IIC
Inter-American
Investment Corporation

# Adding value to SMEs throughout Latin America and the Caribbean

2011 Annual Report

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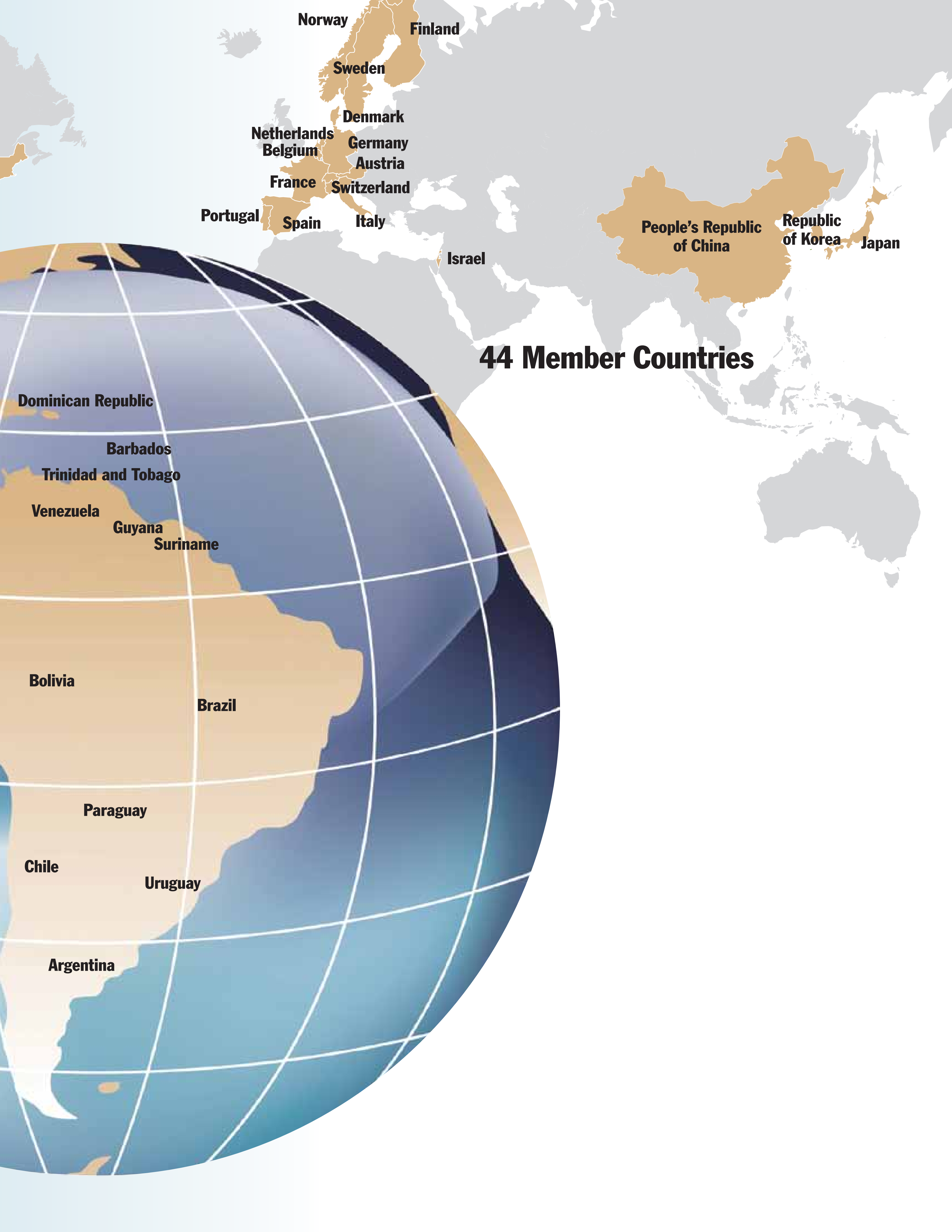

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## Letter of Transmittal

March 19, 2012

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

Mr. Chairman:

Pursuant to the provisions of Article IV, Section 9(a), of the Agreement Establishing the Inter-American Investment Corporation, I am pleased to transmit the Annual Report of the Corporation for 2011 and its audited financial statements, including its balance sheet as of December 31, 2011 and 2010, and related statements of income, comprehensive income, changes in equity, and cash flow for the years then ended.

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

Yours sincerely,

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

## Letter from the General Manager

### Investing as always and never before

2011 has been a year of milestones for the IIC. For the first time in our history our loans and equity investments reached the symbolic $1-billion-dollar mark in disbursements of own and third-party funds, all of which were directly put to use for generating employment and wealth in Latin America and the Caribbean.

As the world grapples with the effects of an economic crisis that has weakened the financing capacity of many other lending institutions, we at the IIC marked our eighth straight year of earnings, approving 71 sustainable projects and maintaining our excellent credit rating.

These results, however, are no accident.

When I took over as general manager of the Corporation in 2000, we took a close look at our business model and focused our efforts on identifying new areas of opportunity. Accordingly, we decided to assume the challenges of creating innovative products and services, and took steps to ensure that our resources provided added value and would have the greatest impact possible on development of the region's private sector.

The IIC firmly believes that forging partnerships is a key means of fostering development, and nurtures this idea as a way of delivering added value to SMEs. In fact, Latin American and Caribbean financial institutions were responsible for providing 55 percent of the funds disbursed by the IIC, a fact that speaks to their confidence in our product portfolio. FINPYME, our additionality initiative that works together with the academic community, the private sector, and our member country governments, represents yet another hallmark of our winning partnerships. Our *Diagnostics, ExportPlus, Family Business, Integrity, Technical Assistance,* and GREENPYME programs under the FINPYME brand have, since their inception, provided training opportunities to more than 3,300 SMEs.

Some of our achievements in this regard have been due to timely—and perhaps some unconventional—decisions, which made it possible for us to keep our financial house in order. Consequently, when the global financial crisis hit in 2008, the IIC was not left vulnerable to the risks of securitized assets, having deliberately taken the decision five years earlier to gradually opt out of high-risk investments. In 2010, Standard & Poor's took note of our efforts in this regard and raised our credit rating from AA- to AA.

Most of the credit for our achievements, however, is attributable to the IIC's corporate environment. We have transformed the IIC into a more resilient, profitable, and sustainable organization, based on a cohesive and transparent corporate culture. There can be no doubt that our success is rooted in the talent and dedication of our 107 magnificent professionals deployed throughout the entire region, as well as the unwavering support of the IIC Board of Executive Directors.

Over the years, we have managed to put our philosophy into practice: that capital is a tool both for generating opportunities and strengthening capacities for development. The spirit that moves us is the recognition that each goal we achieve builds on the quality of our past performances and represents, at the same time, a means for achieving yet another end.

Jacques Rogozinski
General Manager
Inter-American Investment Corporation


Promoting agricultural development, such as Viluco's soybean operation,

Viluco S.A.

## From Seed to Fuel

In keeping with its steadfast commitment to developing the region's renewable energy resources, last year the IIC approved a loan to Viluco—a producer of soy flour, soybean oil, and biodiesel fuel, based in northwestern Argentina—for up to $6.5 million to build and operate a processing plant with an annual production capacity of 200,000 tons of biodiesel fuel and 720,000 tons of soy flour per year. By 2011, the plant's second year in operation, it was already running at nearly 80 percent of its full capacity.

**is one way the IIC contributes to the region's economic growth.**

# new ideas


sus
p

Hidroeléctrica San Lorenzo S.A.

## River Power

One of the most recent projects supported by the IIC is the Hidroeléctrica San Lorenzo power plant. The IIC approved a structured loan for up to $10.5 million to finance the construction and operation of the plant, designed to generate 42.3 gigawatt hours of power a year from a renewable energy source beginning in 2013—enough to power a town of 45,000 inhabitants. Hidroeléctrica San Lorenzo's two generators will reduce current carbon emissions by approximately 20,000 tons per year.

tainable
ractices

**Energía Integral Andina is using IIC financing to lay and operate two submarine fiber optic cables that will bring high-speed Internet to remote areas off the Colombian coast.**

# tech

Energía Integral Andina S.A.

## Submarine Cables

Colombia currently has nearly four million Internet subscribers, and the government is confident that it can connect approximately 700 municipalities in outlying areas of the country to a new nationwide fiber optic network. The IIC is a partner in this endeavor to provide more higher-quality, lower-cost connectivity as a means of promoting local development. In 2011, it disbursed a loan of $8 million to Energía Integral Andina—a Colombian enterprise with experience in the construction and management of telecommunications and power networks—for the final construction phase and operation of two fiber optic submarine cables.

# Adding Value to SMEs throughout Latin America and the Caribbean

## Continual Innovation

Accomplishing a mission requires passion, dedication, creativity, flexibility and, of course, time.

Accomplishing the mission of the Inter-American Investment Corporation, on the other hand, is somewhat more complex, owing to the vision of its founders, who viewed its mission as one of supporting the development process in Latin American and Caribbean countries by focusing mainly on small and medium-sized enterprises. This notion is not only a clear and carefully considered declaration of principles—SME-centered development—, but the most ambitious mission ever undertaken by a multilateral development organization.

Accomplishing this mission will therefore require continual innovation. Over the next three years, the IIC will support two million SMEs across the region with direct and indirect loans, equity investments, and value-added technical assistance services.

Far from being viewed as unattainable, this goal fuels the IIC's innovative spirit. Accordingly, as a development-oriented institution firmly committed to doing more in the best possible way, the IIC has refocused its mission to become the leading authority on SME development in Latin America and the Caribbean.

To this end, the IIC will redouble its efforts in the form of financial and technical assistance tools and focus on building its capacity to develop knowledge products which can in turn be shared with the ever-growing numbers of dynamic and innovative SMEs.

## Knowledge Network

The first step in this direction will be taken in 2012, with the launch of a region-wide network of companies, investors, and donors. This network—supported by an active communication strategy—will promote the development and pooling of knowledge, regarded as a public good. The network will include a web-based knowledge center accessible to all network members that will facilitate the sharing of lessons learned. A series of specialized seminars, to be held in locations across the region, will help strengthen and expand the network's linkages and learning processes. The general idea is to create a virtuous circle benefiting larger numbers of SMEs, and recognizing and nurturing the potential of small and medium-sized entrepreneurs by helping them build business relationships and pool knowledge.

## Cause and Effect

The decision to refocus the IIC's mission was not taken lightly. In fact, the IIC's entire track record is based on strategic planning and tactical flexibility.

The IIC underwent its first organizational restructuring in the late 1990s, laying the groundwork for a capital increase and change in management. Its new management steered it through the financial crisis gripping the region in 2001, from which it emerged two years later with a refurbished business model advocating support for the private sector as the best means of securing the most significant and sustainable impact on the long-term development of Latin America and the Caribbean.

Regular reviews of and improvements to this model have transformed it into a powerful financial and operating strategy and successfully organized the IIC's work with SMEs in three stages, yielding significant results.

For starters, the IIC looked for ways of stepping up its direct lending to individual enterprises and developed new products for working with financial intermediaries. Consequently, since 2000, the IIC has approved 274 direct loans (more than twice as many as in the previous decade), reduced its minimum loan amount tenfold to $100,000, and made 10 times as many direct loans for under $1 million. The most recent landmark development has been the establishment of the China-IIC SME Equity Investment Trust Fund in 2009, with a $150 million endowment consisting of equal $75 million contributions by the IIC and the Chinese government for making equity investments over the next five years, mainly in the SME market.

The IIC's new programs and products for working with financial intermediaries have also been extremely effective. Over the past decade, the IIC has approved $1.91 billion in loans to banks and financial institutions or three times the amount approved between 1990 and 2000. The partnership program helped reach over 1.6 million SMEs with subloans for as little as $200, but averaging approximately $100,000. These partnerships enabled many financial institutions to begin doing business with SMEs for the first time and gave the IIC an opportunity to enhance its development impact through small loans, the processing of which would have been ineffectual—if not impossible—within the framework of direct lending operations.

In 2008, the IIC established its Technical Assistance and Strategic Partnerships Division and set up the Korea-IIC SME Development Trust Fund with a $40 million endowment from the Republic of Korea. This new IIC division rolled out the FINPYME® initiative, comprising a series of technical assistance programs based on recommendations put forward by the IDB's Office of Evaluation and Oversight, and with the backing of 12 IIC donor countries and various organizations. Over the past three years, more than 3,300 SMEs in 21 countries of the region have benefited from training to help them access new export markets (FINPYME *ExportPlus),* enhance their corporate governance (FINPYME *Family Business),* access new sources of financing (FINPYME *Diagnostics),* strengthen their business ethics (FINPYME *Integrity),* improve the quality of their projects submitted to the IIC (FINPYME *Technical Assistance),* and reduce their spending on energy and expand their use of renewable energy sources (GREENPYME®). The Technical Assistance and Strategic Partnerships Division has set the ambitious goal of reaching 8,000 SMEs in 26 developing countries which are members of the IIC.

This target is attributable to the redefinition of the IIC's mission and predisposition of its institutional culture to take on the challenge of continual innovation with passion, commitment, creativity, and flexibility—a mission that adapts to the unpredictable challenges of the future.

# FINANCIAL PRODUCTS

## COMPANY FINANCING

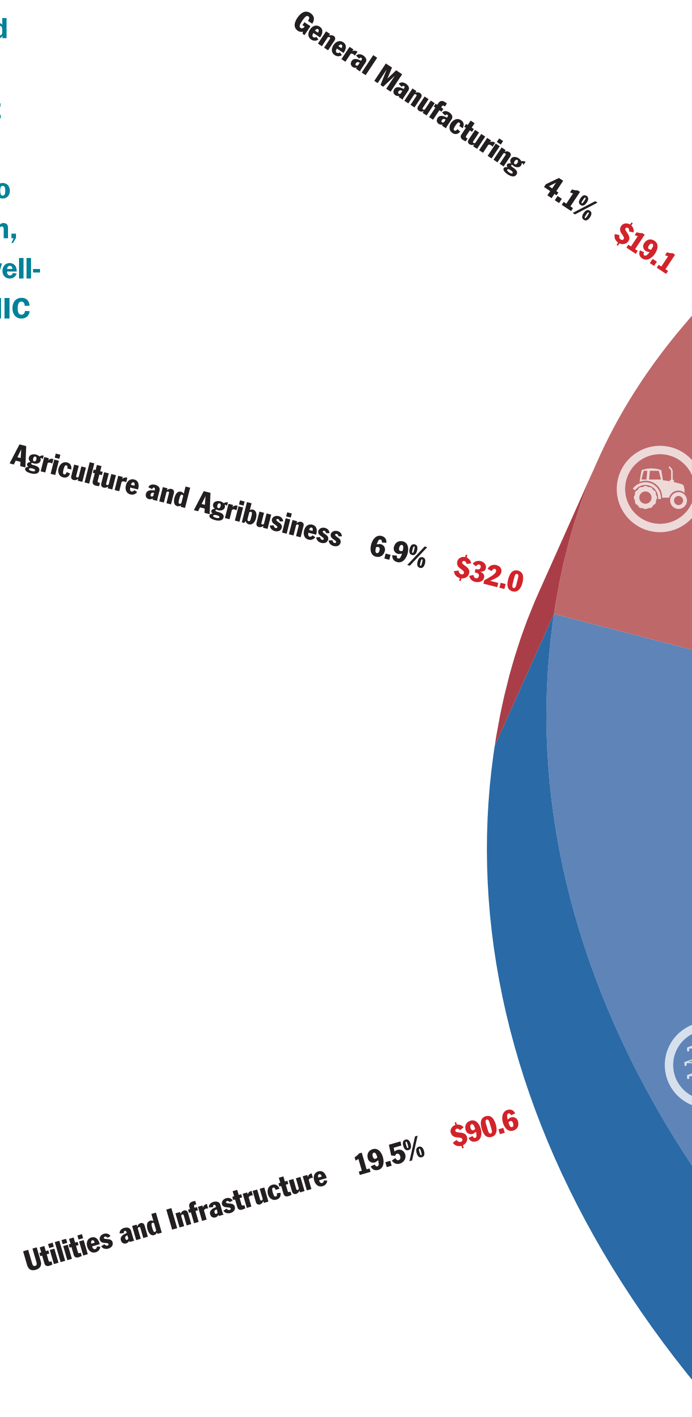
### Our Customers are Different

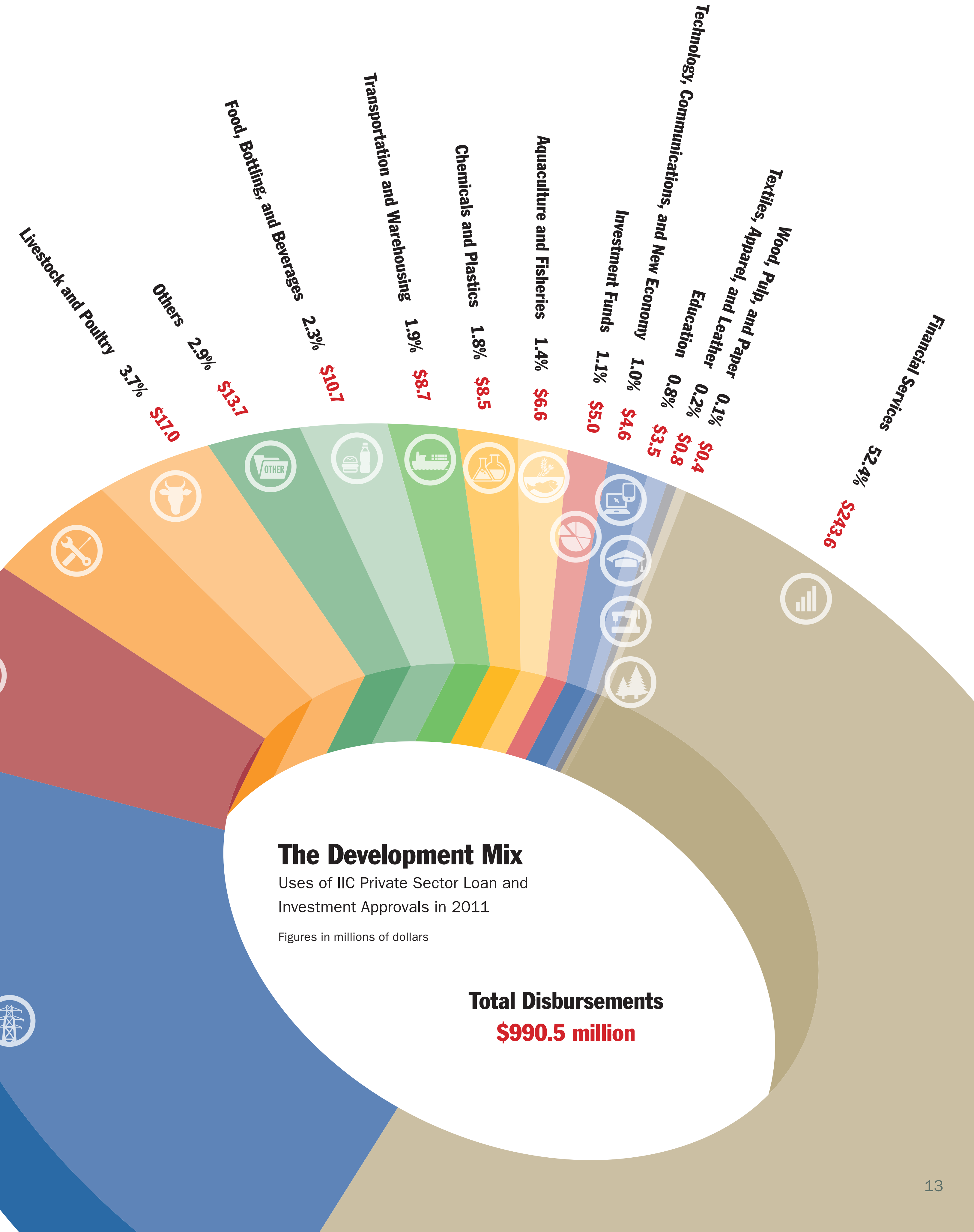
In 2011, the IIC allocated $464.7 million in financing to 71 projects for enterprises across the region, nearly 24 percent more than the value of IIC loan approvals during 2010.

