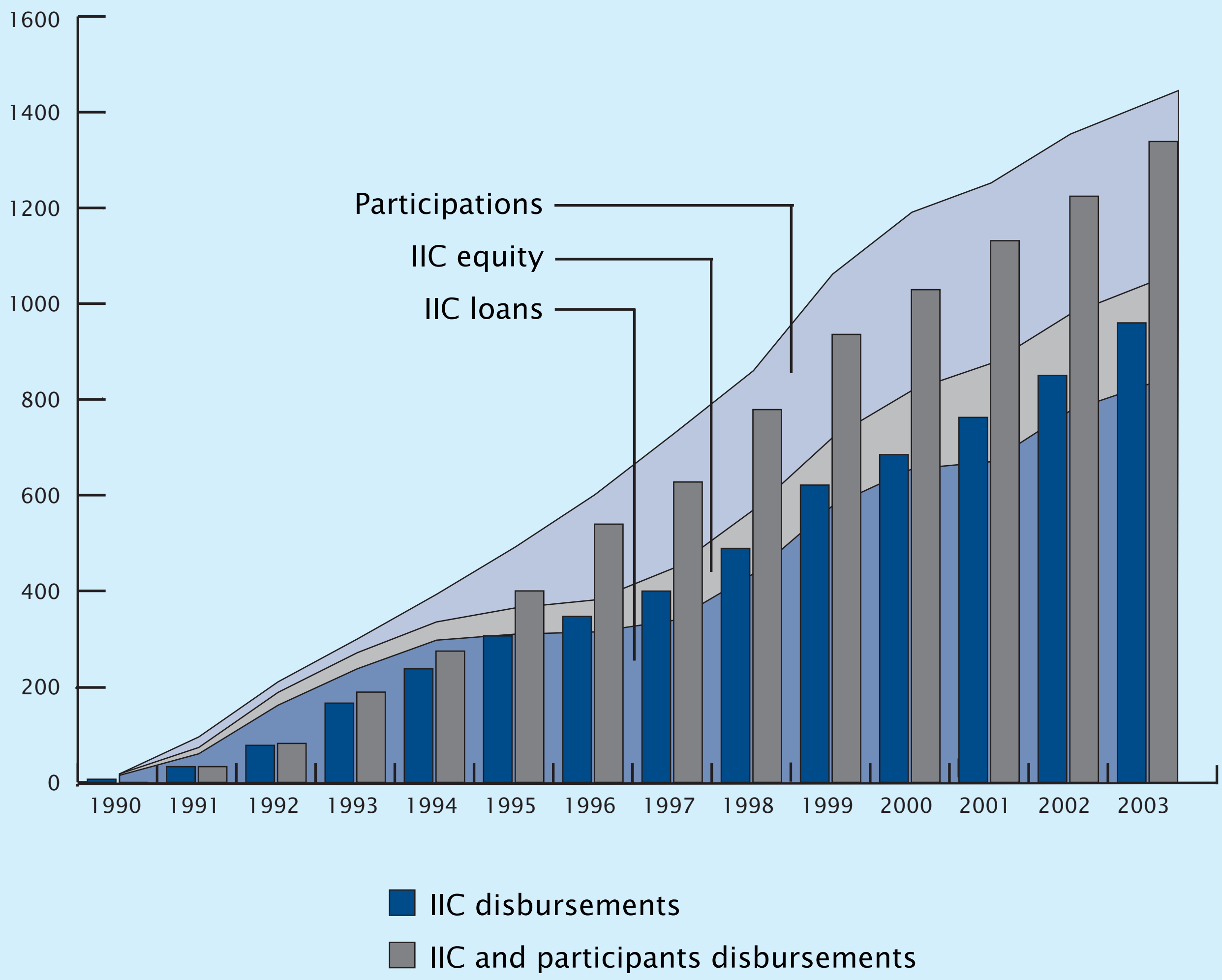
The Special Operations Unit carries out its specific fiduciary duty to protect the IIC's interests by maximizing cash recoveries of problem loans and investments by developing and implementing cost-effective recovery strategies. Projects that experience a serious deterioration of their risk profile or default on scheduled payments are transferred to the unit. In order to disseminate the lessons learned from problem projects and improve the IIC's credit culture, two members of the unit are voting members of the Credit Committee, the Coordinator is a voting member of the Portfolio Supervision Committee, and the unit conducts regular meetings with the Legal Division.

The Special Operations Unit collected $15 million and returned seven restructured loans to accrual status

During 2003 the Special Operations Unit was responsible for a portfolio of thirty-eight projects, divided between equity investments and loans. In 2003 the Special Operations Unit made cash collections totaling $15 million, with direct costs less than 5 percent of the amounts collected. A substantial portion of the cash recoveries were related to successful foreclosures of properties as well as collections from small loans obtained from collapsed financial institutions. In addition, during the year, the Special Operations

Cumulative Committed Portfolio

As of 12/31/2003 (US$ millions)



Unit returned seven restructured loans to accrual status.

Independent evaluation

Objective indicators of developmental effectiveness are essential for public accountability in the use of public funds and for learning from experience, establishing success standards, and reinforcing developmental objectives and values. To this end, the IIC has a project evaluation system based on guidelines developed by the multilateral development banks' Evaluation Cooperation Group. The evaluation function is divided between self-evaluation and independent evaluation. Project self-evaluation is the responsibility of the IIC. The IDB's Office of Evaluation and Oversight provides the IIC with independent evaluation services under an agreement between the two institutions.

In 2003, the Office of Evaluation and Oversight recognized the work done by the IIC after reviewing the developmental impact of IIC transactions with small and medium-size companies. The office also noted a strong correlation between IIC developmental outcome and IIC investment outcome.

The IIC is responding to Office of Evaluation and Oversight suggestions on how to improve the evaluation methodology. It has, for example, decentralized project evaluation by moving this function to the field, added quantitative indicators to the additionality matrix used to measure developmental impact, created a database of lessons learned, and reinforced the portfolio supervision functions.

Environmental and labor standards

Before any new operation (regardless of whether it is to be financed by the IIC directly or through a financial intermediary) is submitted to the Board of Executive Directors, it goes through an environmental and labor review process that includes an assessment of the following, as applicable: baseline environmental situation; degree of compliance with applicable national environmental laws, regulations and standards; sustainable use of natural resources; pollution controls; waste management; use of dangerous substances; major hazard analysis; occupational health and safety; fire and life safety; protection of human health, cultural properties, tribal peoples, endangered species, and sensitive ecosystems; and resettlement issues.

A summary of each project, including any environmental and labor issues, is posted on the IIC's Website thirty days prior to the expected date of approval by the Board of Executive Directors.

All financial intermediaries with which the IIC operates are required by contract to send representatives to environmental workshops to learn how to integrate environmental management practices into their own operations and turn good environmental practices into competitive advantages. The workshops focus on banks' responsibility in monitoring the environmental aspects of the projects they finance with IIC funds.

In December 2003, thirty-eight representatives from twenty-seven financial institutions in twelve Latin American and Caribbean countries attended an environmental management workshop organized by the IIC and the International Finance Corporation.

Anticorruption measures

The IIC places great importance on transparency in its financing operations, which therefore undergo a rigorous due diligence process and are required to follow sound financial management practices. For each operation, the IIC assesses the beneficiary's financial reporting and controls and management capabilities, including the critical risks—such as corrupt practices—to which the beneficiary may be subject.

The IIC also reviews each host country's regulations pertaining to money laundering and assesses each financial institution's compliance with such regulations (if any) and the adequacy of its controls with respect to deposit taking and management activities.

The IIC is part of the IDB's oversight committee, thus enhancing the synergies between both institutions and aligning IIC policies and actions more closely with those of the IDB Group regarding allegations of fraud or corruption. The IDB Group has secure telephone, e-mail, fax, and mail arrangements for anyone wishing to file an allegation of fraud or corruption involving any activity financed by any of the IDB Group member institutions. Additional information on IDB Group policies against fraud and corruption and how to report suspected cases is available at www.iadb.org/ocfc.

Cooperation with the IDB

Combined action with the IDB can be a powerful agent for development in Latin America and the Caribbean. The general thrust of IIC's coordination with the IDB is in the development of the private-sector segments of country strategies and programming. To this end, the IIC participates in the Private Sector Coordination Committee. The IIC's Chief Credit Officer advises the IDB's Executive Vice President on credit risk assessment of IDB Private Sector Department projects. IIC staff members also serve on the Private Sector Department's Credit Review Group and on the Bank's Loan Committee for private-sector operations. Also, the IIC's

*Operations Approved in 2003**

(US$ millions, except job creation)

Country	Investment Name	Sector Name	Gross Loan Approved**	Gross Equity Approved	Gross Loan & Equity Approved	Estimated Project Cost	Annual Value Added	Annual Foreign Exchange	Job Creation
Barbados	CARIBBEAN FINANCIAL SERVICES CORPORATION	Financial Services	3.0	0.0	3.0	1.0			
Bolivia	REFINERÍA ORO NEGRO S.A.	Oil and Mining	4.0	0.0	4.0	11.9	5.5	22.1	16
Brazil	USINA MARACAJU S.A.	Agriculture & Agribusiness	3.0	0.0	3.0	16.2	3.0	3.9	310
	BANCO RABOBANK INTERNATIONAL BRASIL S.A.	Financial Services	15.0	0.0	15.0	100.0			
	BANCO SAFRA S.A.	Financial Services	10.0	0.0	10.0	50.0			
Chile	MILLAHUE & TRALLAY	Agriculture & Agribusiness	9.0	0.0	9.0	18.3	8.9	11.3	1,100
Costa Rica	ARRENDADORA INTERFIN	Financial Services	5.0	0.0	5.0				
	PIÑALES DE SANTA CLARA S.A.	Agriculture & Agribusiness	1.3	0.0	1.3	3.9		9.3	40
Ecuador	AGRÍCOLA GANADERA REYSAHIWAL AGR S.A.	Livestock & Poultry	8.0	0.0	8.0	16.0	3.0		20
	BANCO BOLIVARIANO	Financial Services	5.0	0.0	5.0				
	PRODUBANCO	Financial Services	7.0	0.0	7.0				
El Salvador	SIGMA II S.A.	General Manufacturing	5.4	0.0	5.4	10.2	2.0	3.2	10
Guatemala	MACEROTI	General Manufacturing	5.0	0.0	5.0	17.6	5.2	2.0	84
Honduras	AQUA HONDURAS S.A.	Aquaculture & Fisheries	3.7	0.0	3.7	9.8	4.0	3.8	200
	CARACOL KNITS II S.A.	Textiles, Apparel & Leather	4.5	0.0	4.5	31.7	13.0	20.7	800
Jamaica	SUNSET BEACH RESORT	Tourism & Hotels	10.0	0.0	10.0	53.8	30.2	23.9	339
	RBTT BANK JAMAICA LIMITED	Financial Services	10.0	0.0	10.0	10.0			
Mexico	NESTLÉ AGRICULTURAL SUPPLY-CHAIN FINANCING	Agriculture & Agribusiness	10.0	0.0	10.0	15.0	30.0	12.5	900
	INSTITUTO SUPERIOR AUTÓNOMO DE OCCIDENTE, A.C. UNIVA II	Education	1.0	0.0	1.0	1.0			
	IIC-NAFIN GUARANTEES PROGRAM	Financial Services	20.0	0.0	20.0		125.0	20.0	3,250
Panama	BANCO DEL ISTMO TRADE	Financial Services	10.0	0.0	10.0				
Paraguay	BANCO REGIONAL	Financial Services	1.0	0.0	1.0				
Peru	AMERICAN QUALITY AQUACULTURE, S.A.	Aquaculture & Fisheries	2.8	0.0	2.8	8.5	2.8	4.4	140
	IQF DEL PERÚ	Agriculture & Agribusiness	5.5	0.0	5.5	11.0	5.6	6.2	630
Regional	COFIDES DEBT FACILITY	Agency Lines	30.0	0.0	30.0				
Uruguay	ZONAMERICA S.A.	Industrial Processing Zones	4.5	0.0	4.5	12.2	3.9	2.8	1,400
Total	**26**		**193.7**	**0.0**	**193.7**	**398.1**	**242.1**	**146.1**	**9,239**

* Includes operations under agency lines

** Includes other financing facilities

Credit Committee is in effect the "investment committee" for Multilateral Investment Fund operations in the latter's equity investment approval process.

This year, the IIC participated as a member of the Secured Transactions Task Force headed by the Executive Vice President of the Bank and made up of representatives from all of the relevant areas of the IDB Group to develop a joint strategy for improving guarantee systems for financial operations in Latin America and the Caribbean.

Multilateral Investment Fund

The Multilateral Investment Fund (MIF) was established in 1992 to promote the economic and social viability of market economies in Latin America and the Caribbean. The MIF is administered by the IDB and engages the IIC to provide certain services. In addition, the IIC's Credit Committee serves as the Extended Credit Committee for MIF transactions related to microenterprise equity investment funds.

In 2003, the Corporation supervised several projects for the MIF, participated in the structuring and due diligence of small business investment funds, and provided oversight on the preparation of new MIF investments.

Special programs

Small Loan Program

The IIC, like other institutions serving small and medium-size companies, must provide credit products that meet the special needs of this market segment in a cost-effective manner for both the borrower and the lender. For years, the IIC has processed many smaller loans through its credit lines to financial intermediaries and, more recently, agency lines extended to financial institutions operating in the region. But exclusive reliance on such arrangements has limited the IIC's ability to serve the needs of small and medium-size companies in all of its borrowing member countries. Serving this market requires a responsive and proactive approach, a simpler and faster credit analysis and approval process, and access to long-term financing at appropriate rates.

The IIC began to offer loans ranging from $150,000 to $1,500,000

So in 2002 the IIC's Board of Executive Directors approved offering individual loans of $150,000 to $1,500,000, with a limit of $20,000,000 in total approvals under a two-year small loan pilot program. The pilot program was designed for Bolivia, Costa Rica, and El Salvador to take advantage of the IIC's field presence in Central America and build on its experience with the Finpyme pilot program in Bolivia and Chile. The program was implemented in Bolivia in 2003; Management will present a report to the Board of Directors evaluating the program.

AIG-GE Capital Latin American Infrastructure Fund

The IIC lends regional expertise as an adviser to the Emerging Markets Partnership for the latter's fund investments in infrastructure companies in Latin America, chiefly in the power, transportation, and telecommunications sectors. The Emerging Markets Partnership is the principal adviser to the AIG-GE Capital Latin American Infrastructure Fund (LAIF). During the year, the IIC provided advisory and monitoring services for the fund's portfolio of projects.

IIC/Danish Consulting Services Trust Fund

The Inter-American Investment Corporation and the Government of Denmark signed a four-year consulting services agreement. The agreement will provide three million Danish kroner to finance consulting services in accordance with the IIC's mandate to promote private sector development, job creation, and sustainable growth. A portion of the funds provided under the agreement will be earmarked for IIC regional member countries, or subregional country groups with a per capita gross domestic product below a certain threshold. Another portion will be earmarked for Bolivia and Nicaragua. Yet another will be used to finance consulting services provided by Danish consultants, consultants who are nationals of IIC regional member countries, or nationals of other IIC member countries that have trust funds with the Corporation. In order to help improve and build local capacity, consultants from IIC beneficiary countries will be given preference.

Other funds

The Corporation can also draw on special funds for studies and other activities. Among these funds are the Austrian Fund, the Italian Trust Fund, the Swiss Fund, the United States Trade Development Agency's Evergreen Fund, the United Nations Program for the Environment, and the IDB Spanish Trust Fund. In addition, cooperation agreements are in place with the Centre for the Development of Industry (financed by the European Development Fund under the Lomé Convention) and the Nordic Development Fund.

In 2003 the IIC channeled $285,000 in technical cooperation funds

Some $285,000 in technical cooperation funds was channeled through the IIC in 2003.

*Approvals, Commitments, and Disbursements**

(As of December 31, 2003—US$ millions)

		Gross Approvals			Net Commitments			Disbursements		
Country	**Number of Projects**	**Loan****	**Equity**	**Loan & Equity**	**Loan**	**Equity**	**Loan & Equity**	**Loan**	**Equity**	**Loan & Equity**
Argentina	27	143.7	11.0	154.7	111.0	8.8	119.8	111.0	8.8	119.8
Bahamas	2	6.0	0.0	6.0	1.0	0.0	1.0	1.0	0.0	1.0
Barbados	2	3.0	4.0	7.0	0.0	0.0	0.0	0.0	0.0	0.0
Belize	1	1.0	0.0	1.0	1.0	0.0	1.0	1.0	0.0	1.0
Bolivia	13	56.6	1.9	58.5	46.3	1.3	47.6	46.3	1.3	47.6
Brazil	30	175.3	18.5	193.8	92.7	13.0	105.7	87.9	13.0	100.9
Chile	17	69.3	30.3	99.7	53.3	24.1	77.4	53.3	24.1	77.4
Colombia	15	73.2	12.9	86.0	48.0	9.5	57.5	48.0	9.5	57.5
Costa Rica	11	50.0	1.5	51.5	42.3	0.5	42.8	42.3	0.5	42.8
Dominican Republic	9	55.6	0.0	55.6	26.9	0.0	26.9	26.9	0.0	26.9
Ecuador	13	56.3	2.5	58.8	32.3	1.8	34.1	24.3	1.8	26.1
El Salvador	5	13.8	4.5	18.3	13.7	2.0	15.7	5.3	2.0	7.3
Guatemala	9	51.1	0.5	51.6	22.1	0.0	22.1	18.9	0.0	18.9
Guyana	2	3.3	0.0	3.3	0.8	0.0	0.8	0.8	0.0	0.8
Haiti	1	1.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Honduras	13	60.6	1.0	61.6	31.4	0.0	31.4	24.8	0.0	24.8
Jamaica	8	39.3	1.5	40.8	15.6	0.0	15.6	5.6	0.0	5.6
Mexico	28	128.0	45.3	173.2	57.8	27.3	85.1	50.9	19.8	70.7
Nicaragua	9	29.8	1.4	31.2	23.0	0.9	23.9	22.6	0.9	23.5
Panama	6	30.0	0.0	30.0	30.0	0.0	30.0	30.0	0.0	30.0
Paraguay	7	26.6	0.0	26.6	21.9	0.0	21.9	20.6	0.0	20.6
Peru	23	121.8	10.8	132.6	66.8	4.5	71.3	65.9	4.5	70.3
Regional	31	106.2	153.0	259.2	18.1	110.5	128.6	12.9	87.4	100.2
Trinidad and Tobago	4	17.5	2.8	20.3	9.6	0.6	10.2	9.6	0.6	10.2
Uruguay	13	59.6	6.2	65.8	38.5	6.0	44.6	31.0	6.0	37.1
Venezuela	11	56.8	4.7	61.5	29.5	0.0	29.5	28.3	0.0	28.3
Total	**310**	**1,435.1**	**314.3**	**1,749.5**	**833.6**	**210.8**	**1,044.4**	**769.2**	**180.2**	**949.4**

* Includes operations under agency lines

** Includes other financing facilities

Developmental Investment Activities

Sources of funding

The IIC has several sources of funding: paid-in capital, borrowings, income on investment of liquid assets, and amounts received upon the sale of investments or the repayment of loans. The IIC's capacity to make loans and equity investments is a function of its paid-in capital and borrowings; borrowings are limited by the Charter to three times paid-in capital.

- *The IIC funds up to 33 percent of the cost of greenfield projects and up to 50 percent of the cost of expansion projects.*
- *Terms range from five to twelve years and include an appropriate grace period.*

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

The IIC also makes equity investments of up to 33 percent of the investee company's capital. At the end of the investment period, the IIC sells its shareholding. Possible exit mechanisms include sale on the local stock market, private placement with interested third parties, and sale to the project sponsors under a prenegotiated share purchase agreement. The IIC also invests in equity capital funds whose operations have a positive developmental impact in the region. Doing so makes efficient use of the IIC's equity resources to reach many more small and medium-size companies. Working through equity funds also promotes mobilization of capital by bringing in other institutional investors. The IIC may make quasi-equity investments as well.

The IIC target market comprises companies with sales of up to $35 million. But the IIC does work selectively with companies whose sales exceed $35 million.

The IIC's target market comprises companies with sales of up to $35 million. However, the IIC works selectively with companies having sales in excess of $35 million. On a limited basis, the IIC also finances joint venture companies. While profitability and long-term financial viability are prerequisites for IIC financing, other selection criteria the IIC will consider are related to the company's impact on factors that further economic development.

The IIC also provides funding to all types of financial institutions that serve the small and medium-size company market. Eligible institutions include, but are not limited to, commercial banks, leasing companies, finance companies, and specialized financial service companies.

Summary of developmental investment activities in 2003

Direct operations

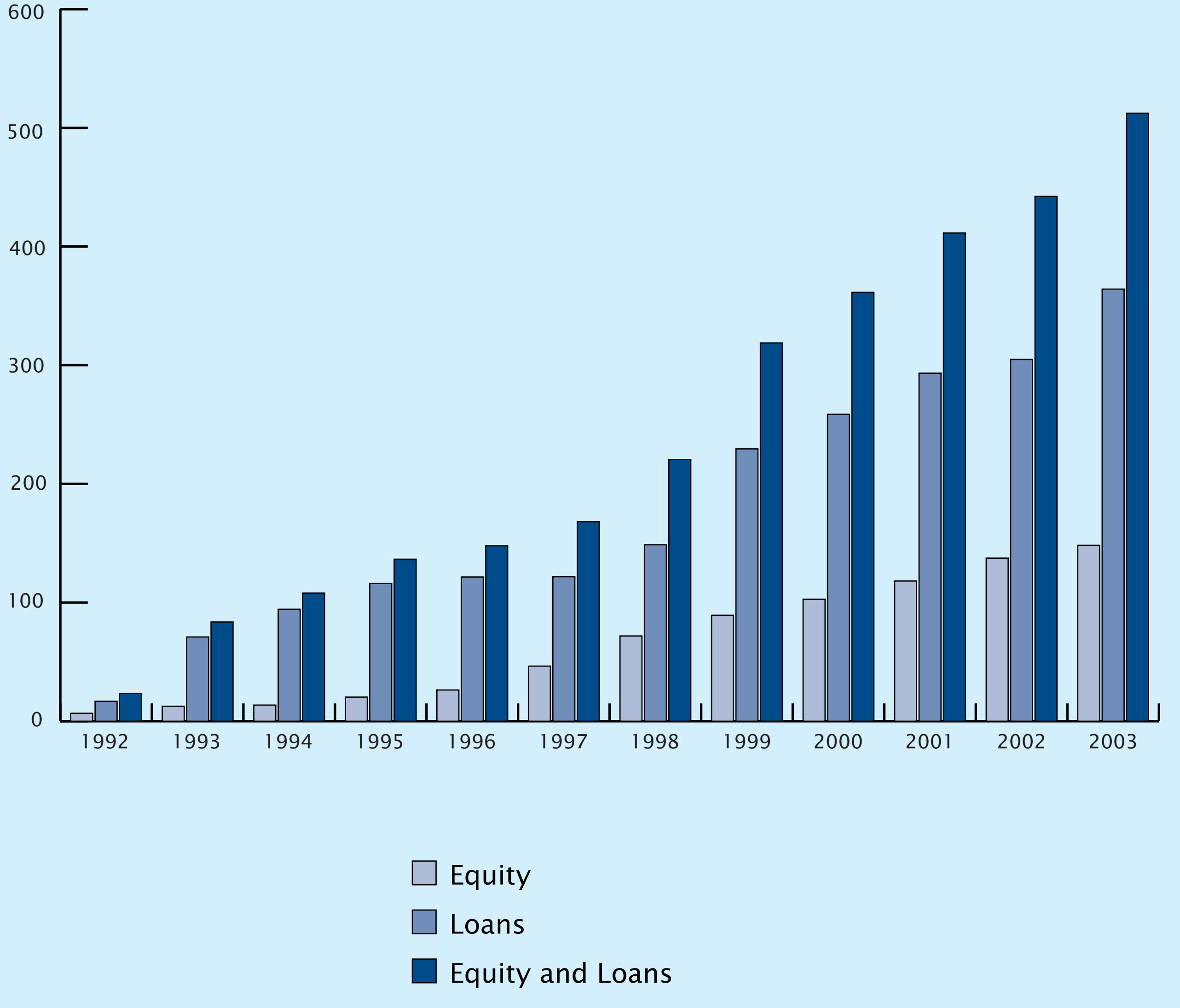
The year's operations are set out in a format that reflects the complete impact of the IIC's financing activities. In addition to direct project approvals, there is information on the subloans, subinvestments, and cofinancing operations approved in 2003 that, through financial intermediaries, substantially leverage the resources provided directly by the IIC. Also provided are figures on procurement opportunities for borrowing and nonborrowing countries ($114 million in 2003).