Since its inception, the IIC has approved $4.42 billion in loans and investments for innovative, creative projects and enterprises that have a high developmental impact.

**"In addition to supporting traditional family-owned SMEs with technical assistance and financing, the IIC has the capacity to support small and mid-sized infrastructure projects in Latin America and the Caribbean. In 2011, the IIC approved $90.6 million for nine infrastructure projects throughout the region. Because these projects have total investment costs below $100 million, they often are unable to obtain the necessary financial structuring and long-term capital to complete them. Investment in top quality energy generation, port facilities, and other infrastructure is essential to the well-being of SMEs and an economy in general. This is why the IIC is committed to supporting this segment of the market."**

JOHN BECKHAM
CHIEF, OPERATIONS DIVISION, IIC






## The Development Mix

Uses of IIC Private Sector Loan and Investment Approvals in 2011

Figures in millions of dollars

**Total Disbursements**
**$990.5 million**

## Medium-scale Infrastructure, Our Niche

There can be little doubt as to the significant positive correlation between infrastructure development and sustainable economic growth. Costs, productivity, and competitiveness are all positively or negatively affected by factors such as road quality, access to a low-cost power supply, or the availability of modern port facilities.

The IIC's role as a catalyst for infrastructure development in the region has grown over the past several years. In 2011, it approved $90.6 million in financing for infrastructure works in Argentina, Brazil, Colombia, Dominican Republic, Ecuador, Nicaragua, and Panama, four times as much as in the previous year.

The IIC focuses on medium-scale projects, the funding needs of which are not met by commercial banks geared to financing massive infrastructure projects.

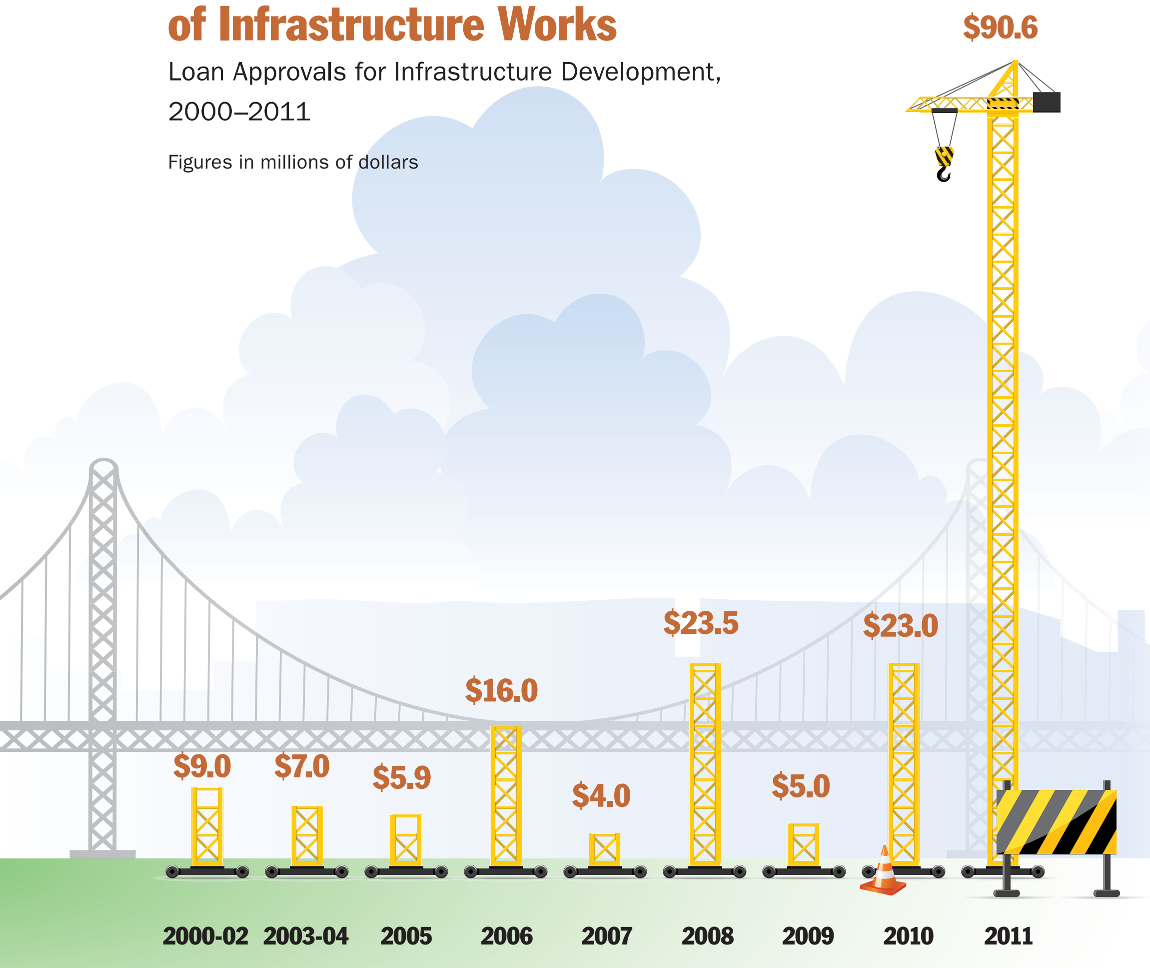
**49%**
of infrastructure funding since 2000 was approved in 2011

**56%**
of loans disbursed between 2000 and 2011 went to Central American and Andean countries

## A Year and Decade of Infrastructure Works

Loan Approvals for Infrastructure Development, 2000–2011

Figures in millions of dollars



Access Haïti S.A.

# Radio Days

It is remarkable how the past can shape a better future. In the aftermath of Haiti's January 2010 earthquake, the country's Internet, telephone, and electric power service collapsed. Consequently, survivors in Port-au-Prince and other stricken cities tuned into their radios—a lifeline to help them learn the whereabouts of family and friends and to organize first aid operations.

But radio waves can be harnessed for more than relief efforts. In 2011, the IIC approved a $3.5 million loan for Access Haïti S.A., a telecommunications and Internet service provider, which will use the funds to launch the country's first nationwide WiMAX service network.

Access Haïti will use electromagnetic radio waves—which continue to be Haiti's main communications medium—to provide WiMAX triple-play Internet, voice, and digital TV service. WiMAX offers up to three times more bandwidth than Access Haïti's current technology, and requires less of an investment in networks, equipment, and service operation.

In view of its lower operating costs, the company expects to strengthen its position in areas outside the capital and Cap-Haïtien, Port-de-Paix, Gonaïves, Jacmel, Les Cayes, and Jérémie, the country's largest cities and its base of operations.

**3%**
of Haiti's 9.9 million inhabitants have Internet access; the average for the Caribbean is 24%

## Tapping into Nature

The natural environment of Latin America and the Caribbean favors the region's sustainability. Wind corridors run through Mexico, Central America, and South America; a significant portion of the region receives some of the planet's most abundant sunshine; and all countries of the region have robust supplies of organic wastes from agricultural, forestry, and animal sources. Watersheds are already an important renewable energy source, and the possibilities offered by ocean waves and tides have yet to be tapped.

During 2011, the IIC approved $71.1 million in loans, or roughly double the amount of financing provided since 2004, thus demonstrating its unwavering commitment to economic and environmental sustainability. IIC loans are designed to increase energy access among disadvantaged groups and reduce reliance on fossil fuels for energy generation.

The IIC finances sustainable power generation solutions—with lower economic, social, and environmental costs—in the form of wind farms, solar energy fields, hydroelectric power plants, and biomass recycling projects.

**54%**

of all IIC funding for green energy projects since 2004 was approved in 2011

**40%**

of the worldwide supply of forest biomass is in South America. Brazil alone has 27% of the world's supply of this resource

## Green Power

Loan Approvals for Renewable Energy Projects, 2004–2011

Figures in millions of dollars

| YEAR | COMPANY | COUNTRY | AMOUNT |
|---|---|---|---|
| 2004 | Hidroabanico S.A. | Ecuador | 7.0 |
| 2005 | Hidroabanico S.A. | Ecuador | 4.0 |
| 2006 | Belize Co-Generation Energy Limited | Belize | 6.0 |
| 2008 | Caruquia S.A. E.S.P | Colombia | 7.7 |
| 2008 | Guanaquitas S.A. E.S.P. | Colombia | 7.9 |
| 2008 | Energía Pacífico, S.A. | Chile | 8.0 |
| 2010 | Celsol S.A. de C.V. | Mexico | 6.0 |
| 2010 | Wind Power Energia S.A. | Brazil | 5.0 |
| 2011 | Blue Power & Energy S.A. | Nicaragua | 50.0 |
| 2011 | Hychico S.A. | Argentina | 8.0 |
| 2011 | Hidroeléctrica San Lorenzo S.A. | Panama | 10.5 |
| 2011 | Grupo Gelec S.A.S. | Colombia | 2.6 |

Blue Power & Energy S.A.

# From the Turbines, Head North…

People in Nicaragua have a unique way of giving directions. Some streets lack a numbered address system or may include address numbers but folks routinely ignore them. Consequently, it is commonplace for residents to give directions—say, to a supermarket—as being so many blocks south, north, east, or west of a landmark—a school, for example.

Blue Power & Energy, Nicaragua's second largest wind farm, could well become its newest geographic reference point. Soon, people will be referring to all kinds of places as being this or that many blocks from the enormous wind turbines going up in La Fé-San Martín, on a site surrounded by dairy farms and small plantings of corn, sugarcane, and beans on the outskirts of Rivas, southeast of Managua.

Funded by an IIC loan of $50 million, 22 gigantic 120-meter-tall Vesta wind turbines—whose rotors will produce enough electricity to satisfy up to 5 percent of Nicaragua's energy consumption needs—should be up and running by the middle of 2012.

The project, requiring an overall investment of $115 million, will make Nicaragua a Central American leader in alternative energy production. Once operating at full capacity, the wind farm will reduce $CO_2$ emissions by 104,000 tons per year—the equivalent of those produced by a car traveling around the world 15,600 times.

**15%**

The wind farm will increase Nicaragua's total clean energy production from 11% to 15%

## Feeding Future Generations

The world population surpassed the 7 billion mark on November 1, 2011, and may grow another billion in less than 20 years' time. This fact will exert increasing pressure on the world's food supply and, in particular, will affect the poor, who can already barely afford the cost of staple foodstuffs, such as corn, wheat, and rice.

The IIC is firmly committed to supporting agribusiness as a means of achieving food security and ensuring that production is able to keep pace with the ever-increasing demand for food. In 2011, the IIC approved $66.3 million in funding for 16 projects in the agribusiness and food sectors of several Latin American and Caribbean countries.

This funding is part of an ongoing effort to spur the growth of primary commodity producers, foster the innovation necessary for the creation of better products and processes, and develop more efficient industries that are able to compete in new markets.

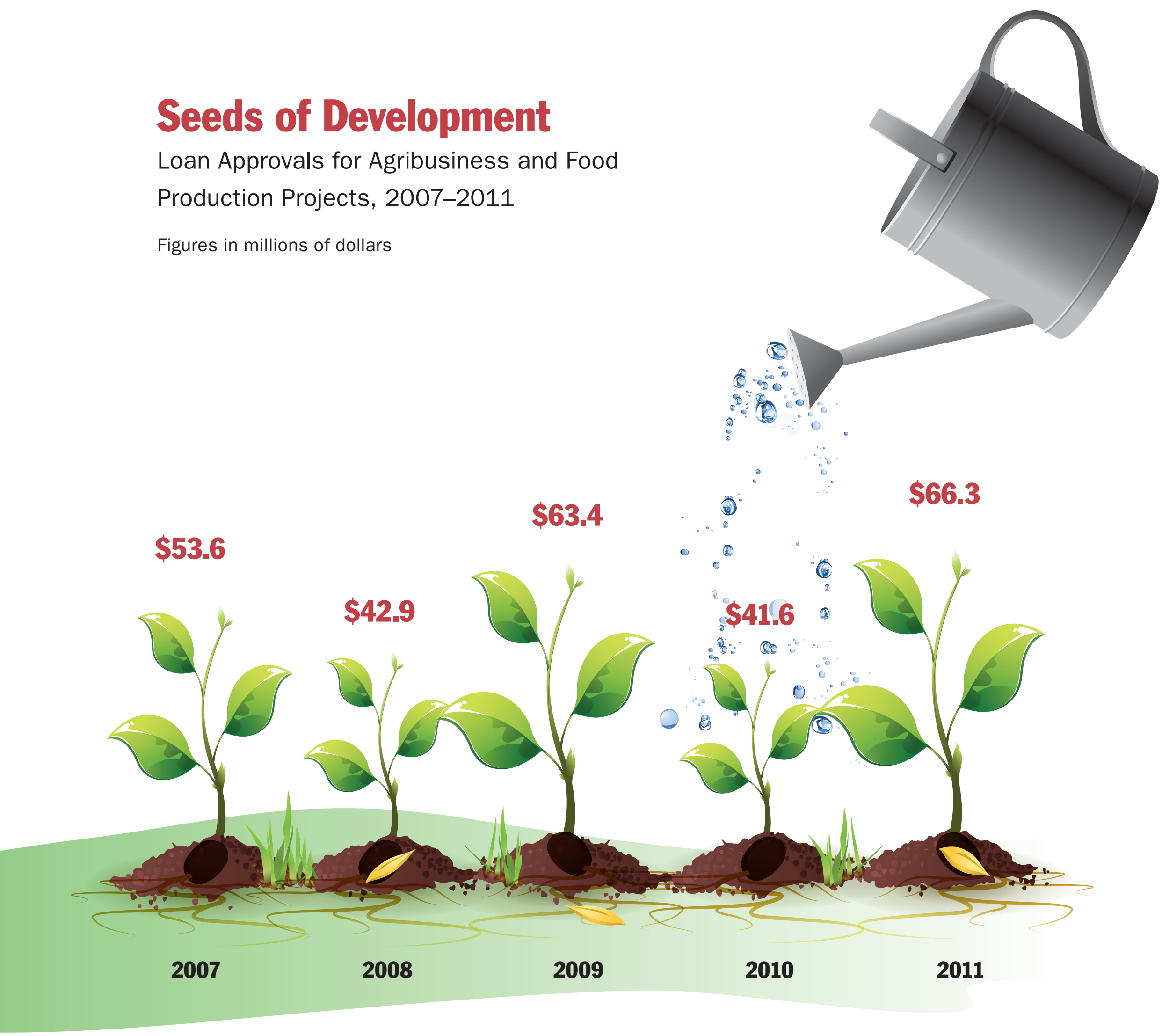
**$270 million**

Since 2006, the IIC has channeled $270 million to fund 72 agricultural and food production projects

## Seeds of Development

Loan Approvals for Agribusiness and Food Production Projects, 2007–2011

Figures in millions of dollars



Patagoniafresh S.A.

# Southern Flavor

When the season for apples, grapes, blackberries, blueberries, and cherries draws to a close in the northern hemisphere, a number of global food and beverage companies hoping to mitigate climate-related risks cast their glance toward countries south of the equator, as far south as Chile's Patagoniafresh, the southern hemisphere's largest exporter of non-citrus fruit juice concentrates.

In 2011, the IIC approved a loan for $2 million—in the form of parallel financing in conjunction with local banks—to enable Patagoniafresh to refinance its immediate liabilities, meet its working capital needs, and invest in measures for boosting production and energy efficiency at its four Chilean plants, as a means of reducing costs and achieving economic and environmental sustainability.

This refinancing will allow the company to retain approximately 500 direct jobs and provide stable incomes for its 1,000 or so fruit grower suppliers, 70 percent of whom are small and medium-scale farmers.

Patagoniafresh has a daily production capacity of 3,700 tons of fruit juice and an annual production capacity of more than 45,000 tons of apple and grape extracts, its main products.

## 4 corners

Patagoniafresh exports its products to practically all corners of the globe. Its main markets are North America, Japan, Europe, and Latin America



## FINANCIAL INSTITUTION FINANCING

### Keeping the World Moving

In 2011, IIC loans for $558.6 million—44 percent in A loans and the remainder in B loans—enabled more than twenty banks, cooperatives, credit unions, investment funds, and microfinance institutions to help spur the development of small and medium-sized enterprises and promote private-sector growth in Latin America and the Caribbean.