The operations described below[11] are for loans and programs totaling $193.7 million. This year's three cofinanced loans will mobilize an additional $125 million in funding, further leveraging the resources available for the region's small and medium-size companies.

11. Operations through agency lines are set in *italics*.

Disbursed Funding through Investment Funds and Financial Intermediaries, 1992–2003

(US$ millions)



Regional

Loan: $60 million
Subloans: $2 million to $10 million

The Board of Executive Directors approved a joint debt facility with Compañía Española de Financiación del Desarrollo S.A. (COFIDES) to provide long-term loans to small and medium-size private joint venture companies located in IIC Latin American and Caribbean member countries. The joint ventures will be between shareholders from IIC member countries, both regional and nonregional. COFIDES is a Spanish development corporation that contributes to the economic development of emerging and developing countries.

The IIC funds will be used to modernize or expand operations and to improve the efficiency, productivity, and competitiveness of these enterprises in the national and international markets. The joint ventures will be operating in the industrial, manufacturing, construction, chemical, tourism, agribusiness, and service sectors or in an activity that contributes to the generation of foreign exchange. The funding from the IIC will reach at least six and up to thirty small and medium-size joint venture companies through this debt facility.

Barbados

Credit facility: up to $3 million
Maximum subloan: $1 million

A loan to Caribbean Financial Services Corporation (CFSC) will enable this company to provide financing to small and medium-size enterprises in Barbados, Guyana, and Trinidad and Tobago requiring loans to meet their permanent working capital needs.

The IIC will thus help a small Barbados company establish a permanent working capital financing program for small and medium-size companies, a sector that is underserved by the commercial banking system. At the same time, the program will help this company strengthen its presence in the market.

Between twelve and fifteen small and medium-size enterprises are expected to benefit from the operation, whose demonstration effect should bring other financial institutions to increase their lending to this market segment.

Bolivia

Loan: $4 million
Project cost: $11.9 million

Import-Export América Russ Ltda. (Refinería Oro Negro) in Bolivia will use a loan from the IIC to increase its crude petroleum processing capacity and extend its product line to include gasoline. The project includes installation of a new crude processing unit and a catalytic reforming unit. The funding from the IIC will enable Oro Negro to substitute a portion of Bolivia's diesel fuel imports, thus contributing to foreign exchange savings. All of the company's shareholders are Bolivian nationals.

Brazil

A Loan: $10 million
B Loan: $35 million
Minimum subloan: $200,000

In the region's current economic climate, one of the most pressing needs is access to sources of trade finance that will preserve the viability of export companies that in turn will help stimulate domestic economies. It is in this context that the Board of Executive Directors approved a loan to Banco Safra S.A. in Brazil; the IIC will provide up to $10 million of the total amount, and the remaining $35 million will come from international finance institutions that participate

Countries of Origin and Aggregate Procurement, 1989–2003

(US$000)

Argentina	289,148
Austria	358
Bahamas	2,612
Barbados	3,000
Bolivia	10,252
Brazil	177,438
Chile	135,458
Colombia	24,493
Costa Rica	69,458
Denmark	8,038
Dominican Republic	30,043
Ecuador	21,037
El Salvador	14,697
Finland	2,240
France	12,717
Germany	73,249
Guatemala	49,241
Guyana	600
Honduras	56,431
Israel	11,467
Italy	43,987
Jamaica	4,940
Japan	17,230
Mexico	99,254
Netherlands	35,084
Nicaragua	23,043
Norway	7,521
Panama	13,652
Paraguay	5,297
Peru	70,078
Regional	14,530
Spain	18,631
Sweden	677
Switzerland	11,658
Trinidad and Tobago	1,000
United States	396,080
Uruguay	63,371
Venezuela	37,281
Total	**1,855,289**

in IIC's cofinancing program. The proceeds will be used to provide trade finance for Brazilian companies (including pre- and post-export financing and import financing). It is expected that between eighty and one hundred small and medium-size enterprises will benefit from this operation.

A Loan: $15 million
B Loan: $85 million

The Board of Executive Directors approved an A loan of up to $15 million and a B loan of up to $85 million to Banco Rabobank International Brasil S.A. to help a larger number of small and medium-size companies have access to credit for purchases of goods and services from large corporations.

The loan proceeds will be used to finance the acquisition by the bank of 100 percent of the senior quotas of a receivables investment fund—Fundo de Investimento em Direitos Creditórios—set up to acquire discounted receivables issued by certain companies that finance small and medium-size enterprises. Through this transaction, the IIC will support the development of a mechanism that allows small financial institutions to purchase accounts receivable from small agribusiness enterprises.

The operation will make it possible to finance between 70,000 and 100,000 small and medium-size companies in Brazil. The project will encourage other financial institutions and players in the capital markets to use this form of financing and use instruments that can help develop local capital markets.

A Loan: $3 million
B Loan: $5 million
Project cost: $16.2 million

A loan to Usina Maracaju, S.A. will enable this company to increase its sugar and alcohol production capacity and match the efficiency and productivity levels of leading companies in the industry. The project involves implementing technology upgrades in different parts of the milling process, and the expansion and construction of lodging for the company's agricultural workers during the harvest season.

The funding from the Corporation will help Maracaju undertake an expansion project drawing on Brazil's comparative advantages in the production of sugar and alcohol, and compete more effectively in the global marketplace.

The project will generate 310 direct jobs, including 290 new jobs for agricultural workers, benefiting low-income families. The project is also expected to generate $38.7 million in net foreign currency revenue.

Chile

Loan: $9 million
Project cost: $18.3 million

The Board of Executive Directors approved a loan to Agrícola Millahue Ltda. and Agrícola Trallay Ltda. to provide funding for fruit plantations (mainly apples), quality control programs, and the development of new nurseries, as well as contributing to permanent working capital for pre- and post-harvest expenses.

With this project, the IIC will be supporting the agricultural export sector in Chile, which has become a worldwide leader due to its comparative and competitive advantages in apple and other fruit production. IIC financing will allow the companies to consolidate their efforts to gain a competitive position similar to that of the large international corporations and compete on equal terms with exporters of other countries in the Southern Hemisphere. This financing will make possible the creation of approximately 1,100 jobs during the harvesting seasons and will enable a medium-size company to ensure its operational and financial stability.

Costa Rica

Loan: up to $5 million
Average lease: $35,000

One of the most profitable ways for the IIC to reach its target market consists of providing support to financial institutions funding small and medium-size enterprises. With one single operation, IIC will reach a larger number of private companies, while ensuring that its resources will be used according to IIC's own guidelines and business strategies.

A loan to Arrendadora Interfin, the oldest and largest financial leasing firm in Costa Rica, will enable the IIC to provide access to long-term financing for some 430 small and medium-size Costa Rican enterprises in the export business that need to purchase equipment to improve their productivity, and to complement local funding.

The operation will support the development of a financial instrument that will enable small and medium-size enterprises to reduce their capital needs and manage their asset risk. Financial leasing in Costa Rica has provided greater access to resources aimed at increasing asset investments, both in the private sector and within public institutions.

Loan: $1.25 million
Project cost: $3.9 million

The Board of Executive Directors approved a loan to Piñales de Santa Clara S.A. under an agency line agreement between the Latin American Agribusiness Development Corporation and the IIC.

The project involves expanding a pineapple plantation for the export markets. It consists of the acquisition, development, and planting of a 170-hectare pineapple plantation, as well as working capital requirements.

The expansion project should create forty permanent positions once finalized. The Piñales de Santa Clara operation currently contributes $8.5 million per year in foreign exchange to Costa Rica through its fresh pineapple exports. The foreign currency to be generated as the result of the loan will amount to $800,000 per year.

Ecuador

Loan: $5 million
Subloans: $10,000 to $100,000

An IIC loan to Banco Bolivariano C.A. will help provide financing to small and medium-size Ecuadorian companies for foreign trade operations, including exports and imports, as well as for working capital related to export and import activities.

The loan will enable the IIC to provide financing to a significant number of small and medium-size exporters that have difficulty accessing trade or operations financing lines. The facility will increase exports by small and medium-size Ecuadorian enterprises, increasing the inflow of foreign exchange that the economy requires. It is expected that at least fifty small and medium-size enterprises will benefit from this transaction.

Loan: up to $7 million
Maximum subloan: $1 million

An IIC loan will go to Banco de la Producción, S.A. (PRODUBANCO) for providing trade finance for small and medium-size enterprises in Ecuador. The operation will include pre- and post-export financing and loans for working capital related to export activities.

It is expected that the loan will benefit between eighty and one hundred small and medium-size exporters in Ecuador, boosting economic growth and increasing the flow of foreign exchange to the economy. Beneficiary companies must comply with the IIC's environmental and occupational health and safety standards and with local labor regulations.

Loan: up to $8 million
Project cost: $16 million

The Corporation granted a loan to Agrícola Ganadera Reysahiwal S.A., a midsize Ecuadorian company in the dairy industry, for an expansion project involving the creation of twenty jobs. The project includes civil works and machinery purchases aimed at increasing production from 70,000 liters of milk per day to 130,000 liters. New packaging equipment that will increase the production of yogurt will also be purchased, as well as filters for cheese production. These measures are also expected to improve the quality of the processed products.

The project includes improvements in the productivity of the suppliers, some 600 small, family-owned cattle ranches, thanks to funding that will be granted for the purchase of quality fertilizers, seeds, and livestock, as well as the provision of technical assistance and advisory services.

In addition, the company will implement a distribution system by means of refrigerated trucks that will be provided to the seventy-seven current independent distributors through a funding plan managed by Reysahiwal. Last, the project includes refinancing of some $3 million in short-term debt with local banks.

El Salvador

Loan: up to $5.4 million
Project cost: $10.2 million

The Board of Executive Directors approved a loan to Sigma, S.A. for an expansion project that consists of financing permanent working capital and upgrading and expanding several Sigma divisions through investments in new machinery to improve product quality and provide production flexibility. Sigma prints, designs, and manufactures corrugated cardboard packaging, plastic containers, and flexible packaging.

This project also includes the final stage of the implementation of a new management information system that will allow for better inventory and overall control of the business cycle. Sigma seeks to gain market share in regional markets while maintaining its market share in Central America. The modernization project will enable the company to meet the high-volume demand from key clients for specific high-quality products. It will generate $31.9 million in net foreign exchange during the first ten years and create ten jobs.

Guatemala

Loan: up to $5 million
Project cost: $17.6 million

Tejas Cerámicas Maya, S.A. (MACEROTI) will use an IIC loan to build and operate a plant that will manufacture ceramic roofing tiles, wall blocks, and extruded paving blocks. Production will target the Guatemalan and Central American markets.

Through this operation, the IIC will be supporting small and medium-size Guatemalan companies that operate in the construction and export sectors, because MACEROTI will increase the supply of ceramic products in Central America and subsequently target markets on the east coast of the United States of America and in Mexico.

The project is expected to create some eighty-four direct jobs and generate $20.4 million in foreign exchange over the life of the project.

Honduras

Loan: up to $3.7 million
Project cost: $9.8 million

The Board of Executive Directors approved a loan to Aqua Corporación de Honduras, S.A. for an expansion project that aims to increase the annual production of fresh tilapia biomass. It will require building new fish ponds and expanding the company's processing and packaging capacity, as well as additional working capital. The project also contemplates the construction of a fish rendering plant that will enable the company to process all the fish waste into fishmeal.

With this operation, the IIC will support a fairly new industry in Honduras, fully oriented to the export markets, thus generating a flow of foreign exchange into the country from a nontraditional source of exports. The expansion project will create 200 direct jobs and numerous indirect jobs related to growing and exporting fresh tilapia.

The Corporation's participation in the project will allow the expansion of a small company in need of long-term financing to compete effectively in the international marketplace.

Loan: $4.5 million
Project cost: $31.7 million

A loan to Caracol Knits, S.A. de C.V., a textile manufacturer, will be used for investments that will increase the company's production capacity by more than 100 percent. Caracol Knits is recognized as a model company in the Honduran textile industry, and this project financed by the IIC will also allow the company to add more value to traditional *maquila* operations.

With this project the IIC will be supporting the textile sector in Honduras, generating more than 800 direct jobs and substantial foreign exchange earnings for the economy. In addition, the project will foster technology transfer and acquisition of know-how by the local workforce. The IIC's participation will also make it possible to expand the water treatment plant to handle the increased plant capacity in compliance with the IIC environmental guidelines.

Jamaica

Loan: $10 million
Average subloan: less than $1 million

RBTT Bank Jamaica Limited will use an IIC loan to provide financing for small and medium-size enterprises in Jamaica that require long-term funds for acquiring fixed assets or machinery, or for working capital. This operation is expected to benefit ten to twelve small and medium-size companies, thus contributing to the development of the private sector in Jamaica.

Loan: up to $10 million
Project cost: $53.8 million

The Board of Executive Directors approved a loan to Sunset Beach Resort & Spa Hotel Limited, an all-inclusive resort hotel in Jamaica, for a project involving the purchase of new property and the expansion and modernization of the existing facilities. Sunset Beach currently represents 2.6 percent of all the hotel rooms available in Jamaica, and the expansion project is expected to increase this share to 4 percent.

The funding will allow the company to expand to the Negril area, one of the most popular tourist destinations in the Caribbean. In addition, the company expects to achieve substantial economies of scale and to strengthen its market position as the largest independently owned hotel on the island.

By supporting this project, the Corporation will favor the flow of foreign currency into Jamaica, because 96 percent of the company's income is in U.S. dollars.

Mexico

Loan: $1 million
Project cost: $1 million

Instituto Superior Autónomo de Occidente, A.C. (UNIVA II) is a non-profit educational institution in central Mexico with more than forty years of experience in the sector. UNIVA targets the middle and working classes, offering flexible, convenient class schedules for people who work. It operates in three of the five states with the lowest school attendance in Mexico.

UNIVA will use an IIC loan to purchase laboratory equipment, computers, and some vehicles for transporting teachers to other campuses or to corporate programs, thus supplementing the project financed by the IIC in 2002 that helped finance buildings, a library, and equipment at some of UNIVA's campuses.

Thousands of students will benefit from the new services resulting from this project. At the beginning of 2003, UNIVA had 12,046 students; by 2010 the student body is expected to exceed 21,700. In 2002, 2,283 students benefited from the scholarship program.

Guarantees: $20 million
Maximum per beneficiary: $200,000

The IIC signed an agreement for a guarantee program for supply chain financing with Nacional Financiera S.N.C. (NAFINSA), Mexico's largest development bank and leader in providing financing to small enterprises that supply goods and services to public sector agencies and first-tier private companies.

The program will channel up to $200,000 per beneficiary to small suppliers of first-tier companies operating in a variety of productive sectors throughout Mexico, thereby benefiting enterprises that generate employment and produce goods that are essential for the economy in a number of regions.

It is expected that the guarantee program will reach between 500 and 800 beneficiaries throughout its projected seven-year life. The program is expected to contribute to the creation of between 2,500 and 4,000 jobs, generate annual export revenue valued between $15 million and $25 million, and contribute between $100 million and $150 million annually to Mexico's gross domestic product. The participation of local financial institutions will mobilize five dollars for each dollar provided by the IIC.

Program: up to $10 million
Subloans: $5,000 to $50,000
Project cost: $15 million

This program for financing small farm enterprises that supply milk to Nestlé México, S.A. de C.V. was structured jointly with Nestlé and a local financial institution. The latter two will handle the operational side of the program. Nestlé will act as program administrator, collection and identification agent, and member of the evaluation committee. The local financial institution will be the trustee, and all of the IIC's loans to small farm enterprises will be channeled through the trust. Once the loans are negotiated and approved, the IIC will assume direct exposure to each beneficiary. The initial funding for the pilot program is $10 million; the subloans will not exceed $50,000 per company. Through the program, the IIC expects to provide direct funding to some 300 to 600 small dairy producers throughout Mexico. This ten-year program will mean long-term sustainability and continuing support for the small producers. Conservative estimates indicate that the program will generate an average of at least two jobs per loan/ farmer in this labor-intensive industry. In addition, the program will save foreign exchange expenditures valued at $10 million to $15 million per year and will contribute between $25 million and $35 million per year to Mexico's gross domestic product.

Panama

Loan: $10 million
Subloans: $10,000 to $2 million

A loan to Primer Banco del Istmo, S.A. (BANISTMO) will help provide financing to small and medium-size Panamanian, Costa Rican, and Honduran companies for import and export operations, including working capital related to export and import activities.

The IIC funds will support the revitalization of manufacturing industries, which will result in increased production and employment. It will also provide financing for the acquisition of raw materials, spare parts, and other imported production factors and generate foreign exchange by continuing to produce and export goods. It is expected that 140 to 160 companies will benefit from this operation.

Paraguay

Loan: up to $1 million
Maximum subloan: $100,000

The Board of Executive Directors approved a loan for Banco Regional, S.A. to provide financing for working capital to small and medium-size farming businesses in Paraguay. The funds will be used to finance purchases of planting and harvesting supplies by soybean and wheat producers in short cycles, so that the beneficiaries can repay the loans with the proceeds from their harvests.

With this operation, the IIC will help a small Paraguayan regional bank establish a funding program for permanent working capital targeting small and medium-size agribusiness companies. This sector is currently underserved by the commercial banking system. At the same time, the IIC will promote the channeling of funds toward the permanent working capital needs of small and medium-size enterprises. This is expected to have a demonstration effect in the system, leading other financial institutions to increase their financing activities in this market segment.

Peru

Loan: $2.8 million
Project cost: $8.5 million

American Quality Aquaculture, S.A. is a newly established company that plans to set up a superintensive managed tilapia farm complex capable of harvesting all year long, thanks to an innovative system that relies on massive water exchange supplied by gravity, taking advantage of the topography of the site, and clearly oriented toward the export market.

The project includes the construction of the tilapia farm, the pumping station, laboratory and storage facilities, and the construction of the processing plant and the purchase of its machinery and equipment.

The company envisions the creation of 140 jobs in an economically depressed region of the country that will help reactivate the economy of northern Peru.

Loan: up to $5.5 million
Project cost: $11 million

A loan to IQF del Perú, S.A. and Sociedad Agrícola Tacaraca, S.A. will be used for an expansion project that consists of increasing these companies' planting and processing capacities and building and equipping a canning facility. The funding will enable IQF to increase its yearly exports by 80 percent.

This project involves the purchase of approximately 390 hectares of farmland in the Ica Valley to be used for growing asparagus, artichokes, and avocados, thus increasing the supply of company-grown produce. The IIC funds will also be used for the installation of a new IQF (Individual Quick Frozen) tunnel in one of the company's processing plants and for building and equipping a canning facility adjacent to this processing plant. The project will also increase the company's frozen product storage capacity and permit the installation of irrigation systems at the new farms.

By supporting this project, the IIC will make it possible to create 630 jobs in Ica and surrounding communities, improving the local standard of living. It will also increase the production capacity for products that have shown a significant increase in demand. Because all of these products are sold abroad, the foreign currency generation capacity will increase from a total of $12.7 million per year to nearly $20.7 million per year as a result of this project.

Uruguay

Loan: $4.5 million
Project cost: $12.2 million

A loan to Zonamerica, S.A. will support the expansion of Uruguay's highly competitive office and technology park service sector in the Mercosur area. The financing from the IIC will help the company capitalize on Uruguay's comparative advantages such as location, availability of skilled labor, and infrastructure.

This project will enable domestic and foreign companies to establish operations in Uruguay, bringing in modern management practices and state-of-the-art technology in areas such as software production and biotechnology, as well as in the shared services and financial services industries. This long-term financing will lead to the creation of 1,100 jobs in the park, in addition to 300 jobs during construction. The cost of the project entails an increase in office and laboratory space and investments in complementary technology, services, and infrastructure to improve the services provided and meet the demand generated by the increased capacity of the park.

Transactions through investment funds

The IIC channels its equity capital primarily through private equity funds in which it is a partner. The objectives of the IIC's private equity fund program are as follows:

- to maximize value-added to small and medium-size companies in the region by working through experienced, hands-on fund managers;
- to promote the flow of long-term capital to the region and the private equity asset class to other institutional investors; and
- to minimize its own portfolio risk through diversification.

Since 1989, the IIC has approved twenty-eight investments in equity funds for a total of $166 million. These funds have an aggregate capitalization of $1.87 billion. The IIC has disbursed a total of $100 million to 183 companies in 19 countries in the region through investment funds.

There are currently twenty-five active funds in the Corporation's portfolio, with commitments totaling $144 million. Set forth below are summaries of the projects that received IIC funding in 2003 through the following investment funds: Advent Latin America II, Aureos Central American Fund, Caribbean Basin Power Fund, CEA Latin America Communications Partners, and Negocios Regionales.

Amount invested by the fund: $8.79 million
IIC participation in the investment: $326,000
A company that is participating in the Terminal 2 expansion of the Mexico City Airport.

Amount invested by the fund: $5.4 million
IIC participation in the investment: $200,000
An additional investment in an information technology company in Mexico that provides applications, systems integration, advisory, and data management services.

Amount invested by the fund: $5.27 million
IIC participation in the investment: $351,550
A 76-megawatt, heavy fuel oil-fired speed diesel plant in Jamaica built in 1995.

Amount invested by the fund: $3.35 million
IIC participation in the investment: $520,000
An investment in a Mexican advertising and billboard company.

Amount invested by the fund: $2 million
IIC participation in the investment: $615,384
A Chilean company that produces and distributes chemicals for the mining and construction industries.

Amount invested by the fund: $1.9 million
IIC participation in the investment: $158,205
A Costa Rican company that processes and roasts coffee and has a market share in excess of 20 percent.

Amount invested by the fund: $1 million
IIC participation in the investment: $115,340
An additional investment in a telecommunications company in Mexico that creates, develops, maintains and operates the infrastructure to provide interconnection and services in areas such as telephony, data transmission, cable television, and other value-added services.

Subloans made by local financial intermediaries

Local financial intermediaries drawing on loans to them from the IIC can make smaller loans to smaller companies than the IIC could do directly. Such lending also has a significant multiplier effect, because the borrowing institutions are required to reinvest subloan proceeds as they are paid off. Since 1989, the IIC has approved ninety-two loans to local financial intermediaries for a total of $592 million. These financial intermediaries have in turn made subloans for a total of $678 million to more than 3,729 small and medium-size companies in Latin America and the Caribbean. Summarized below are the projects that received IIC funding through financial intermediaries in 2003.

Total subloans in 2003: 1, for $714,000

Banco Improsa Costa Rica provides international trade-related services. It is using a $6 million loan received from the IIC in 2000 to meet the demand for dollar-denominated long-term loans to small and medium-size companies in Costa Rica.

Total subloans in 2003: 1, for $140,000

Banco Popular Dominicano received a $10 million A loan and a $19 million B loan from the IIC in 2000. The funds are being used to provide financing to small and medium-size Dominican companies, mainly exporters.

Total subloans in 2003: 36, for $3.6 million

América Leasing in Peru received a $5 million loan in 2002. The loan is being used to provide financing to small and medium-size companies via medium- and long-term financial leases for modernization and/or expansion projects in Peru.

Total subloans in 2003: 1, for $1.3 million

Suleasing has a leasing operation in Colombia and other Latin American countries. Suleasing signed a loan commitment of $10 million in 2002.

Total subloans in 2003: 5, for $2 million

A $2 million loan to Banco Interamericano de Finanzas (BIF) was signed in February 2003 to provide financing to small and medium-size companies in Peru.

Total subloans in 2003: 11, for $10 million

A $10 million loan to Banco de Bogotá was signed in July 2003 to provide financing to small and medium-size companies in Colombia.