The IIC channels funding to the financial sector through local currency loans, syndicated loans, and bond issues, with a view to expanding access to financing. Private-sector lending accounts for 43.9 percent of regional GDP, which is small in global terms.

Since 2000, the IIC has channeled nearly $1.9 billion in funding to more than 200 partners in the region's financial sector through loans and equity investments.

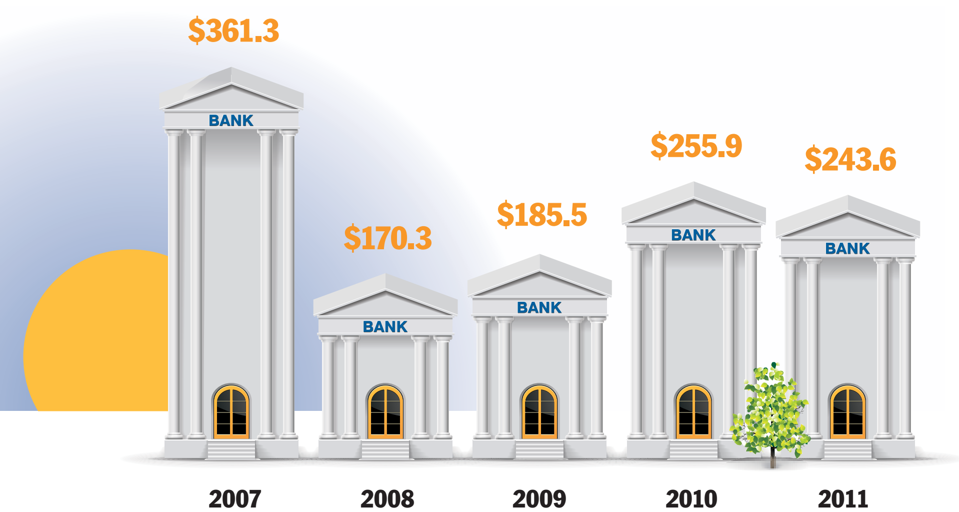
**207**

financial institutions have received training in environmental risk management and climate change

## The Multiplier Effect of IIC Loans

Loan Approvals to Financial Institutions, 2007–2011

Figures in millions of dollars




**"By providing financing to financial institutions, the IIC is promoting the development of SMEs in Latin America and the Caribbean, as this enables banks and other financial institutions to grant loans with longer terms, thus supporting SMEs with the necessary financing structure to give them greater stability."**

LAURA ORADEI-BAYZ
CHIEF, PORTFOLIO MANAGEMENT AND SUPERVISION UNIT, IIC

Banco Itaú Unibanco S.A.

# Big Business Helping Small Business

A partnership between the leading multilateral organization engaged in funding small and medium-sized enterprises and the largest bank of Latin America's biggest economy is expected to produce great results. And this is precisely the challenge taken on by the IIC and Itaú Unibanco: expanding access to finance more Brazilian SMEs.

In 2011, the IIC and Itaú Unibanco approved a five-year A loan for $40 million and a B loan for $240 million—to be disbursed by international banks in tranches over a period of up to five years—as long-term funding for Brazilian SMEs. This is the largest syndicated operation ever conducted by the IIC, which has headed up three similar operations for more than $250 million that were used to provide financing for SMEs. The most recent operation will be used to offer mortgage loans in reais to low-income families looking to buy a home.

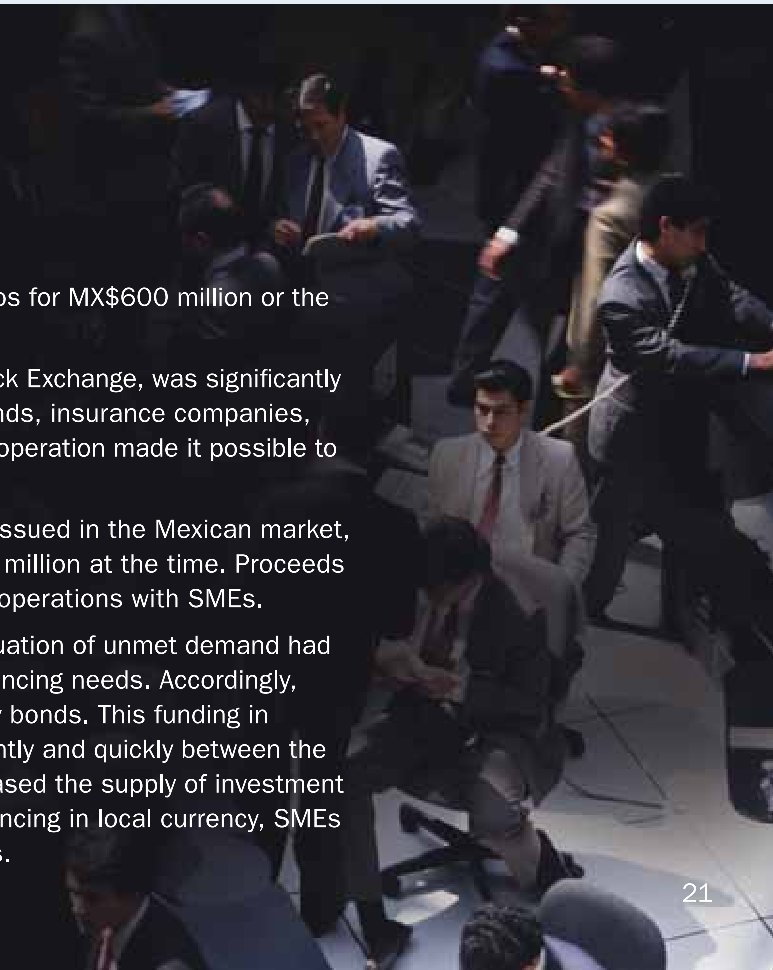
Since 2000, the IIC has provided more funding to Itaú Unibanco than to any other financial institution, followed by Rabobank and Bancóldex

The IIC and Itaú Unibanco are long-time strategic partners. More than 2,200 SMEs and 3,700 households have benefited from loans extended by the IIC and distributed by Itaú since forming their partnership in 2005. In addition to the above-mentioned loans, in 2011, Itaú Unibanco, the IIC, and the IDB Group mounted a three-year training program to help a group of approximately 100 SMEs develop new business ideas or expand their existing operations with Brazil's poorest households.

Itaú Unibanco, the only Latin American bank included in the Dow Jones Sustainability Index and three-time recipient of the Financial Times/International Finance Corporation Sustainable Finance Award, is also a regular contributor to the environmental management training workshops for SMEs conducted by the IIC since 1999.

Local Currency Operations

# Mexico, Our First Market



In May 2011, the IIC issued its second bond in Mexican pesos for MX$600 million or the equivalent of $58 million.

The bond issue, which was fully placed in the Mexican Stock Exchange, was significantly oversubscribed. Twenty-five investors—including pension funds, insurance companies, banks, and mutual funds—bought the bond certificates. The operation made it possible to disburse new credit operations in local currency for SMEs.

The IIC's first bond placement in local currency was also issued in the Mexican market, in November 2007, for MX$480 million, equivalent to $43.9 million at the time. Proceeds from the first bond were used to fund financial intermediary operations with SMEs.

Following the first bond issue, it was discovered that a situation of unmet demand had occurred among a diverse group of entities with different financing needs. Accordingly, this situation provided the rationale for issuing local currency bonds. This funding in Mexican pesos has made it possible for the IIC to act efficiently and quickly between the capital market and SMEs. In addition, the bond issues increased the supply of investment instruments in the Mexican securities market. Thanks to financing in local currency, SMEs can have natural coverage against exchange rate fluctuations.

## FINPYME *Credit*

### Different Names, Same Ideas

In 2011, the IIC decided to repackage its entire line of assistance products for SMEs under the FINPYME brand. This decision meant both an ending and a new beginning: the end of the Small Business Revolving Line (SBRL) and launch of FINPYME *Credit*.

In its first year of operation, the FINPYME *Credit* program approved $4.1 million in financing for 14 projects in six of the region's smallest economies, which is the program's natural sphere of operation. Like the SBRL, FINPYME *Credit* has an expedited approval process and will continue to provide loans for working capital and for capital outlays in amounts ranging from $100,000 up to $600,000.

This tool is a product of the IIC's constant search for new ways to expand its reach and build its relationships with SMEs, and better meet their funding needs.

**93**

days—just over three months—the average time it takes for disbursement of a FINPYME *Credit* program loan from the date of initial contact with the customer

**2**

FINPYME *Credit* projects in Haiti involving a men's clothing manufacturer and a consortium of artisans

### Building on Past Successes

Loan Approvals by the SBRL and FINPYME *Credit,* 2006–2011

Figures in millions of dollars

DKDR Haïti S.A.

# Looking Good

Oftentimes, a company's deeds—and not simply its income and profits—are what determines its success. DKDR, a small Korean clothing manufacturer, understood the truth behind this axiom. In 2011, the company obtained a FINPYME *Credit* program loan for $360,000 to expand the production capacity of its men's clothing factory in Port-au-Prince.

DKDR manufactures men's suits, overcoats, formal wear, and dress slacks sold at big retail chains in the United States. This IIC loan will enable DKDR to purchase new equipment used in the manufacture of men's slacks, one of DKDR's main product lines. The firm exports 100 percent of its output. Stepping up production could add another 400 new jobs to its current workforce of 1,200 employees.

After 15 years in the Dominican Republic, in 2010 the company relocated its operations to the Sonapi Industrial Park near the Haitian capital's international airport, to help with the country's reconstruction effort in the aftermath of the devastating earthquake in January of that year. DKDR exports its clothing line to the United States duty-free under the HOPE Act passed by the U.S. Congress in 2008 to create jobs and eliminate trade barriers with Haiti.

The FINPYME *Credit* program loan will allow DKDR to step up its production of men's dress pants from 30,000 to 45,000 pairs per month.

Fibras de Vidrio Caaguazú S.A.

# Small Amounts Go a Long Way

The IIC's history with Fibrac—a family-owned business—is very simple but, as in many other cases, illustrates how a small loan can make a big difference to an entrepreneur. In practical terms, the $250,000 IIC loan to Fibrac under the FINPYME *Credit* program, approved in 2011, could boost the company's sales by 15 percent and expand its workforce by nearly 25 percent.

The Paraguayan firm—which manufactures water storage tanks, swimming pools, tubs, cultured marble sinks, and reinforced plastic barge covers, among other products—will use the funding to expand its manufacturing facilities, build a 2,000-square-meter warehouse, and purchase a new laminating machine.

The laminating machine is used to coat the surface of the company's products with a synthetic resin, which gives the product a better finish and allows the firm to distinguish itself from the competition by using its own paints. The remodeled facilities and new storage warehouse will enable Fibrac to reorganize its production line and product warehouse to help streamline loading operations and expedite the arrival and departure of delivery trucks. Both measures will help the company reduce costs and better meet demand.

Fibrac was founded in 1997 in Caaguazú, a city in eastern Paraguay halfway between Asunción and the Brazilian border. It currently manufactures a variety of water storage tanks, more than 15 models of jetted tubs, and 20 models of swimming pools.

**15%**

By expanding its business, Fibrac's sales would increase 15%

## EQUITY AND QUASI-EQUITY INVESTMENTS

### Winning Companies

In 2009, the IIC established its Investment Funds Unit to streamline all equity investment services using internal and third-party funding. During 2011, the IIC approved $8.6 million in equity and quasi-equity investments. The China-IIC SME Equity Investment Trust Fund, established in 2009 to support Latin American and Caribbean enterprises, co-financed all these operations with the IIC.

Equity and quasi-equity investments allow investors and businesses to help bolster the growth of SMEs while sharing in their business risks and profits. In general, IIC funding has gone into telecommunications projects, special-purpose banks, and multi-sector investment funds, where it has helped numerous enterprises create jobs and improve their productivity and competitiveness.

The IIC has been a pioneer in promoting equity and quasi-equity investments in the region. It invested in, administered, and acted as a catalyst for the first regional investment funds some 20 years ago. Over $139 million in equity investments have been made in 26 different enterprises since 2000.

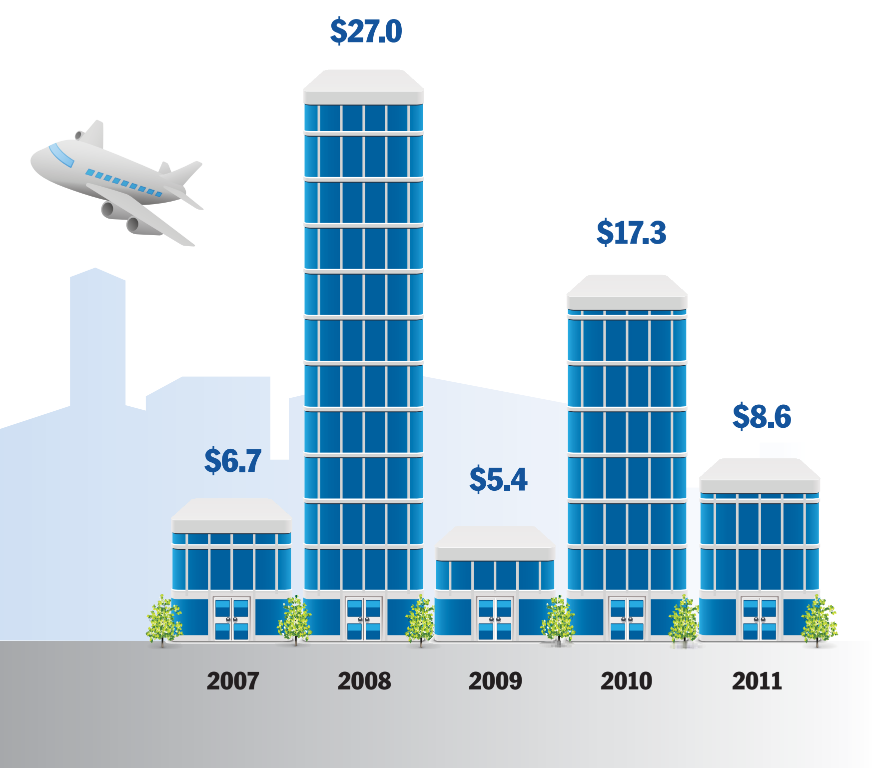
**"The IIC plays a key catalytic role in promoting equity investments in the region, a crucial part of the financial 'ecosystem' for stepping up private sector development."**

JACQUES ANTEBI
CHIEF, INVESTMENT
FUNDS UNIT, IIC

## Investing in Growth

IIC Equity and Quasi-equity Investments, 2007–2011

Figures in millions of dollars




Wind Telecom S.A.

# Broadband Education

The Internet is changing the way students learn, teachers teach, and content is communicated. This is common knowledge in the Dominican Republic, where various telecommunications companies are providing schools with educational channels free of charge.

One such firm, Wind Telecom, obtained an IIC quasi-equity investment in 2011 to provide bundled service packages for its customers in the cities of Santo Domingo and Santiago and bring telephone and Internet service to more than 1,000 schools within a two-year period. The company, which also offers digital TV service using WiMAX and MMDS technology, already has a fiber optic network in place to provide interconnectivity for the country's major universities and for the installation of WiFi networks in other educational institutions.

The infusion of new IIC funding will be used to help reduce countrywide disparities and promote the innovation and development of the domestic telecom sector—a market with enormous potential. Part of the investment—which includes financial backing from the China-IIC SME Equity Investment Trust Fund—will be used to purchase equipment for the delivery of Internet, VoIP, and digital TV service in rural areas with limited or no service coverage.

**400 new jobs**

These latest Wind Telecom investments, funded by the IIC, are expected to create at least 400 new jobs

## Spain-IIC Haiti SME Development Fund: Here, Innovation is Development

Innovation is no easy task, especially when the path to obtaining it is an uphill climb, but perhaps nowhere else in the region are the obstacles to innovation as great as they are in Haiti.

The country is making an enormous effort to recover from the 2010 earthquake and the IIC has decided to help meet its economic and social needs with an innovative social investment model. Thus, the Haiti SME Development Fund was conceived in 2010 and officially established in 2011 by the IIC and the Spanish government to cofinance loans ranging from $10,000 to $100,000 for small and medium-sized enterprises in conjunction with local financial institutions. The Fund has an endowment of over $59 million and will be operative for a 12-year period.

The Fund's innovative structure draws on IIC experience and creativity. Compared with traditional, low-cost financing models, this cofinancing mechanism helps give local financial institutions access to larger numbers of customers with less risk while, at the same time, offering SMEs lower interest rates. The IIC also serves as the Fund manager.

The Spanish government supported the proposal by the IDB Group—which led the reconstruction effort in Haiti—from the beginning and believes that private sector growth in general and, more specifically, access to credit for small and medium-sized enterprises, is a key factor in promoting economic recovery and sustainability. Current penetration rates for credit in Haiti's private sector are extremely low, well below those of other Caribbean countries and other regions with comparable macroeconomic indicators.

# TECHNICAL ASSISTANCE PROGRAMS

A Commitment to Added Value

## FINPYME in 2011: Helping to Promote Growth

FINPYME, the brand of programs that add value to IIC financing through the delivery of technical assistance services, was expanded to new Latin American and Caribbean countries in the initiative's second year of growth.

FINPYME continued its growth process throughout 2011:

- The technical assistance phase of the FINPYME *Diagnostics* program was concluded in the English-speaking Caribbean, parts of Central America, and Colombia.
- The first FINPYME *ExportPlus* workshops were held in Bahamas, Barbados, Costa Rica, Guatemala, Guyana, Haiti, Nicaragua, and Suriname.
- The FINPYME *Family Business* program was expanded to another four countries with the organization of five corporate governance workshops in Colombia, Dominican Republic, Honduras, and Panama, while a pilot FINPYME *Integrity* program provided ethics training for SMEs in Barbados, Jamaica, and Trinidad and Tobago.
- Training workshops conducted as part of the GREENPYME program were directed at small and medium-sized Central American entrepreneurs interested in making their businesses more energy efficient.

### By the Numbers

**30** diagnostic reviews
**2** countries

**71** group workshops
**2,313** participants
**1,583** participating SMEs
**16** countries

**91** individual technical assistance services
**13** countries

## Vital Donor Support

Donor support has proven crucial in helping the IIC train and assist some 3,300 small and medium-sized Latin American and Caribbean enterprises as part of its FINPYME initiative since the establishment of its Technical Assistance and Strategic Partnerships Division.

In 2011, the IIC entered into cooperation agreements with the Nordic Development Fund and the Nordic Investment Bank, Bancóldex and Bancolombia, and BAC|Credomatic. These agreements will help the IIC set up financial initiatives at the regional, country, and sector levels, promote partnership-building among different institutions, and implement its various FINPYME programs and other activities in support of private enterprise.

**"The IIC is expanding the scope of its support by offering Latin American and Caribbean SMEs value-added services. With the support of our donors and strategic partners, 1,725 enterprises benefited from our technical assistance programs in 2011."**

JORGE ROLDÁN
CHIEF, TECHNICAL ASSISTANCE AND STRATEGIC PARTNERSHIPS DIVISION, IIC

FINPYME *Diagnostics*

## New Workshops, New Markets

The IIC's flagship technical assistance program wound up its fifth consecutive year of operation by rolling out innovations such as hybrid, virtual, and interactive workshops.

In Colombia, the FINPYME *Diagnostics* program launched new hybrid technical assistance services—group workshops for the discussion of cross-cutting issues with individual discussion sessions addressing the specific problems of each business—and held its first four-week, online training course in which 77 of the 120 businesses assessed by the program participated. Meanwhile, in Central America, bank executives and small business owners engaged in interactive training activities simulating the negotiation process for obtaining financing as part of the program's first interactive workshop on financing for SMEs and financial institutions.

The IIC also continued to draw up and sign agreements for the hiring of trainers ahead of the 2012 scheduled launch of FINPYME *Diagnostics* in Mexico and Brazil. It identified a number of potential strategic partners in Mexico for program implementation in Veracruz, Aguascalientes, and León-Guanajuato, and signed an agreement with Brazil's Confederação Nacional da Indústria for the implementation of its FINPYME *Diagnostics* program in three northeastern Brazilian states (Ceará, Paraíba, and Pernambuco).

**"What do I consider the best part of the diagnostic review? I would have to say the SWOT—strengths, weaknesses, opportunities, and threats—analysis, since it provided information on our competitive position, our weaknesses, and strengths we can build on."**

CARLA MAHEIA-HART
MANAGER OF MAHEIA UNITED CONCRETE & SUPPLIES LTD.,
A BELIZEAN BUILDING SUPPLY COMPANY

**"My grandfather founded the company 50 years ago. We have uncles, cousins, and brothers and sisters all working in the company. FINPYME *Diagnostics* taught us how to develop a protocol for making work assignments, solving problems, and keeping peace in the family."**

ALEJANDRO PINZÓN
GENERAL MANAGER OF ASC ELECTRÓNICA, A COLOMBIAN FIRM
THAT DESIGNS AND SELLS ELECTRONIC COMPONENTS

### By the Numbers

**29** group workshops

**75** individual technical assistance services

**600** participating SMEs

### Focus Areas

**Innovation**

**Corporate Governance**

**Financial Management**

**Marketing**

**953**
companies trained since 2007

**13**
countries covered

**365**
diagnostic reviews performed

## Preparing for the Future

FINPYME *Family Business* is designed to help entrepreneurs confront the main challenges to the sustainability of family businesses, including developing business ownership responsibly and jointly, preparing for succession, and nurturing the entrepreneurial spirit.

FINPYME *Family Business* workshops focus on providing training in corporate governance mechanisms designed to ensure that businesses survive intergenerational transitions. In 2011, the IIC joined forces with BAC|Credomatic and Bancóldex to provide training services for family-owned businesses in Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, and in the Colombian cities of Medellín and Cali. Another workshop provided similar training for expert consultants in Central America and the Dominican Republic.

This past year, the IIC also provided training for corporate governance consultants to expand its pool of facilitators and sponsored the first International Family Enterprise Research Academy (IFERA) Americas Family Business Forum in Latin America, organized by the IFERA network, a pioneer in academic research on family-owned businesses.

### By the Numbers

**5** workshops

**145** participating SMEs

**326**
companies trained since 2008

**7**
countries covered

**"We all came, the managing partner and all the new managers—the general manager, the marketing manager, and myself, the sales manager—and we're going back home armed with resources to help us plan for the company's survival for future generations."**

ÓSCAR BONNET R.
SALES MANAGER FOR LÍDER CORTINAS Y AMBIENTES, A COLOMBIAN MANUFACTURER AND EXPORTER OF WINDOW TREATMENTS

FINPYME *ExportPlus*

## The World Waits

With financial backing from the Republic of Korea, Italy, and Belgium's Walloon region, FINPYME *ExportPlus* has established itself as the IIC's main tool for preparing small and medium-sized Latin American and Caribbean businesses to compete in the export market.

FINPYME *ExportPlus* is consistent with the World Trade Organization and IDB's Aid-for-Trade initiative. It arranges for technicians and experts to provide SMEs with direct assistance to help strengthen their competitiveness and export capacity. FINPYME *ExportPlus* advocates three main courses of action to improve SME competitiveness: obtaining international export certification, improving company operating procedures, and enhancing export-oriented business management.

**"Training helps translate ideas into specific actions, such as developing a sales strategy for penetrating the U.S. market."**

ERICK FUENTES
SALES MANAGER FOR THE GUATEMALAN COMPANY
CAFÉ ANTIGÜEÑO

## By the Numbers

**27** workshops

**565** business owners trained

## Focus Areas

**Export Guidelines**

**Labeling**

**Export Strategies**

**International Business Management**

**832**
companies trained since 2009

**9**
countries covered

**18**
consulting assignments completed

# Cooperativa COBAHUE: Coffee Time in Guatemala

Iliana Martínez is a schoolteacher from Huehuetenango, a rural area nestled in the hills and valleys of northwestern Guatemala. Iliana was awarded a U.S. government grant to study agribusiness in the United States. Upon graduating, she decided to return to her homeland and work with local coffee growers. In her own words: “I always knew that I wanted to do something for my people.”

But her decision to return to Guatemala was not easy. Iliana had to overcome numerous hurdles to keep her COBAHUE cooperative in the black. On occasion, she even had to forgo her own salary just to keep her doors open. But her efforts did eventually pay off. As one of the few members of the organization who spoke English, she used her language skills to advocate for coffee growers and ensure that they received a fair price for their production. Thanks in part to Iliana’s efforts, in 2010, COBAHUE’s member farmers were able to begin exporting their coffee to Italy, the United Kingdom, and the United States—the markets with the most exacting standards of taste and quality.

However, this is only part of the story. FINPYME *ExportPlus,* an IIC program backed by the Italian Ministry of Foreign Affairs and CaféyCaffè, a related program, helped COBAHUE members improve the way they grow, harvest, and process their coffee beans, enabling the cooperative to market a better product. Today, HueHue coffee, the COBAHUE cooperative’s brand, is a quality gourmet product bearing the Slow Food seal of approval as an organic product.

Nevertheless, neither Iliana nor FINPYME *ExportPlus* have been resting on their laurels. In 2011, they teamed up on a new project to create the first brand of coffee entirely roasted and packaged locally in Huehuetenango. With the help of a Milanese advertising agency hired with technical assistance funding from FINPYME *ExportPlus,* Iliana is creating a label and logo for her coffee that truly reflect the spirit and natural features of Huehuetenango.

The IIC is helping her with this project because, after testing the product in local shops in Guatemala City, Iliana realized that while there is a market for her exceptionally high-quality coffee, her product needed a more sophisticated look.

“With the help of FINPYME *ExportPlus,* we’ll be able to improve our packaging and, hopefully, very soon, begin exporting our product to Italy under our own label, which means that a significant portion of the profits will stay right here in Huehuetenango with our local coffee growers,” said Martínez.

FINPYME *Integrity*

## A Business Ethics Milestone

The 2011 launch of FINPYME *Integrity,* a program designed to raise awareness of the value of business ethics among Latin American and Caribbean SMEs, marked a new milestone in the IIC's effort to promote integrity and transparency and fight corruption.

Backed by the Korea-IIC SME Development Trust Fund, FINPYME *Integrity* officially kicked off with facilitator training modules in three English-speaking Caribbean countries, which introduced a series of guidelines and tools developed with support from the International Trade Administration of the U.S. Department of Commerce and the Korean Chamber of Commerce and Industry. These tools, which include feedback from businesses and professionals, will help trainers facilitate the implementation of best business ethics practices through the development of codes of conduct and training of SME employees to make sound business decisions. Upon the conclusion of the pilot phase of the program in 2012, these training tools will be made available for use by the general public. This IIC initiative is an outgrowth of the agreements entered into by the IDB, the IIC, and the World Economic Forum in 2010.

The IIC works with local organizations to better meet the specific needs of SMEs in each country. In turn, these organizations use FINPYME *Integrity* program technical assistance services as a conduit for passing on their best practices to small business owners. The IIC's main partners are the Cave Hill School of Business (Barbados), the Private Sector Organisation of Jamaica, as well as the American Chamber of Commerce of Trinidad and Tobago, Syntegra Change Architects Ltd., the Trinidad and Tobago Chamber of Industry and Commerce, and the Transparency Institute (Trinidad and Tobago).

### By the Numbers

**5** workshops

**212** participating SMEs

### Focus Areas

**Ethics, Transparency, and Integrity**

**Codes of Conduct**

**Anti-corruption Practices**

FINPYME *Technical Assistance*

## Broad-based Direct Assistance

The IIC offers five types of direct assistance to its business customers under the FINPYME *Technical Assistance* program.

It funds feasibility studies to establish the viability of their projects; provides advisory services designed to help strengthen their competitiveness; assists them with efforts to improve their suppliers' processes and products; monitors the implementation of IIC-funded projects to ensure that pertinent goals and objectives are achieved; and finances studies of environmental, social, and labor-related issues serving the dual purpose of helping businesses meet international standards and satisfy basic requirements for gaining access to long-term financing.

In 2011, the IIC's FINPYME *Technical Assistance* program served 17 businesses.

### Focus Areas

**Feasibility Studies**

**Competitiveness**

**Project Monitoring**

**Certifications**

**Product Upgrades**

**Environmental Studies**

**75**
companies trained since 2002

**25**
countries covered

**75**
consulting assignments completed

GREENPYME

## Greening SMEs

GREENPYME promotes energy efficiency measures and energy audits to help SMEs identify and implement ways of reducing their energy costs.

Partnering with local banks, companies specializing in energy efficiency solutions, and experts in this field, GREENPYME's objectives include breaking down barriers in access to green financing and training business owners and bank executives through workshops and specialized technical assistance services.

In 2011, the IIC, with financial backing from the Nordic Development Fund, held a series of workshops in conjunction with BAC|Credomatic, at which a group of service and technology providers explained how energy-efficient technologies work, help lower costs, and improve SME productivity. Experts from the IDB's Sustainable Energy and Climate Change Initiative discussed the concept of carbon finance through which companies can benefit from different incentives for reducing their impact on climate change and, hence, their carbon footprint. BAC|Credomatic spoke about its green lines for funding investments in energy efficiency measures. SMEs attending GREENPYME workshops receive free technical assistance on how to perform energy audits. The program's latest achievement was its launch of the GREENPYME website (www.GREENPYME.org) with financial backing from the Nordic Development Fund. The website provides regional SMEs with the tools they need to expand access to information and improve energy efficiency.

Workshops held early in the year by the IIC and BAC|Credomatic provided training for some 50 of BAC|Credomatic's loan officers in Central America, laying the groundwork for the official roll-out of the GREENPYME program in that part of the region.

**"An energy audit showed us that by replacing a portion of our lighting systems and office automation and production equipment, we could reduce power consumption by 27 percent, enabling us to recoup our investment in four years."**

DAYAN HERNÁNDEZ
MANAGER OF ITALDEC, A COLOMBIAN MANUFACTURER
OF DENTAL IMPLANTS AND EQUIPMENT

### By the Numbers

**5** workshops on energy efficiency

**186** participating SMEs

**946**
companies trained since 2008

**10**
countries covered

**83**
consulting assignments completed

Productos Ujarrás S.A.

# Sweet Taste of Success

FINPYME *Technical Assistance* helped Productos Ujarrás, a well-known Costa Rican family business that manufactures and exports tropical fruit pastes, preserves, and jams, address serious problems affecting its operations.

The program helped pinpoint needs for critical improvements by Ujarrás as well as weaknesses in its production processes and environmental management procedures. Armed with the findings from its diagnostic review, Ujarrás remodeled its plant to expand its production capacity and streamline its packaging and shipping operations, and also hired a financial manager to control costs and tend to its financing needs. Ujarrás then began the process of obtaining food safety certification with a view to stepping up its exports to Central America and the United States.

**"Now, we're making better use of our working capital. Our production costs are more competitive, which has increased our bottom line."**

FRANCISCO CASTRO BRENES
PROJECT MANAGER, PRODUCTOS UJARRÁS

**31% increase**

Following completion of the diagnostic review, the company's sales increased 31%.

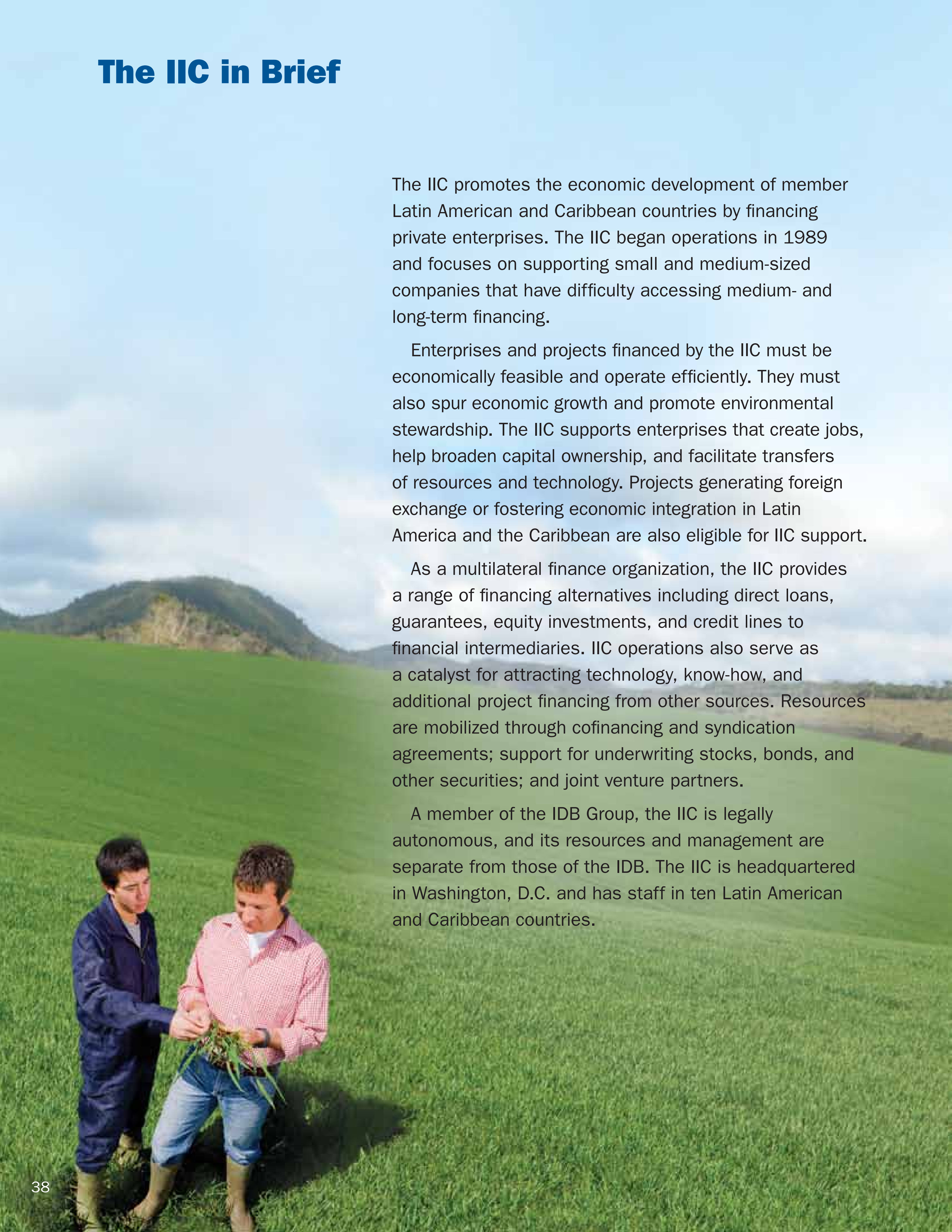
# The IIC in Brief

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

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

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

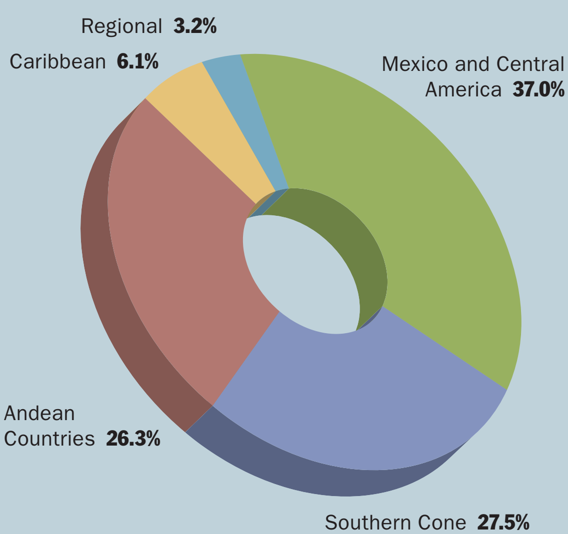
A member of the IDB Group, the IIC is legally autonomous, and its resources and management are separate from those of the IDB. The IIC is headquartered in Washington, D.C. and has staff in ten Latin American and Caribbean countries.