Total subloans in 2003: approximately 14, for $7 million

A $7 million trade finance loan agreement with Banco de la Producción, S.A. (Produbanco) was signed in August 2003. The proceeds will be used to provide financing to small and medium-size Ecuadorian companies for foreign trade export and import operations and for working capital related to export and import activities. The loan from the IIC will make it possible to finance transactions ranging from $10,000 to $1 million. The transactions will have an average term of 90 to 180 days.

Total subloans in 2003: approximately 10, for $10 million

A $10 million loan to Banco del Istmo, S.A was signed in September 2003 to provide financing to small and medium-size companies in Panama, Honduras, and Costa Rica for trade-related transactions. The IIC loan will make it possible to finance operations in amounts ranging from $10,000 to $2 million. The transactions will have an average term of 90 to 180 days.

Total subloans in 2003: approximately 50, for $10 million

Banco Safra in Brazil is going to use these funds to expand its trade finance activities with small and medium-size enterprises. The loan was signed in October 2003 for up to $10 million. The loan will make it possible to finance operations of a minimum of $200,000 with repayment terms averaging from 90 to 180 days.

Financial Statements

Report of Independent Accountants

Board of Governors
Inter-American Investment Corporation

In our opinion, the accompanying balance sheets and the related statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of the Inter-American Investment Corporation at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Washington, D.C.
February 10, 2004

Balance Sheets

December 31, 2003 and 2002 (US$ thousands)

	2003	2002
ASSETS		
Cash and Cash Equivalents	$ 19,110	$ 19,859
Marketable Securities	65,841	57,707
Investments		
Loan Investments	306,314	268,827
Less Allowance for Losses	(45,264)	(45,702)
	261,050	223,125
Equity Investments	112,364	114,090
Less Allowance for Losses	(41,177)	(41,146)
	71,187	72,944
Mortgage-backed Securities	—	4,816
Total Investments	332,237	300,885
Receivables and Other Assets	9,001	6,788
Total Assets	**$ 426,189**	**$ 385,239**
LIABILITIES AND EQUITY		
Accounts Payable and Other Liabilities	$ 6,651	$ 17,868
Interest and Commitment Fees Payable	2	482
Borrowings	80,000	85,000
Total Liabilities	**$ 86,653**	**$ 103,350**
Capital		
Authorized: 70,370 shares (Par $10,000)		
Subscribed Shares	696,320	691,560
Less Subscriptions Receivable	(307,925)	(358,635)
	388,395	332,925
Accumulated Deficit	(48,859)	(51,036)
Total Liabilities and Equity	**$ 426,189**	**$ 385,239**

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

Statements of Income and Retained Earnings

For the years ended December 31, 2003 and 2002 (US$ thousands)

	2003	2002
INCOME		
Marketable Securities	$ 1,284	$ 1,706
Loan Investments		
Interest	11,878	12,100
Commitment Fees	348	385
Front-End Fees	676	983
Other Loan Investment Income	527	619
	13,429	14,087
Equity Investments		
Gain on Sale of Equity Investments	886	539
Dividends	1,561	1,165
Other Equity Investment Income	109	472
	2,556	2,176
Mortgage-backed Securities		
Interest	339	614
Gain (loss) on Mortgage-backed Securities	1,315	(1,829)
	1,654	(1,215)
Advisory Service, Cofinancing, and Other Income	3,032	2,110
	$ 21,955	**$ 18,864**
EXPENSES		
Administrative	15,461	16,012
Provision for Loan and Equity Investment Losses	(515)	44,480
Loss (gain) on Derivative	1,906	(2,524)
Borrowing	2,926	2,012
	19,778	**59,980**
NET INCOME (LOSS)	**2,177**	**(41,116)**
ACCUMULATED DEFICIT AT BEGINNING OF YEAR	**(51,036)**	**(9,920)**
ACCUMULATED DEFICIT AT END OF YEAR	**$ (48,859)**	**$ (51,036)**

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

Statements of Cash Flows

For the years ended December 31, 2003 and 2002 (US$ thousands)

	2003	2002
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Disbursements	$ (97,830)	$ (64,555)
Equity Disbursements	(10,780)	(19,276)
Mortgage-backed Security Disbursements	(2,290)	(3,921)
Loan Repayments	57,726	55,667
Sales of Equity Investments	3,750	2,000
Return of Capital from Closed-end Investments	4,202	3,972
Mortgage-backed Security Repayments	8,421	1,614
Proceeds from Recovered Assets	7,280	679
Net cash used in investing activities	**$ (29,521)**	**$ (23,820)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of Borrowings	50,000	50,000
Repayment of Borrowings	(55,000)	(70,000)
Capital Subscriptions	55,470	52,900
Net cash provided by financing activities	**$ 50,470**	**$ 32,900**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	2,177	(41,116)
Marketable Securities:		
Purchases	(63,653)	(28,299)
Sales, Maturities, and Repayments	55,000	21,055
	(8,653)	(7,244)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Provision for loan and equity investment losses	(515)	44,480
Change in receivables and other assets	(2,213)	(2,726)
Change in accounts payable and other liabilities	(11,217)	11,549
Change in interest and commitment fees payable	(480)	458
(Gain) loss on mortgage-backed securities	(1,315)	1,829
Unrealized loss (gain) on marketable securities	518	(27)
	(15,222)	55,563
Net cash (used in) provided by operating activities	(21,698)	7,203
Net (decrease) increase in cash and cash equivalents	(749)	16,283
Cash and cash equivalents at beginning of year	19,859	3,576
Cash and cash equivalents at end of year	**$ 19,110**	**$ 19,859**
Supplemental disclosure:		
Interest paid during the year	2,426	$ 1,377

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

Notes to the Financial Statements
December 31, 2003 and 2002

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, 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 only 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).

NOTE A—Summary of Significant Accounting and Related Policies
The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States of America (US GAAP).

Financial statements presentation—Certain amounts in the prior year have been reclassified to conform to the current year's presentation.

Use of estimates—The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting periods. Actual results could differ from these estimates. A significant degree of judgment has been used in the determination of the adequacy of the allowance for losses on loan and equity investments, and the fair value of mortgage-backed securities and of all derivative instruments. 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. Refer to additional discussion under Allowance for losses on loan and equity investments below.

Cash and cash equivalents—Highly liquid investment instruments purchased with original maturities of three months or less are considered cash equivalents.

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

Loan and equity investments—Loan and equity investments are committed when the loan or equity agreement is signed and are recorded as assets when disbursed. Loans are carried at the principal amounts outstanding adjusted for allowance for losses. It is the Corporation's practice to obtain collateral security such as, but not limited to, mortgages and third-party guarantees. Equity investments without a readily determinable market value are initially carried at cost. This carrying amount, as described below, is periodically reviewed and adjusted for impairments. Investments in equity investment funds are reflected in Equity Investments and are recorded at the most recent net asset value as of the end of each period. On occasion

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the Corporation enters into put option agreements in connection with equity investments. As part of the ongoing compliance with Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 138, Accounting for Certain Derivatives and Certain Hedging Activities—an amendment of FAS 133* (collectively SFAS No. 133), the Corporation has determined that these put options do not meet the criteria of a derivative and as such, no recognition of fair value in the balance sheet is necessary.

Allowance for losses on loan and equity investments—The Corporation recognizes portfolio impairment in the balance sheet through the allowance for losses on loans and equity investments, recording a provision or release of provision for losses on loans and equity investments in net income on a monthly basis, which increases or decreases the allowance for losses on loan and equity investments. Investments written off, as well as any subsequent recoveries, are recorded through the allowance account. The allowance for losses is maintained at a level that, in management's judgment, is adequate to absorb estimated losses in the loan and equity portfolio and adequately reflects the risk of loss in the Corporation's portfolio.

The allowance for losses on loans and equity 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 judgment of the creditworthiness of the borrower or the value of the company invested in and is established through the periodic review of individual loans and equity investments. Management's judgment is based on the risk ratings and performance of individual investments, the size and diversity of the Corporation's portfolio, economic conditions, and other factors considered significant by management.

The 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. The allowance against losses for impaired loans represents management's judgment of the present value of expected future cash flows discounted at the loan's effective interest rate or cash flows resulting from collateral values or other observable market data. The risks inherent in the portfolio that are considered in determining unidentified probable losses are those proven to exist by past experience and include country risk, the risk of correlation or contagion of losses between markets, nonperformance under sponsor guarantees and support agreements, and opacity of, or misrepresentation in, financial statements from clients.

Revenue recognition on loan and equity investments—Interest and all fees except front-end fees are recognized as income in the periods in which they are earned. Front-end fees and incremental direct costs associated with the origination of loan and equity investments are not amortized because the net is considered immaterial. The Corporation does not recognize income on loans where collectibility is in doubt or payments of interest or principal are past due more than 90 days. Under this past-due based nonaccrual policy, loans may be placed in nonaccrual status even when they may not meet the definition of impaired. Any interest accrued on a loan placed in nonaccrual status is reversed out of income and is thereafter recognized as income only when received and management has concluded that the borrower's ability to make periodic interest and principal payments has been demonstrated. Interest not previously recognized but capitalized as part of a debt restructuring is recorded as deferred income and credited to income only when the related principal is received. Such capitalized interest is considered in the computation of the allowance for losses on loans in the balance sheet.

Dividend and profit participations in equity investments are recorded as income when received. Capital gains on the sale or redemption of equity investments are recorded as income when received. Certain equity investments for which recovery of invested capital is uncertain are accounted for under the cost recovery method, such that cash received is first applied to recovery of invested capital and then to capital gains.

Investment in mortgage-backed securities—Investments in mortgage-backed securities are classified as trading and are carried at fair value in accordance with SFAS No. 115, *Accounting for Certain Instruments in Debt and Equity Securities (SFAS 115).* Changes in fair value and gains and losses are reported in gain or loss on mortgage-backed securities.

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Guarantees—In the year ended December 31, 2003, the Corporation began offering partial credit guarantees covering, on a risk-sharing basis, third party obligations on loans. Under the terms of the Corporation's guarantees, the Corporation agrees to assume responsibility for a third party's financial obligations in the event of default by the third party (i.e. failure to pay when payment is due). Guarantees are regarded as issued when the Corporation commits to the guarantee. This date is also the "inception" date of the guarantee contract. Guarantees are regarded as 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 liabilities associated with the guarantees: (1) the stand-ready obligation to perform, and (2) the contingent liability. The stand-ready obligation to perform is recognized at the commitment date unless a contingent liability exists at the same time or is expected to exist in the near term. 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. All liabilities associated with guarantees are included in payables and other liabilities at fair value, and the receivables are included in other assets on the balance sheet. When the guarantees are called, the amount disbursed is recorded as a new loan and specific reserves are established based on the estimated probable loss. These reserves are included in the allowance for losses on the balance sheet. Guarantee fees are recorded as income on an accrual basis over the term of the guarantee. See Note H for outstanding amount of guarantee.

Risk management and derivative instruments—The Corporation enters into transactions involving various derivative instruments for risk management purposes. These derivatives are designed to minimize the Corporation's interest rate and foreign exchange risks in respect of certain investments. As part of the ongoing compliance with SFAS No. 133, the Corporation uses internal models to determine the fair values of derivative financial instruments. The Corporation undertakes continuous review and respecification of these models with the objective of refining its estimates, consistent with evolving best market practices. Changes in estimates resulting from refinements in the assumptions and methodologies incorporated in the models are reflected in net income in the period in which the enhanced models are first applied. In accordance with the SFAS No. 133, as amended, the Corporation marks these derivatives to market and records them as assets and/or liabilities at the balance sheet date, with unrealized gains and losses reflected in earnings. No derivatives were outstanding as of December 31, 2003. Refer to Note C.

Resource mobilization—The Corporation mobilizes funds from commercial banks and other financial institutions (Participants) by facilitating loan participations, without recourse. These loan participations are administered and serviced by the Corporation on behalf of the Participants. The disbursed and outstanding balances of the loan participants are not included in the Corporation's balance sheet.

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

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

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

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

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

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

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

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

Mortgage-Backed Securities: In the absence of quoted market prices and an active market, the fair value of mortgage-backed securities is based on significant estimates made by management. See Note C.

Borrowings: The estimated fair value for fixed-rate borrowings is disclosed in Note F.