# 2011 Investment Activity

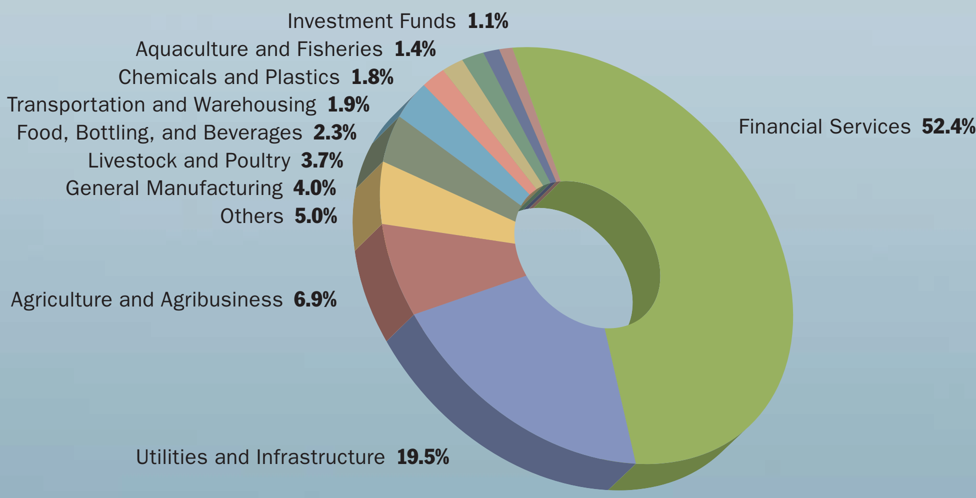
## BREAKDOWN OF APPROVALS

### Investment Activity by Region



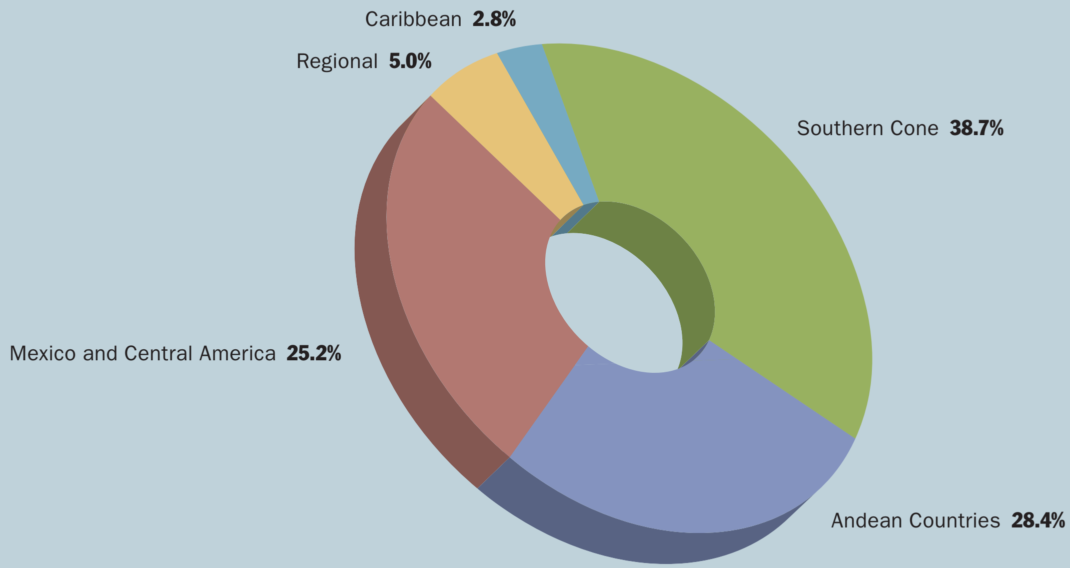

### Investment Activity by Type


### Investment Activity by Sector

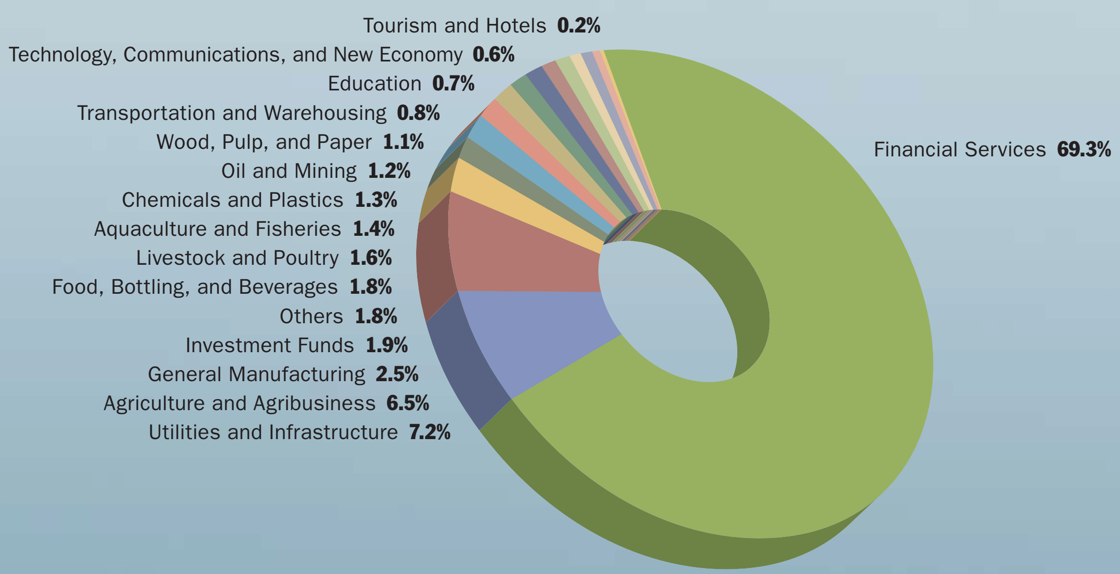


## INVESTMENT PORTFOLIO

### Outstanding Portfolio by Region*




### Outstanding Portfolio by Sector*



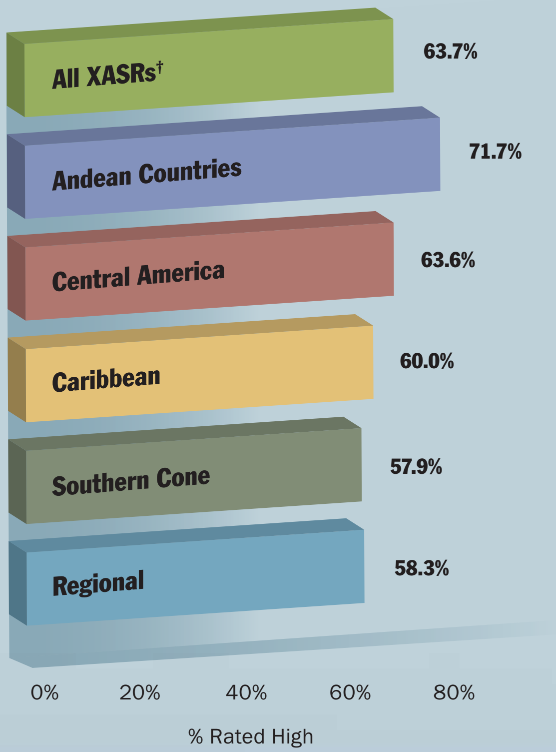

*Does not include the RBTT transaction which is reported in the financial statements as an investment security.

## SME PROGRAMS

| Program | Measure | Value |
|---|---|---|
| FINPYME *Diagnostics* | Cumulative number of diagnostics completed | 365 |
| | Cumulative number of companies that received individual or group technical assistance | 953 |
| GREENPYME | Cumulative number of SME participants in workshops | 946 |
| | Cumulative number of technical assistance activities | 103 |
| FINPYME *Family Business* | Cumulative number of SME participants in workshops | 326 |
| | Cumulative number of technical assistance activities | 191 |
| FINPYME *ExportPlus* | Cumulative number of SMEs that received individual or group technical assistance | 832 |
| | Cumulative number of technical assistance activities | 56 |
| FINPYME *Integrity* | Cumulative number of SME participants in workshops | 212 |
| | Cumulative number of technical assistance activities | 32 |
| Direct technical assistance | Cumulative number of projects with a technical assistance component | 75 |
| Environmental Training Workshop | Cumulative number of participants in workshops | 549 |
| Loans made through financial intermediaries | Cumulative number of subloans | 1,633,491 |
| IFEM | Cumulative number of projects approved | 12 |
| FINPYME *Credit* | Cumulative number of projects approved | 52 |
| | IFEM average financing | $ 2,095,833 |
| | FINPYME *Credit* average financing | $ 254,553 |
| | Cumulative value of technical assistance for IIC direct clients | $ 3,975,770 |

## DEVELOPMENT RESULTS

### Development Results by Region*




**$1.28** billion
**171** projects

**$380.8** million
**53** projects

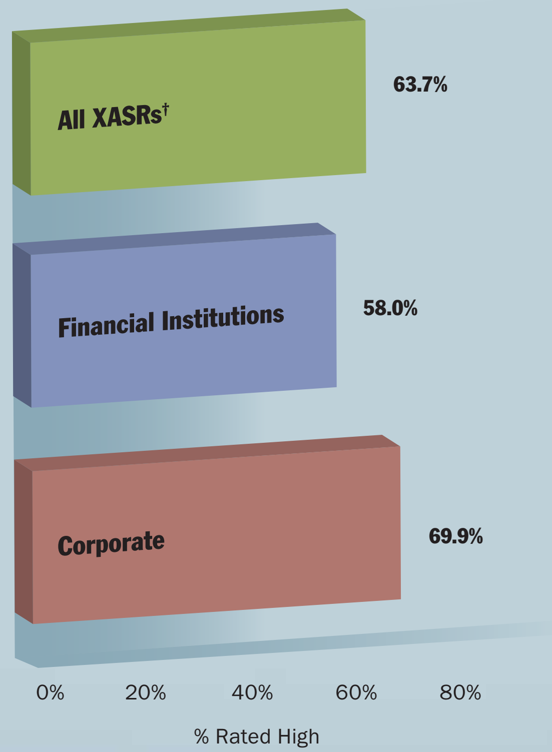
**$314.5** million
**44** projects

**$35.0** million
**5** projects

**$451.8** million
**57** projects

**$98.7** million
**12** projects

### Development Results by Type of Investment*

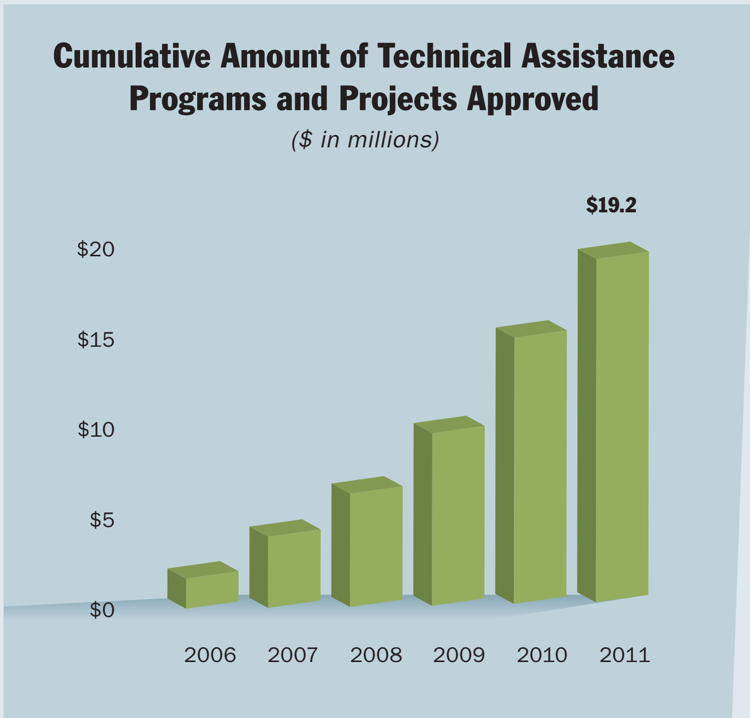


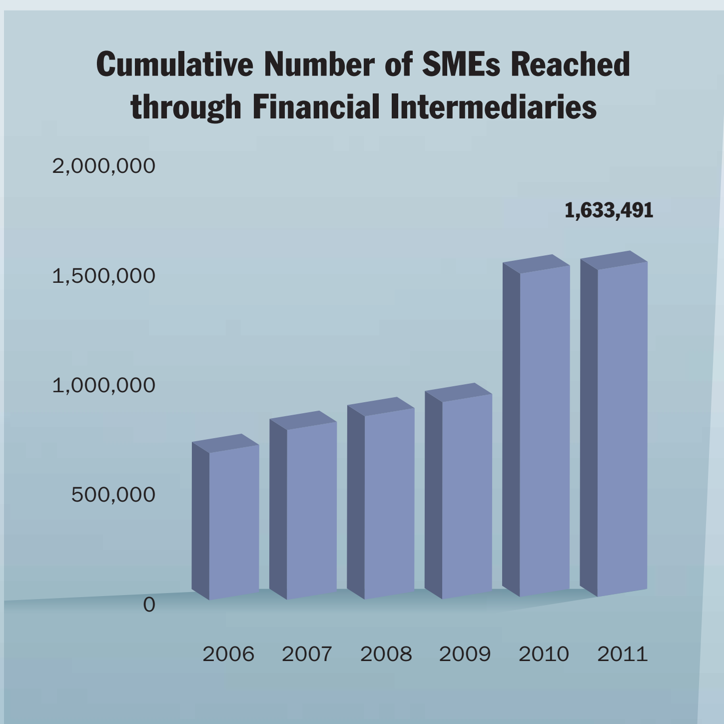

**$1.28** billion
**171** projects

**$823.6** million
**88** projects

**$457.2** million
**83** projects

*XASR data as of December 31, 2011. Covers projects approved by the IIC from 1989 to 2007 and evaluated by the IDB's Office of Evaluation and Oversight (OVE). For a more detailed treatment of the results, please refer to the section on development outcomes.
†Expanded Annual Supervision Report.




## Aggregate Procurement

*($ in thousands)*

| Country | Amount |
|---|---|
| Argentina | $ 470,713 |
| Austria | $ 358 |
| Bahamas | $ 10,112 |
| Barbados | $ 11,250 |
| Belgium | $ 6,853 |
| Belize | $ 8,227 |
| Bolivia | $ 13,231 |
| Brazil | $ 268,089 |
| Chile | $ 162,915 |
| Colombia | $ 32,790 |
| Costa Rica | $ 72,902 |
| Denmark | $ 8,102 |
| Dominican Republic | $ 54,243 |
| Ecuador | $ 38,717 |
| El Salvador | $ 15,921 |
| Finland | $ 2,331 |
| France | $ 34,161 |
| Germany | $ 81,613 |
| Guatemala | $ 49,707 |
| Guyana | $ 600 |
| Haiti | $ — |
| Honduras | $ 57,498 |
| Israel | $ 13,530 |
| Italy | $ 49,873 |
| Jamaica | $ 48,083 |
| Japan | $ 22,170 |
| Mexico | $ 100,637 |
| Netherlands | $ 70,593 |
| Nicaragua | $ 23,687 |
| Norway | $ 7,551 |
| Panama | $ 43,530 |
| Paraguay | $ 25,077 |
| People's Republic of China | $ 8,400 |
| Peru | $ 72,813 |
| Portugal | $ — |
| Republic of Korea | $ 1,057 |
| Spain | $ 34,976 |
| Suriname | $ — |
| Sweden | $ 5,895 |
| Switzerland | $ 27,972 |
| Trinidad and Tobago | $ 1,000 |
| United States | $ 604,776 |
| Uruguay | $ 87,198 |
| Venezuela | $ 42,531 |
| Regional | $ 18,530 |

# 2011 Overview

## A Record Year

Investments in new sectors, more products and programs, more capital and additionality, and better results.

## Operations Results

In 2011, the IIC approved $464.7 million in direct loans and investments and $470.5 million in cofinancing operations that substantially leveraged the resources provided directly by the IIC.

# ARGENTINA

Total financing approved in 2011 **$41.5 million**
Percentage of total 2011 approvals **8.9%**

### Banco Itaú Argentina S.A.
**Sector:** Financial Services
**Approved Amount:** $10 million
**Total Project Cost:** $40 million

### Hychico S.A.
**Sector:** Utilities and Infrastructure
**Approved Amount:** $8 million
**Total Project Cost:** $21.2 million

### Banco Patagonia S.A.
**Sector:** Financial Services
**Approved Amount:** $8 million
**Total Project Cost:** $8 million

### Profertil S.A.
**Sector:** Chemicals and Plastics
**Approved Amount:** $8 million
**Total Project Cost:** $70 million

### Fincas Patagónicas S.A.
**Sector:** Food, Bottling, and Beverages
**Approved Amount:** $1 million
**Total Project Cost:** $1 million

### Viluco S.A.
**Sector:** Agriculture and Agribusiness
**Approved Amount:** $6.5 million
**Total Project Cost:** $124.3 million

# BOLIVIA

Total financing approved in 2011 **$10.7 million**
Percentage of total 2011 approvals **2.3%**

### ADM-SAO S.A.
**Sector:** Agriculture and Agribusiness
**Approved Amount:** $10 million
**Total Project Cost:** $10 million

### Altmann Montero Exportaciones S.R.L.
**Sector:** Wood, Pulp, and Paper
**Approved Amount:** $400,000
**Total Project Cost:** $600,000

### Gramma Bolivia S.R.L.
**Sector:** Agriculture and Agribusiness
**Approved Amount:** $300,000
**Total Project Cost:** $300,000

## BRAZIL

Total financing approved in 2011 **$7.8 million**
Percentage of total 2011 approvals **1.7%**

### Banco Industrial e Comercial S.A.

**Sector:** Financial Services
**Approved Amount:** $7 million
**Total Project Cost:** $7 million

### Desler do Brasil Comércio e Serviços Ambientais Ltda.

**Sector:** Utilities and Infrastructure
**Approved Amount:** $800,000
**Total Project Cost:** $1 million

## CHILE

Total financing approved in 2011 **$45.5 million**
Percentage of total 2011 approvals **9.8%**

### Compañía Agropecuaria Copeval S.A.

**Sector:** Agriculture and Agribusiness
**Approved Amount:** $10 million
**Total Project Cost:** $10 million

### Eurocapital S.A.

**Sector:** Financial Services
**Approved Amount:** $5 million
**Total Project Cost:** $5 million

### Cooperativa del Personal de la Universidad de Chile Limitada

**Sector:** Financial Services
**Approved Amount:** $5 million
**Total Project Cost:** $5 million

### Factorline S.A.

**Sector:** Financial Services
**Approved Amount:** $15 million
**Total Project Cost:** $15 million


### Factotal S.A.

**Sector:** Financial Services
**Approved Amount:** $7 million
**Total Project Cost:** $7 million

### Patagoniafresh S.A.

**Sector:** Food, Bottling, and Beverages
**Approved Amount:** $2 million
**Total Project Cost:** $39.3 million

### Pesquera Trans Antartic Ltda.

**Sector:** Aquaculture and Fisheries
**Approved Amount:** $1.5 million
**Total Project Cost:** $3.7 million

## COLOMBIA

Total financing approved in 2011 **$71.3 million**
Percentage of total 2011 approvals **15.3%**

### Banco Davivienda S.A.

**Sector:** Financial Services
**Approved Amount:** $30 million
**Total Project Cost:** $30 million

### Energía Integral Andina S.A.

**Sector:** Utilities and Infrastructure
**Approved Amount:** $8 million
**Total Project Cost:** $61 million

### Banco de Bogotá S.A.

**Sector:** Financial Services
**Approved Amount:** $30 million
**Total Project Cost:** $30 million

### Grupo Gelec S.A.S.

**Sector:** Utilities and Infrastructure
**Approved Amount:** $2.6 million
**Total Project Cost:** $4.3 million

### Desler Colombia S.A.S.

**Sector:** Utilities and Infrastructure
**Approved Amount:** $700,000
**Total Project Cost:** $950,000

## COSTA RICA

Total financing approved in 2011 **$26.0 million**
Percentage of total 2011 approvals **5.6%**

### Banco General (Costa Rica) S.A.

**Sector:** Financial Services
**Approved Amount:** $10 million
**Total Project Cost:** $10 million

### Banco HSBC (Costa Rica) S.A.

**Sector:** Financial Services
**Approved Amount:** $15 million
**Total Project Cost:** $15 million

### Coopealianza R.L.

**Sector:** Financial Services
**Approved Amount:** $1 million
**Total Project Cost:** $1 million

## DOMINICAN REPUBLIC

Total financing approved in 2011 **$16.6 million**
Percentage of total 2011 approvals **3.6%**

### Banco Múltiple Santa Cruz S.A.

**Sector:** Financial Services
**Approved Amount:** $2 million
**Total Project Cost:** $2 million

### LS Energía Dominicana S.R.L.

**Sector:** Utilities and Infrastructure
**Approved Amount:** $7.5 million
**Total Project Cost:** $83.9 million

### Industrias Nacionales C. por A.

**Sector:** General Manufacturing
**Approved Amount:** $6 million
**Total Project Cost:** $6 million

### Wind Telecom S.A.

**Sector:** Technology, Communications, and New Economy
**Approved Amount:** $1.14 million
**Total Project Cost:** $5 million

## ECUADOR

Total financing approved in 2011 **$14.5 million**
Percentage of total 2011 approvals **3.1%**

### Banco del Austro S.A.

**Sector:** Financial Services
**Approved Amount:** $2 million
**Total Project Cost:** $2 million

### Banco ProCredit S.A.

**Sector:** Financial Services
**Approved Amount:** $5 million
**Total Project Cost:** $20 million

### Genser Power Inc.

**Sector:** Utilities and Infrastructure
**Approved Amount:** $2.5 million
**Total Project Cost:** $3.5 million

### Industrial Pesquera Santa Priscila S.A.

**Sector:** Aquaculture and Fisheries
**Approved Amount:** $5 million
**Total Project Cost:** $10.6 million

# EL SALVADOR

Total financing approved in 2011 **$6.4 million**
Percentage of total 2011 approvals **1.4%**

### Compañía Azucarera Salvadoreña S.A. de C.V.

**Sector:** Agriculture and Agribusiness
**Approved Amount:** $6 million
**Total Project Cost:** $6 million

### Mobilia S.A. de C.V.

**Sector:** General Manufacturing
**Approved Amount:** $350,000
**Total Project Cost:** $350,000

## GUATEMALA

Total financing approved in 2011 **$600,000**
Percentage of total 2011 approvals **0.1%**

### Italpiel S.A.
**Sector:** Textiles, Apparel, and Leather
**Approved Amount:** $400,000
**Total Project Cost:** $431,211

### Tecnología en Empaque S.A.
**Sector:** Chemicals and Plastics
**Approved Amount:** $200,000
**Total Project Cost:** $216,000

## HAITI

Total financing approved in 2011 **$4.0 million**
Percentage of total 2011 approvals **0.9%**

### Access Haïti S.A.
**Sector:** Technology, Communications, and New Economy
**Approved Amount:** $3.5 million
**Total Project Cost:** $7 million

### Caribbean Craft
**Sector:** Others
**Approved Amount:** $150,000
**Total Project Cost:** $350,000

### DKDR Haïti S.A.
**Sector:** Textiles, Apparel, and Leather
**Approved Amount:** $360,000
**Total Project Cost:** $420,000

## JAMAICA

Total financing approved in 2011 **$7.5 million**
Percentage of total 2011 approvals **1.6%**

### Jamaica Broilers Group Limited
**Sector:** Livestock and Poultry
**Approved Amount:** $7 million
**Total Project Cost:** $7 million

### Jamaican Teas Limited
**Sector:** Food, Bottling, and Beverages
**Approved Amount:** $500,000
**Total Project Cost:** $610,000

# MEXICO

Total financing approved in 2011 **$17.0 million**
Percentage of total 2011 approvals **3.7%**

### Agrofinanzas S.A. de C.V.

**Sector:** Financial Services

**Approved Amount:** MX$30 million, equivalent to $2.5 million

**Total Project Cost:** $2.5 million

### Almacenadora Mercader S.A.

**Sector:** Agriculture and Agribusiness

**Approved Amount:** $5 million

**Total Project Cost:** $62.5 million

### Edilar S.A. de C.V.

**Sector:** Education

**Approved Amount:** $3.5 million

**Total Project Cost:** $41 million

### Fondo de Infraestructura Evercore México

**Sector:** Investment Funds

**Approved Amount:** $5 million

**Total Project Cost:** $160 million

### Unión de Crédito General S.A. de C.V.

**Sector:** Financial Services

**Approved Amount:** MX$12 million, equivalent to $1 million

**Total Project Cost:** $1 million

# NICARAGUA

Total financing approved in 2011 **$71.3 million**
Percentage of total 2011 approvals **15.3%**

### Blue Power & Energy S.A.
**Sector:** Utilities and Infrastructure
**Approved Amount:** $50 million
**Total Project Cost:** $115 million

### Ganadería Integral de Nicaragua S.A.
**Sector:** Livestock and Poultry
**Approved Amount:** $10 million
**Total Project Cost:** $33 million

### Casa Pellas S.A.
**Sector:** Others
**Approved Amount:** $3.5 million
**Total Project Cost:** $3.5 million

### Laboratorios Generifar S.A.
**Sector:** General Manufacturing
**Approved Amount:** $400,000
**Total Project Cost:** $545,130

### Compañía Cervecera de Nicaragua S.A.
**Sector:** Food, Bottling, and Beverages
**Approved Amount:** $7 million
**Total Project Cost:** $7 million

### Sales de Nicaragua S.A.
**Sector:** Food, Bottling, and Beverages
**Approved Amount:** $154,000
**Total Project Cost:** $154,000

### Desarrollo Agrícola S.A.
**Sector:** Agriculture and Agribusiness
**Approved Amount:** $200,000
**Total Project Cost:** $253,000

# PANAMA

Total financing approved in 2011 **$50.5 million**
Percentage of total 2011 approvals **10.9%**

### Hidroeléctrica San Lorenzo S.A.
**Sector:** Utilities and Infrastructure
**Approved Amount:** $10.5 million
**Total Project Cost:** $33.8 million

### HSBC Bank (Panamá) S.A.
**Sector:** Financial Services
**Approved Amount:** $40 million
**Total Project Cost:** $260 million

# PARAGUAY

Total financing approved in 2011 **$23.3 million**
Percentage of total 2011 approvals **5.0%**

### Banco Bilbao Vizcaya Argentaria Paraguay S.A.

**Sector:** Financial Services
**Approved Amount:** $15 million
**Total Project Cost:** $65 million

### Banco Regional S.A.E.C.A.

**Sector:** Financial Services
**Approved Amount:** $8 million
**Total Project Cost:** $8 million

### Fibras de Vidrio Caaguazú S.A.

**Sector:** Chemicals and Plastics
**Approved Amount:** $250,000
**Total Project Cost:** $470,000

# PERU

Total financing approved in 2011 **$25.6 million**
Percentage of total 2011 approvals **5.5%**

### Caja Rural de Ahorro y Crédito Nuestra Gente S.A.A.

**Sector:** Financial Services
**Approved Amount:** $4.6 million
**Total Project Cost:** $4.6 million

### Envases Los Pinos S.A.C.

**Sector:** General Manufacturing
**Approved Amount:** $3 million
**Total Project Cost:** $3 million

### Cartones Villa Marina S.A.

**Sector:** General Manufacturing
**Approved Amount:** $3 million
**Total Project Cost:** $3 million

### Mibanco, Banco de la Microempresa S.A.

**Sector:** Financial Services
**Approved Amount:** $15 million
**Total Project Cost:** $15 million

## URUGUAY

Total financing approved in 2011 **$9.7 million**
Percentage of total 2011 approvals **2.1%**

### Evamel S.A.

**Sector:** Aquaculture and Fisheries
**Approved Amount:** $100,000
**Total Project Cost:** $200,000

### Microfinanzas del Uruguay S.A.

**Sector:** Financial Services
**Approved Amount:** $500,000
**Total Project Cost:** $500,000

### Laboratorios Uruguay S.A.

**Sector:** General Manufacturing
**Approved Amount:** $380,000
**Total Project Cost:** $380,000

### Orofrán S.A.

**Sector:** Transportation and Warehousing
**Approved Amount:** $6.5 million
**Total Project Cost:** $28 million

### Lirio Blanco S.A.

**Sector:** Transportation and Warehousing
**Approved Amount:** $2.2 million
**Total Project Cost:** $9.3 million

## REGIONAL

Total financing approved in 2011 **$15.0 million**
Percentage of total 2011 approvals **3.2%**

### Corporación Interamericana para el Financiamiento de Infraestructura S.A.

**Sector:** Financial Services
**Approved Amount:** $5 million
**Total Project Cost:** $5 million

### GMG Holding S.A.

**Sector:** Others
**Approved Amount:** $10 million
**Total Project Cost:** $175 million

In 2011, our financing reached new sectors of the Latin American and Caribbean economy.

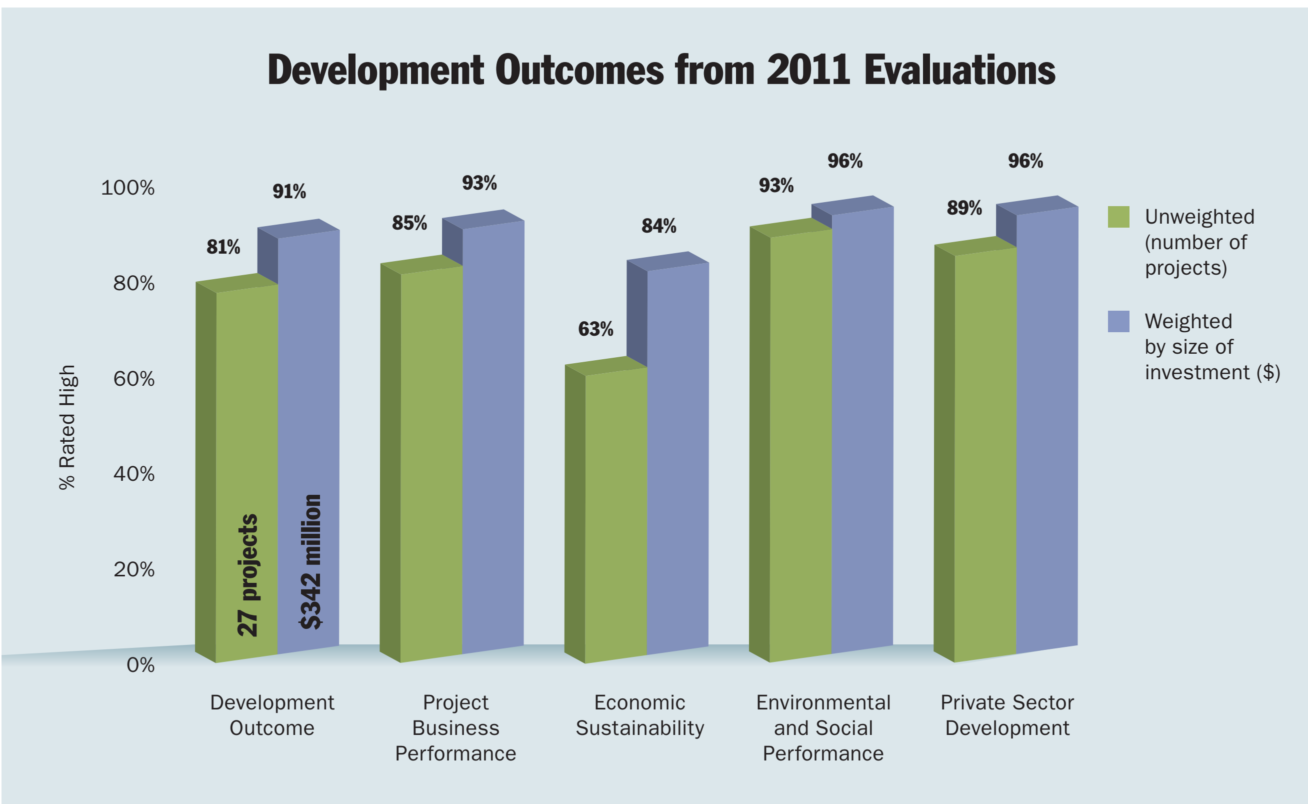
## Our Goal: High Impact

The IIC uses two tools to measure the development impact of its operations, and these share a number of common indicators. One is the Development Impact and Additionality Scoring (DIAS) system, introduced in 2008. The DIAS system estimates a project's potential development impact prior to its approval and throughout its life.

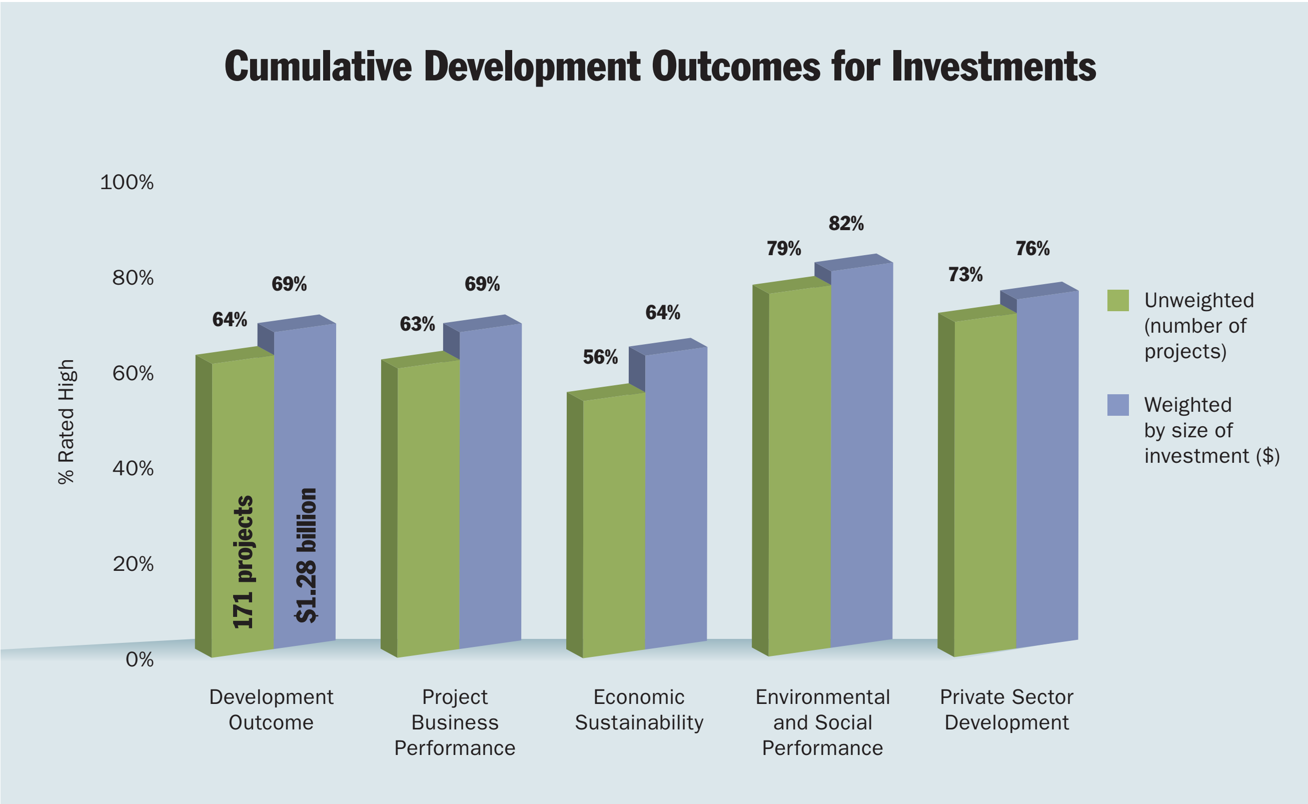
The other tool is the Expanded Annual Supervision Report (XASR). In use since 2001, XASRs measure a project's development outcome and assess IIC investment outcomes, work quality, and additionality.

The IDB Office of Evaluation and Oversight validated a total of 27 projects in 2011, including nine corporate operations and another 18 with financial intermediaries, all of which had reached maturity in 2010 after three to five years of operation.