Accounting and financial reporting developments—During the year ended December 31, 2002, the Financial Accounting Standards Board (FASB) issued several new accounting standards: SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*; SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13*, and *Technical Corrections*; SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*; and SFAS No. 147, *Acquisitions of Certain Financial Institutions—an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9*. During the year ended December 31, 2003, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FAS No. 123*; SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*; and SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. None of these accounting standards are expected to have a material impact on the Corporation.

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others—an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34*. Upon issuance of a guarantee, FIN 45 requires the guarantor to recognize a liability for the fair value of the obligation it assumes under that guarantee. The disclosure provisions of FIN 45 are effective for financial statements of interim or annual periods that end after December 15, 2002. The provisions for initial recognition and measurement are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002, irrespective of a guarantor's year-end. The Corporation issued a small number of guarantees during the year ended December 31, 2003, and the adoption of FIN 45 had no material impact for the Corporation. Disclosures concerning guarantees, including those required by FIN 45, have been made in Note H.

On January 17, 2003, FASB issued FASB Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities—an interpretation of ARB No. 51*. FIN 46 is applicable immediately to all entities with variable interests in variable interest entities created after January 31, 2003; for the Corporation, FIN 46 is applicable beginning December 31, 2003, to any variable interests in a variable-interest entity created before February 1, 2003. The Corporation is currently in the process of evaluating the impact of FIN 46. The adoption of FIN 46 does not have any material impact for the Corporation.

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NOTE B—Marketable Securities

Components of marketable securities for the years ended December 31, 2003 and 2002 consist of (US$ thousands):

	2003	2002
Government and Agency Obligations	$ 42,383	$ 30,634
Asset-backed Securities	17,255	22,265
Corporate Securities	6,203	4,808
	$ 65,841	**$ 57,707**

Components of net income from marketable securities for the years ended December 31, 2003 and 2002 consist of (US$ thousands):

	2003	2002
Interest Income	$ 1,802	$ 1,592
Unrealized (Loss) Gain	(423)	27
Realized (Loss) Gain	(95)	87
	$ 1,284	**$ 1,706**

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NOTE C—Loan, Equity, and Mortgage-Backed Security Investments

The Corporation monitors the outstanding loan and equity portfolios for geographic concentration of credit risk. The Corporation's single largest exposure is designated as Regional, which consists primarily of multi-country private equity investment funds. At December 31, 2003, individual countries with the largest aggregate credit exposure to the Corporation included Chile, Brazil and Argentina (Argentina, Chile and Brazil—year ended December 31, 2002).

The distribution of the outstanding portfolio by country and by sectors as of December 31, 2003 and 2002 is as follows (US$ thousands):

	2003			2002		
	Loan	Equity	Total	Loan	Equity	Total
Regional	$ 7,821	$ 72,900	$ 80,721	$ 4,276	$ 70,131	$ 74,407
Chile	31,608	14,967	46,575	21,178	15,810	36,988
Brazil	30,414	7,909	38,323	24,567	9,163	33,730
Argentina	34,249	2,000	36,249	39,931	2,000	41,931
Mexico	24,485	10,945	35,430	17,338	12,371	29,709
Peru	23,879	—	23,879	15,946	—	15,946
Colombia	21,667	1,714	23,381	12,000	2,571	14,571
Panama	19,557	—	19,557	10,229	—	10,229
Costa Rica	17,466	—	17,466	17,530	—	17,530
Ecuador	17,257	—	17,257	5,760	—	5,760
Venezuela	16,403	—	16,403	16,068	—	16,068
Nicaragua	14,274	400	14,674	14,354	400	14,754
Honduras	12,299	—	12,299	14,252	—	14,252
Dominican Republic	6,643	—	6,643	15,414	—	15,414
Uruguay	5,693	931	6,624	5,779	1,046	6,825
Guatemala	6,566	—	6,566	9,253	—	9,253
Paraguay	5,960	—	5,960	7,863	—	7,863
Bolivia	5,876	—	5,876	13,203	—	13,203
Trinidad & Tobago	1,817	598	2,415	2,646	598	3,244
El Salvador	1,300	—	1,300	—	—	—
Belize	1,000	—	1,000	1,000	—	1,000
Bahamas	80	—	80	240	—	240
TOTAL	**$ 306,314**	**$ 112,364**	**$ 418,678**	**$ 268,827**	**$ 114,090**	**$ 382,917**
Financial Services	$ 131,240	$ 23,278	$ 154,518	$ 111,295	$ 21,229	$ 132,524
Venture Capital Funds	—	86,686	86,686	—	86,711	86,711
Agriculture & Agribusiness	33,932	2,000	35,932	19,390	2,000	21,390
Aquaculture & Fisheries	20,417	400	20,817	20,196	4,150	24,346
Utilities & Infrastructure	20,050	—	20,050	19,535	—	19,535
Transportation & Warehousing	14,896	—	14,896	14,952	—	14,952
Tourism & Hotels	12,646	—	12,646	11,197	—	11,197
General Manufacturing	12,118	—	12,118	10,501	—	10,501
Wood, Pulp & Paper	11,500	—	11,500	10,167	—	10,167
Education	10,300	—	10,300	1,000	—	1,000
Chemicals & Plastics	8,476	—	8,476	13,162	—	13,162
Nonfinancial Services	7,051	—	7,051	7,390	—	7,390
Food, Bottling & Beverages	6,743	—	6,743	9,181	—	9,181
Industrial Processing Zones	6,190	—	6,190	7,557	—	7,557
Health	5,140	—	5,140	5,140	—	5,140
Textiles, Apparel & Leather	3,130	—	3,130	4,522	—	4,522
Tech, Comm & New Economy	2,000	—	2,000	3,143	—	3,143
Capital Markets	485	—	485	499	—	499
TOTAL	**$ 306,314**	**$ 112,364**	**$ 418,678**	**$ 268,827**	**$ 114,090**	**$ 382,917**

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Loan and equity investments approved by the Board of Executive Directors to be held by the Corporation but not yet signed as commitments and loan and equity investment commitments signed for which disbursement has not yet been fully made (net of cancellations) as of December 31, 2003 and 2002 are summarized below (US$ thousands):

	2003	2002
Investments Approved but not Committed		
Loan	$ 95,175	$ 65,555
Equity	—	9,000
TOTAL	**$ 95,175**	**$ 74,555**
Investments Committed but not fully Disbursed		
Loan	$ 68,358	$ 80,924
Equity	35,176	35,449
Mortgage-backed Securities	25,000	13,570
TOTAL	**$ 128,534**	**$ 129,943**

The Corporation's loans accrue interest at one-, three-, and six-month London Inter-Bank Offered Rate (LIBOR) plus a spread ranging from 2.50% to 6.00%. At December 31, 2003, the one-, three-, and six-month average LIBOR rates were 1.12%, 1.15%, and 1.22%, respectively (1.77%, 1.79% and 1.88%, respectively at December 31, 2002).

The maturity structure of the Corporation's loan investments for the years ended December 31, 2003 and 2002 is summarized below (US$ thousands):

	2003		2002	
	Principal Outstanding	Average Spread over LIBOR	Principal Outstanding	Average Spread over LIBOR
Due in one year or less	$ 63,097	3.40%	$ 58,019	3.64%
Due after one year through five years	212,204	3.59%	169,853	3.72%
Due after five years through ten years	31,013	3.75%	40,955	3.83%
	$ 306,314		**$ 268,827**	

Loans on which the accrual of interest has been discontinued totaled $51,820,000 at December 31, 2003 ($62,434,000—December 31, 2002). Interest income not recognized on nonaccruing loans during the year ended December 31, 2003, totaled $2,651,000 ($3,162,000—year ended December 31, 2002). Interest collected on loans in nonaccrual status during the year ended December 31, 2003 was $920,000 ($1,271,000—year ended December 31, 2002).

The Corporation's investment in impaired loans at December 31, 2003, was $43,485,000 ($46,199,000—December 31, 2002). The average recorded investment in impaired loans during the year ended December 31, 2003, was $44,842,000 ($34,164,000—year ended December 31, 2002).

Notes to the Financial Statements
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Changes in the allowance for loan and equity losses for the years ended December 31, 2003 and 2002 are summarized below (US$ thousands):

	2003			2002		
	Loan	Equity	Total	Loan	Equity	Total
Balance at beginning of year	$ 45,702	$ 41,146	$ 86,848	$ 30,421	$ 27,032	$ 57,453
Investments written off	(2,620)	(4,553)	(7,173)	(15,478)	(286)	(15,764)
Recoveries	7,056	225	7,281	679	—	679
Provision for losses	(4,874)	4,359	(515)	30,080	14,400	44,480
Balance at end of year	**$45,264**	**$41,177**	**$86,441**	**$45,702**	**$41,146**	**$86,848**

At December 31, 2003, the Corporation owned limited participations in certain closed-end equity investment funds totaling $19,940,000 where timely investment information, including net asset values, was not provided by the fund manager despite Management's best efforts. Management has exercised judgment in assessing the extent of incurred loss in these participations by relying on limited information to estimate the specific allocations of the allowance for loss to these participations as of December 31, 2003. Management has concluded that a positive or negative loss allowance adjustment range of up to 10% of the cost basis may exist relative to these investments as of December 31, 2003. The extent of incurred loss and the adequacy of the allowance will be reassessed upon receipt of updated information on these equity fund participations, and may result in differences from Management's estimates as of December 31, 2003.

Regional economic conditions led to recognition of increased risks and related loss provisions in the Corporation's portfolio during 2002.

In 2000 the Corporation made an investment in a minimum lease payments receivable that is included in loan investments. As of December 31, 2003, the net present value of this investment totaled $2,133,000 ($4,274,000—December 31, 2002), including gross payments receivable of $2,334,000 ($4,737,000—December 31, 2002) with unearned interest of $201,000 ($440,000—December 31, 2002). The Corporation recognized $62,000 in interest income associated with these leases during the year ended December 31, 2003 ($246,000—year ended December 31, 2002). Lease payment to be received over the next five years are as follows (US$ thousands):

	2004	2005	2006	2007	2008
Principal repayments	$ 912	$ 595	$ 315	$ 266	$ 45
Interest income earned	106	50	25	10	10
Minimum lease payments receivable	$ 1,018	$ 645	$ 340	$ 276	$ 55

Beginning in 2001, the Corporation made investments in certain mortgage-backed securities. In accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, the Corporation had classified these mortgage-backed securities as trading securities and carried them at their estimated fair value. During the year ended December 31, 2003, the Corporation sold all of its mortgage-backed securities investments and recorded a gain of $1,315,000. The estimated fair value of mortgage-backed securities at December 31, 2002, was $4,816,000, for which the Corporation recorded a loss of $1,829,000 that is reflected in Gain (Loss) on mortgage-backed securities. The Corporation also entered into derivative financial instruments related to these mortgage-backed securities that were designed to minimize the variability of the interest and principal repayments due to interest and foreign exchange risk. During the year ended December 31, 2003, the Corporation exited these related derivative financial instruments upon the sale of the related mortgage-backed securities investments and recorded a loss of $1,906,000. At December 31, 2002, the Corporation recorded an estimated fair value for the derivative of $1,906,000, which is reflected in Receivables and Other Assets. A gain associated with the derivative of $2,524,000 was recorded as of December 31, 2002. In the

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absence of relevant market data and an active market, management made certain key estimates and assumptions in valuing these mortgage-backed securities and the related derivative instruments that are validated only upon the sale of the instruments. Key assumptions and estimates included credit risk, prepayments, foreign exchange rates, inflation rates, and counterparty risks. Changes in these assumptions can affect the fair value of the mortgage-backed securities and related derivative instruments.