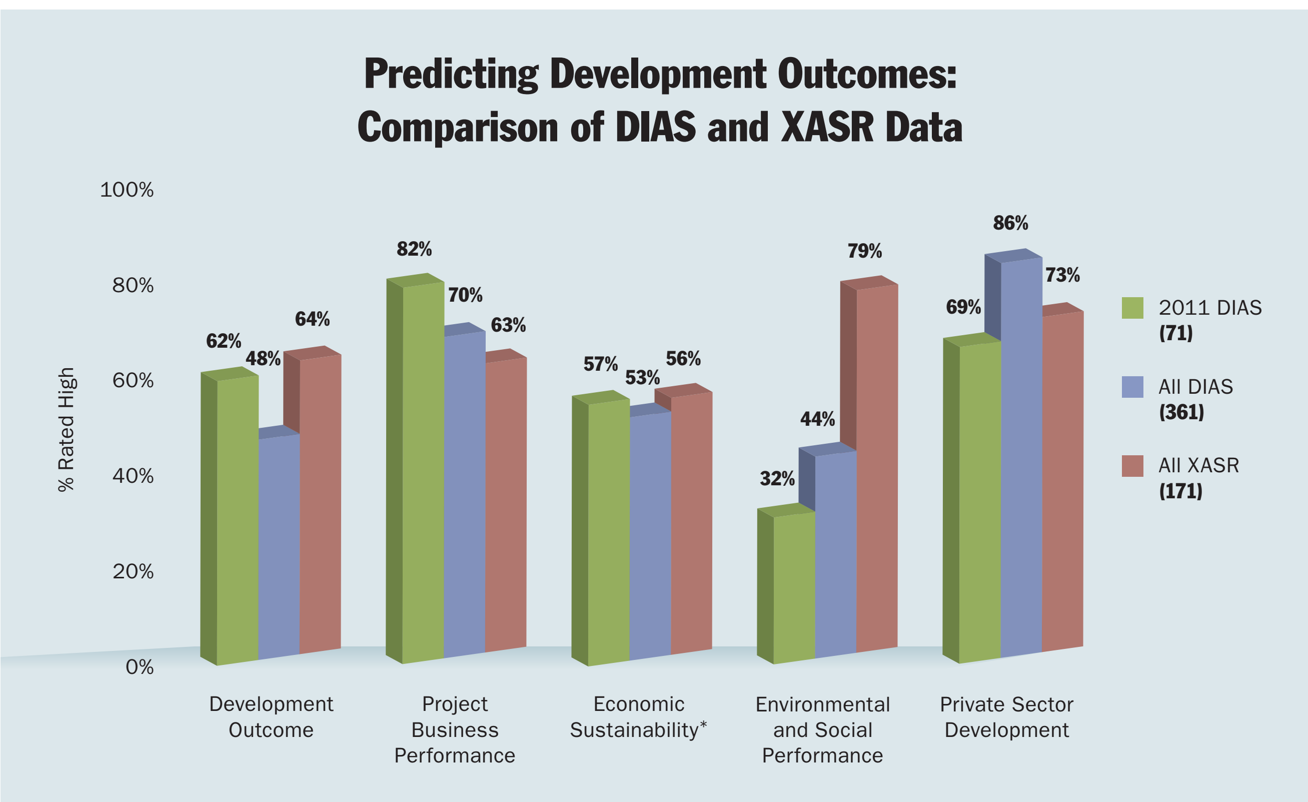
**IIC activities have important impacts…**



**...a solid past and present...**




**...and a brilliant future.**




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

## How the Conceptual Framework for the DIAS System has Evolved

The IIC is constantly striving to improve the DIAS system used to estimate each project's potential development impact at the time of its origination and throughout its life. In 2011, the IIC added an important new indicator for measuring climate change mitigation or adaptation. This new indicator allows the IIC to assign extra points to the development impact of projects achieving reductions in greenhouse gas emissions or helping companies adapt to climate change. It also enables the IIC to better monitor its growing portfolio of clean energy projects.

In view of the growing number of IIC corporate customers with operations in different countries, the IIC decided to add a new country diversification indicator.

Moreover, with the IIC beginning to offer different levels of assistance with regard to corporate governance and environmental and social issues, particularly through its technical assistance programs, the DIAS system was modified to reflect the expected or actual level of improvement as a result of the IIC's involvement in the project. Previously, the scoring system only reflected whether or not a potential improvement was expected, but not the level of improvement.

A new and improved version of the DIAS system will be rolled out in early 2012.

# A Week to Save the Future

Training and technical assistance are essential for projects to produce more than just economic and financial benefits. In 2011, the IIC's efforts to promote additionality focused largely on the area of environmental sustainability.

The IIC partnered with Banco Itaú Unibanco—an institution participating in the IIC's environmental risk management workshops for more than a decade—to hold its second annual Sustainability Week 2011 in Brazil. The workshops conducted in the framework of Sustainability Week 2011 focused on providing SMEs with information on energy efficiency and offering financial institutions practical tools for incorporating sustainability issues into their internal practices and procedures.

The first workshop, held in São Paulo, focused on equipping SMEs with the necessary tools for identifying and implementing energy efficiency measures designed to reduce their energy costs and carbon footprint. The second, entitled *Environmental Management for the Financial Sector,* was held in Salvador in conjunction with the IDB Environmental Safeguards Unit. In attendance were representatives of 18 financial institutions in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Panama, Paraguay, Peru, the United States, and Uruguay. As part of this event, Itaú Unibanco shared its own expertise and experience in the area of sustainability, and the participating financial institutions learned about different ways of reducing their environmental and social risks.

The third and final workshop in the series, *Climate Change: Challenges and Opportunities for Financial Institutions,* was conducted by the IIC in conjunction with the IDB's Sustainable Energy and Climate Change Unit. Its goal was to help financial institutions spot risks and opportunities presented by climate change. A representative of Itaú Unibanco was also a guest lecturer at the workshop.

The IIC is interested in building the capacity of local financial institutions and other organizations, partnering with them to raise public awareness on climate change and energy efficiency, and promoting the use of renewable energy sources. In recent years, the IIC has also partnered with other financial institutions in Latin America and the Caribbean.

**1999**

The IIC holds its first environmental risk management workshop in Miami

**549**

executives received training

**207**

financial institutions attended

## Coordination with Other Private Sector Windows

### IDB Group Division of Labor

The IIC firmly believes in coordination and close cooperation among the IDB Group's private sector windows.

The IDB's Office of the Vice President for Private Sector and Non-Sovereign Guaranteed Operations spent the past year working with all its windows to establish the ground rules for the next planning cycle.

### MiGroF: Working with the MIF

The IIC and the Multilateral Investment Fund (MIF) are the sponsoring shareholders in the Microfinance Growth Fund (MiGroF), which makes loans to microfinance institutions across the region for onlending to microenterprises and small businesses. MiGroF is a contingency fund set up in 2010 to bridge financing gaps created by the global financial crisis.

**$15 million**
Total IIC and MIF funding

**$20 million**
Funding from six additional partners

**$125 million**
Initial endowment by the U.S. Overseas Private Investment Corporation

### At the Base of the Pyramid with Opportunities for the Majority

The IIC and the IDB's Opportunities for the Majority Initiative are providing advisory services to 100 Brazilian SMEs at the "base of the pyramid" to help them increase their productivity and gain access to financing. The FINPYME *Family Business,* FINPYME *Integrity,* and GREENPYME programs are key components of this training project.

**$1 million**
Project budget

**50%**
Furnished by the Korea-IIC SME Development Trust Fund

**50%**
Furnished by Itaú Unibanco and Endeavor Brasil

## In Haiti, with the Haiti Response Group

The IIC, the IDB's Haiti Response Group, and the Spanish government established the Haiti SME Development Fund to provide cofinancing in conjunction with local financial institutions. The IDB requested the IIC's participation in the Fund in view of its experience in assisting SMEs. For more information see "Here, Innovation is Development" on page 26.

**$60 million**
Fund assets

# Coordination with Development Organizations

## A Common Corporate Governance Framework

The IIC joined over 20 development finance institutions in signing the Corporate Governance Development Framework, a methodology and toolkit for evaluating the governance-related risks and opportunities presented by their corporate investments, at a September 2011 meeting in Washington, D.C.

The signatories of the Framework are looking to raise greater awareness of the importance of good corporate governance practices for sustainable economic development in both the public and the private sectors. They also recommend use of the Framework in major investment activities by the international financial community.

The signatory institutions will work together to advance the business case for good corporate governance. All institutions adopting the Framework undertake to:

- Incorporate the standards, procedures, and tools established in the Corporate Governance Framework in their investment operations;
- Assess the governance practices of the companies they invest in and formulate any necessary action plans;
- Identify staff responsible for implementing the Framework and overseeing its use;
- Provide training—either directly or through specialized contractors—to ensure necessary capacity-building and share their knowledge with other signatories; and
- Present annual progress reports on their implementation of the Framework.

**29**
multilateral organizations signed the Corporate Governance Development Framework

# FINANCIAL RESULTS

The IIC reported net income of $10.3 million as of year-end 2011, thus maintaining an acceptable level of income and demonstrating its ability to meet the inherent challenges of the recent financial crisis gripping the region.

Income from IIC loans and investments closed the year slightly down. Interest expense, however, decreased at a faster pace, thus offsetting the downturn in income. This fact is reflected in the IIC's net interest margin—which held steady at 2.5 percent—and average return on equity and on assets of 1.3 percent and 0.7 percent, respectively, thus meeting the IIC's objective of preserving its level of capitalization.

Provisioning-related expenses were lower, reflecting an adjustment in the required level of provisioning by risk category, portfolio write-offs approved by Management, and an overall improvement in portfolio quality. By year-end 2011, this situation had brought about a decrease in total provisions from $56.5 million to $45.0 million, and, consequently, provisions accounted for 4.5 percent of total loans.

The IIC's equity rose slightly to $778 million. On the one hand, the IIC's good financial results and scheduled partial capital installment of $20,958,000 by the United States helped boost equity accounts. However, this increase was practically offset by a $26.6 million increase in other comprehensive loss, associated with contributions to the IIC's pension plan and postretirement benefit plan.

## Asset Quality

The IIC's total assets reached $1.48 billion. Over the past year, IIC development assets grew by a remarkable 16 percent, totaling $1.07 billion. Once again, the IIC's development assets have surpassed the 1-billion-dollar mark and regained the ground lost in the related drop-offs witnessed in 2009 and 2010.

The past-due portfolio by one day or more decreased from 3.0 percent in 2010 to 1.6 percent in 2011, while impaired loans decreased from 4.2 percent to 1.0 percent over the same period. The decrease in the past-due portfolio and impaired loans was primarily attributable to the improved situation of economies in the region, close monitoring of problematic operations, and the decision of IIC Management to write off selected loans. The foregoing factors have led to an overall improvement in the credit quality of development assets.

As of year-end 2011, the ratio of loan loss provisions to past-due loans was 2.8 times, while the ratio of loan loss provisions to impaired loans was 4.5 times.

## Capital Adequacy

The IIC's robust level of capitalization enhances its ability to meet the challenges of adverse scenarios. Its equity-to-total assets ratio has remained solid, closing at 52 percent as of December 2011. Upon factoring in equity and provisioning as of December 2011, the IIC achieved 77 percent coverage of its total development-related asset exposure.

The Agreement Establishing the IIC limits borrowing to three times net worth. In practice, the IIC has succeeded in keeping its leverage below this ceiling. The liabilities-to-equity ratio increased from 0.85 in 2010 to 0.91 in 2011, and has averaged 0.80 during the past five years.

## Liquidity

The IIC's strategy is to maintain an appropriate equilibrium between leverage and liquidity levels so as to ensure that its excess liquidity would boost its investments in development assets. As of year-end 2011, the institution's liquid assets represented a third of total assets, meaning it could pay off approximately 75 percent of its financial debt without having to tap additional resources.

## Sources of Funding

The IIC's primary source of funding has been capital contributions from its member countries. Nevertheless, the IIC continues to pursue its strategy of funding source diversification. To this end, it negotiates bilateral loans with commercial banks as part of its ongoing effort to improve its debt profile and establish repayment schedules that spread out maturity dates, thus avoiding concentrations on a particular date. As a result, the IIC was able to increase borrowing from $634 million to $659 million over the past year.

## Pension Plan and Postretirement Benefit Plan

The IIC's pension plan and postretirement benefit plan ended 2011 in underfunded status of $23.6 million and $6.8 million, respectively. This was largely driven by current economic and financial conditions, resulting in a 1-percent decrease in the discount rate of said plans. IIC Management and the Board of Executive Directors continue to monitor the plans' funding status and also increased contributions to the Postretirement Benefit Plan by $2.3 million in 2011 to offset the forecasted underfunded status of the plan.

# Internal Organization

## Structure

### Board of Governors

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

### Board of Executive Directors

The Board of Executive Directors is in charge of conducting IIC operations. To this end, the Board of Executive Directors exercises all the powers granted to it under the Agreement Establishing the IIC or delegated to it by the Board of Governors. The Board of Executive Directors establishes the basic organizational structure of the IIC, including the number and general responsibilities of its main administrative and professional positions. It also approves the IIC's budget. The 13 executive directors and 13 alternates serve three-year terms and represent one or more IIC member countries.

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

### Management

The President of the IDB is the *ex-officio* Chairman of the Board of Executive Directors of the IIC. He presides over meetings of the Board of Executive Directors but does not have the right to vote except in the case of a tie. He may participate in, but may not vote at, meetings of the IIC Board of Governors.

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

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

### Staff

As of December 31, 2011, the IIC has 107 staff positions dedicated to fulfilling its developmental mission. It has 24 staff members in 10 countries in the region: Argentina, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Nicaragua, Paraguay, Peru, and Uruguay. The remaining staff members are based at IIC headquarters in Washington, D.C., including 11 investment officers, who work directly on originating and developing new projects, and 11 staff members assigned full-time to the direct supervision of a portfolio of 209 projects with businesses and financial institutions, which includes annual field visits.

Its other staff members, divided among three divisions—Technical Assistance and Strategic Partnerships, Finance and Risk Management, and Legal—and five units—Corporate Affairs, Credit, Development Effectiveness and Corporate Strategy, Portfolio Management and Supervision, and Special Operations—provide support for project and program activities.

## Compensation Structure for IIC Headquarters Staff*

| Grade | Job Title | Minimum | Maximum | Staff at Grade Level | Average Salary/Grade | Average Benefits† |
|---|---|---|---|---|---|---|
| E2 | Executive | $274,358 | $329,229 | 1.2% | $329,229 | $128,399 |
| E5 | Executive | 200,174 | 250,218 | 1.2 | 250,218 | 97,585 |
| 1 | Managerial | 162,106 | 235,054 | 11.0 | 191,334 | 74,620 |
| 2 | Managerial | 141,875 | 212,812 | 2.4 | 170,449 | 66,475 |
| 3 | Technical | 118,403 | 189,446 | 14.6 | 130,137 | 50,753 |
| 4 | Technical | 104,178 | 166,684 | 15.9 | 115,517 | 45,052 |
| 5 | Technical | 94,914 | 142,371 | 13.4 | 102,130 | 39,831 |
| 6 | Technical | 84,755 | 127,132 | 4.9 | 85,968 | 33,528 |
| 7 | Technical | 75,301 | 112,951 | 7.3 | 79,742 | 31,099 |
| 8 | Technical | 66,054 | 99,081 | 8.5 | 76,468 | 29,823 |
| 9 | Support | 58,522 | 87,783 | 11.0 | 60,894 | 23,749 |
| 10 | Support | 47,188 | 75,501 | 4.9 | 52,107 | 20,322 |
| 11 | Support | 41,109 | 65,775 | 3.7 | 47,520 | 18,533 |
| | | | | **100.0%** | | |

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

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

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

### New Framework
### Tools for Fighting Corruption and Fraud

The new Framework to Prevent and Combat Fraud and Corruption, superseding the previous instrument in effect since 2001, was approved by the IIC Board of Executive Directors in April 2011.

The new framework solidifies the practices instituted over the course of the last decade in enforcing the previous instrument, helps promote better coordination with IDB Group fraud prevention and anti-corruption infrastructure, and officially sanctions the consensual practices agreed on with the other international financial institutions participating in the working group. Hence, as of May 2011, the IIC recognizes and undertakes to enforce the debarment decisions of other signatories of the Agreement for Mutual Enforcement of Debarment Decisions.

Furthermore, as part of efforts to better synchronize the operations of the IDB Group's various private sector windows, the IIC approved new integrity due diligence guidelines for non-sovereign guaranteed operations and established rules for reporting on the use of entities incorporated in offshore financial centers in July 2011. It also updated its internal project review systems and procedures for reporting these matters to its Board of Executive Directors.