Note D—Receivables and Other Assets

Receivables and other assets as of December 31, 2003 and 2002 are summarized below (US$ thousands):

	2003	2002
Accrued Income on Marketable Securities	$ 620	$ 648
Accrued Income on Loan Investments	1,764	1,818
Accrued Dividends on Equity Investment	—	26
Derivative Asset	—	1,906
Receivable on Equity Sales, net	4,034	695
Recovered Assets	620	620
Other Postretirement Benefit Prepaid Asset	380	—
Other	1,102	711
Fixed Assets, net	480	364
Total Receivables and Other Assets	**$ 9,001**	**$ 6,788**

The Corporation may enter into a sales agreement to sell its participation in certain equity investments and record a note receivable and related gain that is included in gain on sale of equity investments. The amounts receivable for equity sales, net of related valuation allowances, are summarized below as of December 31, 2003 and 2002 (US$ thousands):

			Note Receivable, net	
Year	Sales Price	Gain	12/31/2003	12/31/2002
2002	$ 2,390	$ 390	$ 249	$ 695
2003	5,266	708	3,785	—
			$ 4,034	$ 695

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NOTE E—Accounts Payable and Other Liabilities

Accounts payable and other liabilities as of December 31, 2003 and 2002 are summarized below (US$ thousands):

	2003	2002
Accounts Payable	$ 811	$ 690
Due to the IDB	—	1,271
Due to Broker for Marketable Securities	—	11,164
Salaries and Benefits Payable	2,245	2,304
Deferred Revenue	1,219	428
Capital Subscription Residual Payments	264	341
Installment Payments on Equity Dispositions	1,383	1,383
Other Liabilities	728	287
Total Accounts Payable and Other Liabilities	**$ 6,651**	**$ 17,868**

The Corporation enters into agreements with equity investment sponsors to exit the Corporation's positions in equity investments. These agreements involve installment payments made to the Corporation whereupon at the end of the installment payments the Corporation's position is released to the equity investment sponsor. Installment payments reflected in accounts payable and other liabilities totaled $1,383,000 at December 31, 2003 ($1,383,000—December 31, 2002).

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NOTE F—Borrowings

The Corporation's outstanding borrowings at December 31, 2003, consist of term and revolving credit facilities with Caja Madrid, and Shinkin Central Bank. Borrowings under the revolving credit facilities are due one, three, or six months after disbursement and are renewable. Borrowings under the fixed-rate Caja Madrid facility are due and payable in January 2011 with interest payable quarterly. Borrowings under the Shinkin Central Bank facility are due at maturity. In 2001 the Corporation renewed a loan agreement with the Inter-American Development Bank that allows the Corporation to borrow up to $300 million until November 2005.

Credit facilities and the related borrowings outstanding at December 31, 2003 and 2002 are as follows (US$ thousands):

	2003		2002	
Credit Agreements	**Facility**	**Outstanding**	**Facility**	**Outstanding**
Caja, expired March 2003	$ —	$ —	$ 50,000	$ —
Mizuho, expired June 2003	—	—	100,000	5,000
IDB, expiring November 2005	300,000	—	300,000	—
Caja, expiring March 2006	100,000	—	100,000	50,000
Shinkin, expiring December 2009	30,000	30,000	30,000	30,000
Caja, expiring January 2011	50,000	50,000	—	—
		$ 80,000		**$ 85,000**

Interest accrues at variable rates based on one-, three-, or six-month LIBOR rates set at the effective date of each borrowing or the interest reset date. The interest rate on the Caja Term facility was set at disbursement and will remain fixed until maturity. The estimated fair value of the fixed rate Caja Term facility is $51,000,000 as of December 31, 2003. The Corporation's weighted average cost of borrowings for the year ended December 31, 2003, was 3.25% (1.97%—year ended December 31, 2002). The Corporation also pays a commitment fee ranging from .05% to .10% on the unused available line of credit. Total commitment fees paid on all lines for the year ended December 31, 2003, totaled $122,000 ($80,000—year ended December 31, 2002).

NOTE G—Capital

The Corporation's authorized share capital was increased to $703.7 million through a $500 million capital increase resolution approved in 1999. The resolution allocated $500 million for subscriptions by member countries during the subscription period. On March 22, 2000, the minimum number of subscriptions required to make the capital increase resolution effective was received. Members have agreed to pay their subscriptions in eight equal installments, the last of which is payable on October 31, 2007. The Corporation issues only full shares. Fractional or advance share payments are held and will be issued in accordance with this installment plan.

The following table lists the capital stock subscribed, capital subscriptions receivable, and fractional or advance shares pending issuance at December 31, 2003 and 2002:

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	TOTAL Capital Stock Subscribed		Subscriptions Receivable From Members	Payments Received on Account of Pending Subscriptions
	Shares	Amount		
		US$ thousands		US$
Argentina	7,767	$ 77,670	$ 54,400	$ —
Austria	345	3,450	1,230	5,000
Bahamas	93	930	—	5,000
Barbados	101	1,010	450	6,250
Belgium	169	1,690	830	9,786
Belize	101	1,010	360	5,000
Bolivia	624	6,240	2,190	5,000
Brazil	7,767	77,670	40,800	—
Chile	2,003	20,030	6,570	5,000
Colombia	2,003	20,030	9,850	2,500
Costa Rica	94	940	—	—
Denmark	1,071	10,710	3,810	4,985
Dominican Republic	435	4,350	1,620	—
Ecuador	420	4,200	2,940	—
El Salvador	94	940	—	—
Finland	393	3,930	1,910	2,640
France	2,162	21,620	7,680	—
Germany	1,334	13,340	3,540	—
Guatemala	420	4,200	1,470	—
Guyana	120	1,200	420	—
Haiti	94	940	—	—
Honduras	314	3,140	1,100	—
Israel	173	1,730	620	5,000
Italy	2,162	21,620	15,360	—
Jamaica	420	4,200	2,940	—
Japan	2,393	23,930	8,840	5,000
Mexico	5,000	50,000	17,510	125,000
Netherlands	1,071	10,710	3,810	5,000
Nicaragua	314	3,140	2,200	—
Norway	393	3,930	1,910	2,615
Panama	314	3,140	1,380	5,000
Paraguay	314	3,140	2,200	—
Peru	2,003	20,030	7,920	—
Portugal	182	1,820	890	6,694
Spain	2,393	23,930	8,840	40,000
Suriname	30	300	225	—
Sweden	393	3,930	1,910	2,640
Switzerland	1,071	10,710	4,760	3,750
Trinidad & Tobago	314	3,140	1,100	—
United States	17,600	176,000	65,780	5,000
Uruguay	857	8,570	3,190	—
Venezuela	4,311	43,110	15,370	7,141
Total 2003	**69,632**	**$ 696,320**	**$ 307,925**	**$ 264,001**
Total 2002	**69,156**	**$ 691,560**	**$ 358,635**	**$ 340,625**

Notes to the Financial Statements

December 31, 2003 and 2002

NOTE H—Commitments and Contingencies

In 2003, the Corporation entered into a transaction to provide short-term financial guarantees and records these guarantees in accordance with FIN 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. The Corporation stands ready to perform once a guarantee is registered, will compensate the guaranteed party upon notification of default, and will seek recovery, if any, on any defaulted amounts. As of December 31, 2003, no notices of default have been received since inception and the maximum exposure for all guaranteed amounts was $14,000.

NOTE I—Participations

The Corporation mobilizes funds from commercial banks and other financial institutions (Participants) through loan participations, which are sold by the Corporation, without recourse, to Participants. These loan participations are administered and serviced by the Corporation on behalf of the Participants. During the year ended December 31, 2003, the Corporation called and disbursed $1,391,000 of Participants' funds ($5,214,000—year ended December 31, 2002). The undisbursed Participants' funds commitments were $154,400 at December 31, 2003 ($6,546,000—at December 31, 2002).

NOTE J—Related Party Transactions

The Corporation obtains some administrative and overhead services from the IDB in those areas where common services can be efficiently provided by the IDB. The Corporation has a lease agreement with the IDB for office space that expired in 2002. The Corporation began a relocation process within existing IDB facilities in 2003 and will complete the relocation during 2004.

The Corporation paid the following amounts to the IDB for office space and certain administrative support services during the years ended December 31, 2003 and 2002 (US$ thousands):

	2003	2002
Office Space	$ 1,187	$ 1,116
Support Services	551	448
	$ 1,738	**$ 1,564**

Accounts receivable from the IDB were $133,000 at December 31, 2003 (payable to IDB of $1,271,000—at December 31, 2002).

In 2003 and 2002, no amounts were outstanding to the IDB under an existing loan agreement. See Note F.

The Corporation has advisory services agreements with the IDB. Fees of $300,000 were received for the year ended December 31, 2003 ($300,000—year ended December 31, 2002).

NOTE K—Retirement Plan

The IDB sponsors a defined benefit plan (the Retirement Plan) covering substantially all of the staff of the Corporation and the IDB. Under the Retirement Plan, benefits are based on years of service and average compensation, with the staff contributing a fixed percentage of remuneration and the Corporation and the IDB contributing the remainder of the actuarially determined cost of future Retirement Plan benefits. The total contribution is based on the aggregate funding method. All contributions to the Retirement Plan and all other assets and income held for purposes of the Retirement Plan are separated from the other assets and income of the Corporation and the IDB. They can be used only for the benefit of the Retirement Plan participants and their beneficiaries, until all liabilities to them have been paid or provided for. Information regarding the accumulated benefit obligation and related assets attributable to the Corporation is not maintained. The net total allocated expense to the Corporation for the purposes of the Retirement Plan was $452,000 for the year ended December 31, 2003 ($841,000—year ended December 31, 2002).

Notes to the Financial Statements
December 31, 2003 and 2002

NOTE L—Non-Pension Postretirement Benefits

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

The Corporation contributes an actuarially determined expense to the IDB's Postretirement Benefits Plan (the Plan) annually. The Corporation's portion of total assets is prorated to the Plan based on the Corporation's funding rate and the rate of return on the assets, net of any payments to employees for postretirement benefits. The Corporation funded $961,000 to the Plan for the year ended December 31, 2003 ($382,000—year ended December 31, 2002). Future funding contributions to the Plan are projected to equal the annual actuarial cost.

The following table provides a reconciliation of the changes in the Plan's benefit obligations and fair value of assets and the funded status as of December 31, 2003 and 2002 (US$ thousands):

	2003	2002
Reconciliation of benefit obligation		
Obligation at January 1	$ 8,557	$ 7,403
Service cost	775	769
Interest cost	518	426
Actuarial gain	(556)	(41)
Plan amendments	374	—
Obligation at December 31	9,668	8,557
Reconciliation of fair value of Plan assets		
Fair value of Plan assets at January 1	7,247	7,713
Actual return on Plan assets	1,897	(848)
Employer contributions	961	382
Fair value of Plan assets at December 31	10,105	7,247
Funded status		
Funded status at December 31	437	(1,310)
Unrecognized transition obligation	1,923	2,098
Unrecognized gain	(2,354)	(788)
Unrecognized prior service cost	374	—
Other Postretirement Benefit Prepaid Asset	$ 380	$ —
Reconciliation of accrued prepaid benefit cost		
Prior year prepaid	—	112
Pension cost	(581)	(494)
Actual contribution	961	382
Year end prepaid	$ 380	$ —

Actuarial gains and losses that exceed 10% of the greater of the benefit obligation or market-related value of the Plan assets are amortized over the average remaining life of active participants of approximately 10.8 years. Unrecognized net transition obligations are amortized also over 10.8 years.

Notes to the Financial Statements

December 31, 2003 and 2002

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

	2003	2002
Average assumptions to determine benefit obligation at December 31		
Discount rate	5.75%	6.25%
Average assumptions to determine net periodic cost for years ended December 31		
Discount rate	6.25%	5.25%
Expected return on Plan assets	7.25%	7.25%

The accumulated postretirement benefit obligation was determined using health care cost trend rates of 8.75% for medical, 14.75% for prescription drugs, and 7.25% for dental, for those participants assumed to retire in the United States of America. These rates were assumed to decrease gradually to 4.75% in 2013 and thereafter. For those participants assumed to retire outside the United States of America, an 8.75% health care cost trend rate was assumed.

The net periodic benefit cost consists of the following components as of December 31, 2003 and 2002 (US$ thousands):

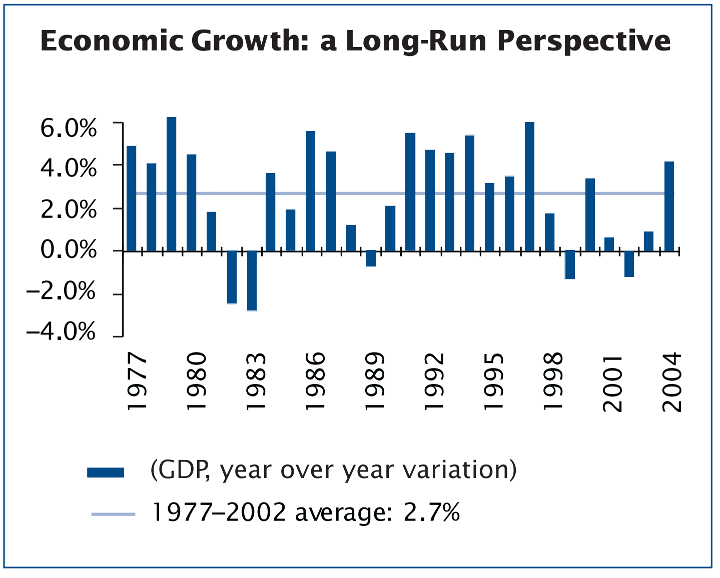
	2003	2002
Service cost	$ 775	$ 769
Interest cost	518	427
Less: Expected return on Plan assets	174	(622)
Amortization of unrecognized transition obligation and asset	(687)	174
Amortization of unrecognized net (gain) loss	(200)	(253)
Net periodic benefit cost	**$ 580**	**$ 495**

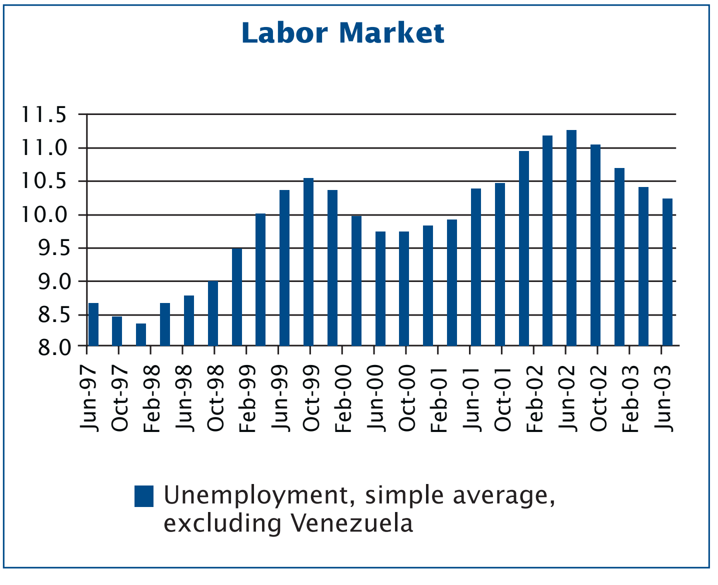
Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects (US$ thousands):

	One-Percentage-Point Increase		One-Percentage-Point Decrease	
	2003	2002	2003	2002
Effect on total of service and interest cost components	$ 267	$ 232	$ (217)	$ (188)
Effect on postretirement benefit obligation	1,760	1,445	(1,427)	(1,172)

Appendixes

Latin America and the Caribbean in 2003: Economic Outlook[1]





The economies of Latin America and the Caribbean, as a whole, posted a 1.5 percent growth rate, thus rebounding, albeit modestly, from a 0.4 percent contraction the year before. This outcome is seen as part of an incipient recovery with the potential for accelerating growth in 2004—with a projected expansion at an annualized rate of 3.5 percent. According to projections from the Economic Commission for Latin America and the Caribbean, 2004 is expected to be the first year since 1997 when each and every national economy in the region should post positive growth rates. This performance is itself foreseen in the context of an expanding world economy, thus providing a more favorable outlook than in years past. Nonetheless, the region's growth would remain short of the momentum needed to decisively reverse the prolonged stagnation of per capita incomes and is still 1.5 percent below the 1997 pace.

Prudent fiscal and monetary policies are among the region's key macroeconomic management foundations upon which sustained growth can gain greater momentum ahead. More competitive exchange rates and the end to sharp economic tensions affecting a number of the national economies should also contribute to longer-term recovery. A further positive force is the containment of inflation across the region, with a declining trend to single-digit levels, in the neighborhood of 8.5 percent overall.

Higher commodity prices are improving terms of trade in the emerging economies; the nations of Latin America and the Caribbean, as major exporters,

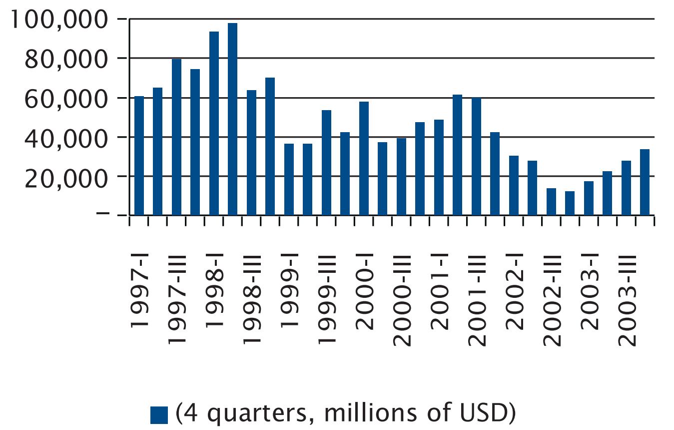
1. The graphs present information on Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela as being representative of the region. Source: Based on data from Latin Macro Watch (IDB Research Department).

should benefit from this trend. This is evidenced by a nearly 16 percent average gain in the world prices of such raw materials as oil, copper, gold, and some agricultural crops. For the first time in nearly half a century, the region's current account posted a surplus in 2003, reaching about $6 billion. But the quest for a sustained recovery critically depends on an amelioration of national savings and investment rates to emulate, and eventually surpass, the levels sustained by other emerging market economies that compete with Latin America in the global trading arena. Foreign direct investments, for their part, reached some $29 billion in 2003, also falling short of the average annual flows of $38 billion mobilized during the 1990–2002 period.

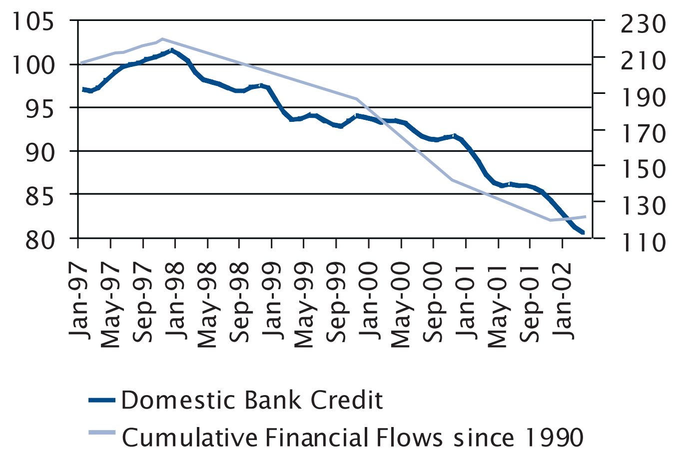
The continuation of the policy reform agenda remains a key element for continued recovery throughout Latin America and the Caribbean. This encompasses strengthening banking systems, labor and judicial regimes, and regulatory reforms aimed at improving both the business environment and the corporate governance of private enterprises.

Small and medium-size companies have demonstrated that they offer attractive business opportunities for domestic and foreign investors alike. The Corporation is thus committed to continuing its various financing programs to support the recovery and growth expansion performance of Latin America and the Caribbean, in accordance with state-of-the-art financial and operational standards, as well as sound environmental and corporate governance practices.

Capital Flows to Latin America



Capital Flows and Bank Credit



Governors and Alternate Governors

Country	Governor	Alternate Governor
Argentina	Roberto Lavagna	Alfonso De Prat-Gay
Austria	Karl-Heinz Grasser	Thomas Wieser
Bahamas	James H. Smith, CBE	Ruth Millar
Barbados	Owen S. Arthur, MP	Grantley Smith
Belgium	Didier Reynders	Franciscus Godts
Belize	Ralph Fonseca	Meliton J. Auil
Bolivia		Roberto Camacho Sevillano
Brazil	Guido Mantega	Demian Fiocca
Chile	Nicolás Eyzaguirre	María Eugenia Wagner Brizzi
Colombia	Alberto Carrasquilla Barrera	Santiago Montenegro Trujillo
Costa Rica	Alberto Dent	Francisco de Paula Gutiérrez
Denmark	Carsten Staur	Ole E. Moesby
Dominican Republic	José Lois Malkun	Félix Calvo
Ecuador	Mauricio Pozo Crespo	Gilberto Pazmiño
El Salvador	Juan José Daboub	Luz María Serpas de Portillo
Finland	Pertti Majanen	Taisto Huimasalo
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Germany	Uschi Eid	Rolf Wenzel
Guatemala	Eduardo H. Weymann Fuentes	Lizardo Sosa
Guyana	Bharrat Jagdeo	Saisnarine Kowlessar
Haiti	Faubert Gustave	Paul Duret
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Israel	David Klein	Dan Catarivas
Italy	Giulio Tremonti	Vincenzo Desario
Jamaica	Omar Davies, MP	Shirley Tyndall
Japan	Sadakazu Tanigaki	Toshihiko Fukui
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Netherlands	Gerrit Zalm	Agnes van Ardenne van der Hoeven
Nicaragua	Norman José Caldera	Eduardo Montealegre
Norway	Olav Kjorven	Age Grutle
Panama	Norberto Delgado Durán	Domingo M. Latorraca
Paraguay	Dionisio Borda	José Ernesto Büttner
Peru	Jaime Quijandría Salmón	Javier Silva Ruete
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Spain	Rodrigo de Rato y Figaredo	Juan Costa Climent
Suriname	Humphrey Stanley Hildenberg	Stanley B. Ramsaran
Sweden	Ruth Jacoby	Stefan Emblad
Switzerland	Oscar Knapp	Peter Bischof
Trinidad and Tobago	Keith Rowley	Victoria Mendez-Charles
United States	John W. Snow	Alan P. Larson
Uruguay	Isaac Alfie	Ariel Davrieux
Venezuela	Tobías Nobrega Suárez	Jorge Giordani

Information as of December 2003

Executive Directors and Alternate Executive Directors

Argentina and Haiti	Eugenio Díaz-Bonilla Martín Bès
Austria, Belgium, Germany, Italy, and the Netherlands	Paolo Cappellacci Pieter Moorrees
Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago	Luis A. Rodríguez Havelock Brewster
Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua	José Carlos Castañeda Sandra Regina Midence
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Panama and Venezuela	José Alejandro Rojas Eduardo E. Linares
United States of America	Jose A. Fourquet Héctor Morales

Information as of December 2003

Channels of Communication

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	Ministerio de Hacienda
Brazil	Ministério do Planejamento, Orçamento e Gestão
Chile	Ministerio de Hacienda
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
El Salvador	Secretaría Técnica de la Presidencia
Finland	Ministry for Foreign Affairs
France	Ministère de l'économie, des finances et de l'industrie
Germany	Federal Ministry for Economic Cooperation and Development
Guatemala	Ministerio de Finanzas Públicas
Guyana	Ministry of Finance
Haiti	Ministère de l'économie et des finances
Honduras	Banco Central de Honduras
Israel	Bank of Israel
Italy	Ministry of the Economy and Finance
Jamaica	Ministry of Finance and Planning
Japan	Ministry of Finance
Mexico	Secretaría de Hacienda y Crédito Público
Netherlands	Ministry of Finance
Nicaragua	Ministerio de Hacienda y Crédito Público
Norway	Royal Norwegian Ministry of Foreign Affairs
Panama	Ministerio de Economía y Finanzas
Paraguay	Ministerio de Hacienda
Peru	Ministerio de Economía y Finanzas
Portugal	Direção Geral de Assuntos Europeus e Relações Internacionais Ministério das Finanças
Spain	Subdirección General de Instituciones Financieras Multilaterales
Suriname	Ministry of Finance
Sweden	Ministry for Foreign Affairs Department for International Development Co-operation
Switzerland	Office fédéral des affaires économiques extérieures
Trinidad and Tobago	Ministry of Finance, Planning and Development
United States	Treasury Department
Uruguay	Ministerio de Economía y Finanzas
Venezuela	Banco Nacional de Desarrollo

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Photographs on cover: from top to bottom, projects that have received funding from the IIC in Nicaragua, Bolivia, Guatemala, Venezuela, and Costa Rica.

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