# Audited Financial Statements

# REPORT OF INDEPENDENT AUDITORS

To the Board of Governors
Inter-American Investment Corporation

We have audited the accompanying balance sheet of Inter-American Investment Corporation (the Corporation) as of December 31, 2011 and 2010, and the related statements of income, comprehensive (loss)/income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inter-American Investment Corporation at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

McLean, Virginia
March 19, 2012

# BALANCE SHEET

| USD thousands (except share data) | December 31<br>2011 | <br>2010 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 59,254 | $ 80,808 |
| Investment securities | | |
| Trading | 352,663 | 400,220 |
| Held-to-maturity | 46,551 | 93,743 |
| Available-for-sale | 30,442 | 20,189 |
| Investments | | |
| Loan investments | 992,900 | 838,992 |
| Less allowance for losses | (44,966) | (56,536) |
| | 947,934 | 782,456 |
| Equity investments ($16,583 and $19,865 at fair value, respectively) | 27,449 | 34,946 |
| Total investments | 975,383 | 817,402 |
| Receivables and other assets | 18,571 | 14,226 |
| **Total assets** | **$ 1,482,864** | **$ 1,426,588** |
| **LIABILITIES AND EQUITY** | | |
| Accounts payable and other liabilities | $ 43,966 | $ 16,530 |
| Interest and commitment fees payable | 2,648 | 2,889 |
| Borrowings, short-term | 140,823 | 108,217 |
| Borrowings and long-term debt ($50,114 and $49,894 at fair value, respectively) | 517,681 | 525,901 |
| **Total liabilities** | **705,118** | **653,537** |
| Capital | | |
| Authorized: | | |
| 70,590 and 70,590 shares, respectively (Par $10,000) | | |
| Subscribed shares: | | |
| 70,480 and 70,590 shares, respectively (Par $10,000) | 704,800 | 705,900 |
| Less subscriptions receivable | (20,471) | (42,529) |
| | 684,329 | 663,371 |
| Retained earnings | 132,044 | 121,739 |
| Accumulated other comprehensive loss | (38,627) | (12,059) |
| **Total equity** | **777,746** | **773,051** |
| **Total liabilities and equity** | **$ 1,482,864** | **$ 1,426,588** |

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

# STATEMENT OF INCOME

| USD thousands | Year ended December 31 2011 | 2010 |
|---|---|---|
| **INCOME** | | |
| Loan investments | | |
| Interest and fees | $ 43,935 | $ 44,210 |
| Other income | 545 | 599 |
| | 44,480 | 44,809 |
| Equity investments | | |
| Gain on sale | 1,435 | 2,118 |
| Dividends and distributions | 633 | 155 |
| Changes in carrying value | (2,703) | (346) |
| Other income | 1,252 | — |
| | 617 | 1,927 |
| Investment securities | 6,080 | 9,259 |
| Advisory service, cofinancing, and other income | 4,350 | 4,295 |
| **Total income** | **55,527** | **60,290** |
| Borrowings and long-term debt related expense (net of changes in fair value of related financial instruments) | 13,982 | 18,964 |
| **Total income, net of interest expense** | **41,545** | **41,326** |
| **CREDIT FOR LOAN INVESTMENT LOSSES** | **(4,643)** | **(959)** |
| **OTHER THAN TEMPORARY IMPAIRMENT LOSSES ON EQUITY INVESTMENTS** | **2,363** | **677** |
| **OPERATING EXPENSES** | | |
| Administrative | 32,909 | 28,548 |
| Loss/(Gain) on foreign exchange transactions, net | 161 | (5) |
| Other expenses | 20 | 143 |
| **Total operating expenses** | **33,090** | **28,686** |
| **Income before technical assistance activities** | **10,735** | **12,922** |
| Technical assistance activities | 430 | 475 |
| **NET INCOME** | **$ 10,305** | **$ 12,447** |

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

# STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

| | Year ended December 31 | |
|---|---|---|
| *USD thousands* | **2011** | **2010** |
| **NET INCOME** | $ 10,305 | $12,447 |
| **OTHER COMPREHENSIVE LOSS** | | |
| Net actuarial loss | (28,873) | (4,828) |
| Amortization of: | | |
| Transition obligation | 174 | 174 |
| Prior service cost | 1,878 | 1,904 |
| | (26,821) | (2,750) |
| Unrealized gain/(loss) on investment securities available-for-sale | 253 | (195) |
| **COMPREHENSIVE (LOSS)/INCOME** | **$(16,263)** | **$ 9,502** |

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

# STATEMENT OF CHANGES IN EQUITY

| *USD thousands* | Retained earnings | Accumulated other comprehensive loss | Capital stock* | Total equity |
|---|---|---|---|---|
| **As of December 31, 2009** | **$ 109,292** | **$ (9,114)** | **$ 658,701** | **$ 758,879** |
| Year ended December 31, 2010 | | | | |
| Net income | 12,447 | — | — | 12,447 |
| Other comprehensive loss | — | (2,945) | — | (2,945) |
| Payments received for capital stock subscribed | — | — | 4,670 | 4,670 |
| **As of December 31, 2010** | **$ 121,739** | **$ (12,059)** | **$ 663,371** | **$ 773,051** |
| Year ended December 31, 2011 | | | | |
| Net income | 10,305 | — | — | 10,305 |
| Other comprehensive loss | — | (26,568) | — | (26,568) |
| Payments received for capital stock subscribed | — | — | 20,958 | 20,958 |
| **As of December 31, 2011** | **$ 132,044** | **$ (38,627)** | **$ 684,329** | **$ 777,746** |

** Net of subscriptions receivable.*

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

# STATEMENT OF CASH FLOWS

| USD thousands | Year ended December 31<br>2011 | 2010 |
|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Loan disbursements | $ (411,674) | $ (308,886) |
| Equity disbursements | (445) | (5,999) |
| Loan repayments | 239,347 | 321,035 |
| Sales of equity investments | 2,769 | 4,313 |
| Maturities of held-to-maturity securities | 47,000 | 32,684 |
| Available-for-sale securities | | |
| Purchases | (30,000) | — |
| Sales | 20,000 | 6,240 |
| Capital expenditures | (1,949) | (531) |
| Proceeds from sales of recovered assets | 2,861 | 6,144 |
| **Net cash (used in)/provided by investing activities** | **$ (132,091)** | **$ 55,000** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| (Paydowns)/Drawdowns of borrowings, net | (28,936) | 94,892 |
| Proceeds from issuance/(repayment) of bonds | 68,248 | (118,005) |
| Capital subscriptions | 20,958 | 4,670 |
| **Net cash provided by/(used in) financing activities** | **$ 60,270** | **$ (18,443)** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net Income | 10,305 | 12,447 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Realized gains on equity sales | (1,435) | (1,324) |
| Change in carrying value of equity investments | 2,703 | (448) |
| Equity recoveries | (58) | — |
| Change in receivables and other assets | (1,041) | 7,526 |
| Provision for loan losses | (4,643) | (959) |
| Unrealized gain on investment securities | (2,623) | (2,292) |
| Change in accounts payable and other liabilities | 2,782 | (1,194) |
| Change in Pension Plan and PRBP net assets | (2,405) | (2,301) |
| Unrealized gain on non-trading derivative instruments | (339) | (683) |
| Change in value of borrowings at fair value | 710 | 2,094 |
| Other, net | (1,893) | 1,799 |
| | (8,242) | 2,218 |
| Trading securities | | |
| Purchases | (1,355,282) | (1,503,328) |
| Sales, maturities, and repayments | 1,403,480 | 1,433,905 |
| | 48,198 | (69,423) |
| **Net cash provided by/(used in) operating activities** | **$ 50,261** | **$ (54,758)** |
| **Net effect of exchange rate changes on cash and cash equivalents** | 6 | (3) |
| **Net decrease in cash and cash equivalents** | (21,554) | (18,204) |
| **Cash and cash equivalents as of January 1** | 80,808 | 99,012 |
| **Cash and cash equivalents as of December 31** | **$ 59,254** | **$ 80,808** |
| **Supplemental disclosure:** | | |
| Interest paid during the period | $ 13,208 | $ 17,536 |

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

# NOTES TO THE FINANCIAL STATEMENTS

**(USD thousands, unless otherwise indicated)**

## Purpose

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

## 1. Basis of Presentation

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

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

## 2. Summary of Significant Accounting Policies

**Use of estimates—**The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A significant degree of judgment has been used in the determination of the adequacy of the allowance for losses on loan investments and guarantees, the fair value of loan and equity investments, borrowings, and derivative instruments, and the determination of the net periodic benefit cost from pension and postretirement benefit plans and the present value of benefit obligations. There are inherent risks and uncertainties related to the Corporation's operations. The possibility exists that changing economic conditions could have an adverse effect on the financial position of the Corporation.

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

**Investment securities—**As part of its overall portfolio management strategy, the Corporation invests in government and agency obligations, time deposits, commercial paper, and bank instruments according to the Corporation's credit risk and duration policies. Government and agency obligations include highly rated fixed rate bonds, notes, bills, and other obligations issued or unconditionally guaranteed by governments of countries or other official entities including government agencies. Investment securities held by the Corporation are classified based on management's intention on the date of purchase and recorded as of the trade date. The Corporation's portfolio classified as trading is stated at fair value with unrealized gains and losses reported in income from investment securities. Fixed-term securities classified as held-to-maturity represent securities that the Corporation has both the ability and the intent to hold until maturity and are carried at amortized cost. All other securities are classified as available-for-sale and carried at fair value with net unrealized gains or losses included in accumulated other comprehensive income. Interest and dividends on securities, amortization of premiums, and accretion of discounts are reported in income from investment securities. The Corporation's investments in debt securities in Latin American and Caribbean markets resulting from development activities are classified as held-to-maturity and carried at amortized cost on the balance sheet. Such securities are reviewed for evidence of other than temporary impairment at year-end.

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

Loan and equity investment carrying amounts are periodically reviewed and, if considered necessary, adjusted for impairment. The Corporation considers a loan impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the loan's contractual terms. Information and events, with respect to the borrower and/or the economic and political environment in which it operates, considered in determining that a loan is impaired include, but are not limited to, the borrower's financial difficulties, the borrower's competitive position in the marketplace, the risk associated with the underlying collateral, the sponsor's willingness and capacity to support the investment, the management team risk, as well as geopolitical conflict and macro economic crises. Equity investments are assessed for impairment on the basis of the latest financial information and any supporting research documents available. These analyses are subjective and are based on, among other things, relevant financial data. Also considered are the issuer's industry trends, the historical performance of the company, and the Corporation's intent to hold the investment for an extended period. When impairment is identified and is deemed to be other than temporary, the equity investment is written down to the impaired value, which becomes the new cost basis for the equity investment. Impairment losses are not reversed for subsequent recoveries in value of the equity investment until it is sold.

**Allowance for losses on loan investments—**The Corporation recognizes loan portfolio impairment in the balance sheet through the allowance for losses on loan investments, recording a provision or release of provision for losses on loan investments in net income, which increases or decreases the allowance for losses on loan investments. Loan investments charged off, as well as any subsequent recoveries, are recorded through the allowance account. The allowance for losses is maintained at a level that, in management's judgment, is adequate to absorb estimated probable losses in the loan portfolio. Management's judgment is based on the risk ratings and performance of individual loan investments, economic conditions, and other factors considered significant by management.

The allowance for losses on loan investments reflects estimates of both probable losses already identified (impaired loans with a specific provision) and probable losses inherent in the portfolio but not specifically identifiable (general provision). The determination of the allowance for identified probable losses represents management's best judgment of the creditworthiness of the borrower and is established based upon the periodic review of individual loan investments. This estimate considers all available evidence including, as appropriate, the present value of the expected future cash flows discounted at the loan's contractual effective rate, the fair value of collateral less disposal costs, and other observable market data. Because of the purpose of the Corporation and the nature of the loans, secondary market values are usually not available. For the remaining loan portfolio, the allowance for losses is established via a process that estimates the probable loss inherent in the portfolio based on various analyses. Each loan is rated as a function of its risk and loss estimates are derived for each rating classification. These ratings are based on past experience and available market information and include country risk, the risk of correlation or contagion of losses between markets, nonperformance under sponsor guarantees and support agreements, as well as on financial statements prepared in accordance with accounting principles other than those generally accepted in the United States of America. The loss estimates are derived from industry data and IIC historical data. There were no changes, during the periods presented herein, to the Corporation's accounting policies and methodologies used to estimate its allowance for losses on loan investments.

For purposes of providing certain disclosures about the Corporation's entire allowance for loan investments, the Corporation considers its entire loan portfolio to comprise one portfolio segment. A portfolio segment is the level at which the method for estimating the reserve against losses on loans is developed and documented.

Loans are charged off when the Corporation has exhausted all possible means of recovery, by reducing the allowance for losses on loan investments. Such reductions in the allowance are partially offset by recoveries associated with previously charged off loans.

**Revenue recognition on loan investments—**Interest and fees, except front-end fees, are recognized as income in the periods in which they are earned. The Corporation does not recognize income on loans where collectability is in doubt or, generally, when payments of interest or principal are past due more than 90 days. Any uncollected interest accrued on a loan placed in nonaccrual status is reversed out of income and is thereafter recognized as income only when received and is returned to accrual status once management has concluded that the borrower's ability to make periodic interest and principal payments has been demonstrated. Interest not previously recognized but capitalized as part of a debt restructuring is recorded as deferred income and credited to income only when the related principal is received.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Cash and cash equivalents:*** The carrying amount reported in the balance sheet approximates fair value.

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

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

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

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

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

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

**Accounting and financial reporting developments—**In December 2011, the FASB issued Accounting Standards Update (ASU) 2011-12, *Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05.* This Update is effective for annual periods beginning after December 15, 2012 (December 31, 2012 for the Corporation) and interim and annual periods thereafter. This Update is not expected to have a material impact on the Corporation's financial position, results of operations, or cash flows.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet: Disclosures about Offsetting Assets and Liabilities.* This Update requires entities to disclose both gross information and net information for instruments and transactions eligible for offset in the balance sheet and subject to an agreement similar to a master netting arrangement. This scope includes derivative instruments, sale and repurchase agreements, reverse sale and repurchase agreements, securities borrowing and securities lending arrangements. This Update is effective for annual periods beginning on or after January 1, 2013 (December 31, 2013 for the Corporation), and interim periods (beginning with March 31, 2013 for the Corporation) within those annual periods. This Update is not expected to have a material impact on the Corporation's financial position, results of operations, or cash flows.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income.* This Update eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. In addition, this Update revises the manner in which entities must present comprehensive income in their financial statements by requiring either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements of income and comprehensive income, respectively. This Update does not change the items that must be reported in other comprehensive income, does not require any additional disclosures and is effective for annual periods ending after December 15, 2012 (December 31, 2012 for the Corporation). Early adoption is permitted and the Corporation adopted this Update effective January 1, 2011. The Corporation currently presents two separate but consecutive consolidated statements of income and comprehensive income, respectively.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurements,* related to Topic 820. The objective of the amendments to this Update are to develop common fair value measurement and disclosure requirements in GAAP and IFRS. The primary amendments to this Update are (1) to clarify the application of existing fair value measurement and disclosure requirements and (2) to change a particular principle or requirement for measuring fair value or disclosure information about fair value measurements to improve their understandability. Early adoption is permitted for the Corporation, but no earlier than for interim periods beginning after December 15, 2011 (March 31, 2012 for the Corporation). This Update is not expected to have a material impact on the Corporation's financial position, results of operations, or cash flows.

In April 2011, the FASB issued ASU 2011-02, *A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring,* related to amendments to Topic 310-Receivables. The amendments to this Topic expand the guidance to evaluate whether a restructuring constitutes a troubled debt restructuring (TDR). To qualify for a TDR a creditor must conclude both that a concession exists and that the debtor is experiencing financial difficulties. The amendments to this Update are effective for annual periods ending on or after December 15, 2012 (December 31, 2012 for the Corporation), including interim periods within those annual periods. Early adoption is permitted and would be applied retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption. The Corporation adopted this Update effective January 1, 2011. This Update did not have a material impact on the Corporation's financial position, results of operations, or cash flows, and the required disclosure is included in Note 4.

In July 2010, the FASB issued ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* related to Topic 310-Receivables. This Update requires additional quantitative and qualitative disclosures to allow financial statement users to understand the credit risk inherent in the creditor's financing receivables portfolio, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and the changes and reasons for those changes in the allowance for credit losses. ASU 2010-20 is effective for annual periods ending on or after December 15, 2011 (December 31, 2011 for the Corporation). This Update did not have a material impact on the Corporation's financial position, results of operations, or cash flows, and the required disclosure is included in Note 4.

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

In addition, during the year ended December 31, 2011, FASB issued and/or approved Accounting Standards Updates. The Corporation analyzed and incorporated the new guidance, as appropriate, with no material impact on the Corporation's financial position, results of operations, or cash flows.

## 3. Investment Securities

The following reflects net income from investment securities by source:

| | Year ended December 31 | |
|---|---|---|
| *USD thousands* | **2011** | **2010** |
| Interest income | $3,457 | $6,967 |
| Net realized gain | 2,891 | 1,966 |
| Net change in unrealized (loss)/gain | (268) | 326 |
| | **$6,080** | **$9,259** |

Trading securities consist of the following:

| | December 31 | |
|---|---|---|
| *USD thousands* | **2011** | **2010** |
| Corporate securities | $301,712 | $400,219 |
| Investment funds | 35,951 | 1 |
| Time deposits | 15,000 | — |
| | **$352,663** | **$400,220** |

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

| | December 31 | |
|---|---|---|
| *USD thousands* | **2011** | **2010** |
| Corporate securities | $30,442 | $20,189 |
| | **$30,442** | **$20,189** |

As of December 31, 2011 and 2010, the amortized cost of available-for-sale securities amounts to $30,000 and $20,000, respectively.

The Corporation has no unrealized losses in the available-for-sale securities portfolio as of December 31, 2011 and 2010. Included in the available-for-sale securities portfolio are two securities maturing within twenty-four months.

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

| | December 31 | |
|---|---|---|
| *USD thousands* | **2011** | **2010** |
| Corporate securities | $46,551 | $46,767 |
| Government and agency obligations | — | 46,976 |
| | **$46,551** | **$93,743** |

As of December 31, 2011 and 2010, Corporate securities include a security amounting to $40,551 and $40,767, respectively, corresponding to a development-related asset with similar characteristics to other investment securities held-to-maturity.

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

| | December 31, 2011 | | |
|---|---|---|---|
| *USD thousands* | **Amortized cost** | **Unrealized gain** | **Fair value** |
| Corporate securities | $46,551 | $1,629 | $48,180 |
| | **$46,551** | **$1,629** | **$48,180** |

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

| | December 31 | |
|---|---|---|
| *USD thousands* | **2011** | **2010** |
| Less than twelve months | $ 6,000 | $46,976 |
| Between twelve and twenty-four months | — | 6,000 |
| Over twenty-four months | 40,551 | 40,767 |
| | **$46,551** | **$93,743** |

As of December 31, 2011, management determined that investments within the held-to-maturity portfolio have no unrealized losses ($905 unrealized losses as of December 31, 2010).

## 4. Loan and Equity Investments

The Corporation monitors its outstanding loan and equity portfolios for geographic concentration of credit risk. As of December 31, 2011, individual countries with the largest aggregate credit exposure to the Corporation included Brazil, Peru, and Chile (Peru, Brazil, and Chile as of December 31, 2010). As of December 31, 2011, outstanding foreign currency equity and loans amounted to $84,943 (foreign currency equity and loans amounted to $74,486 as of December 31, 2010). One of the Corporation's largest exposures is designated as Regional, which consists primarily of multi-country loan investments.

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

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| *USD thousands* | **Loan** | **Equity** | **Total** | **Loan** | **Equity** | **Total** |
| Brazil | $168,776 | $ — | $ 168,776 | $125,906 | $ — | $125,906 |
| Peru | 123,568 | — | 123,568 | 127,757 | — | 127,757 |
| Chile | 115,002 | 2,581 | 117,583 | 109,792 | 1,814 | 111,606 |
| Colombia | 109,144 | 767 | 109,911 | 31,350 | 691 | 32,041 |
| Argentina | 73,254 | 404 | 73,658 | 67,907 | 981 | 68,888 |
| Mexico | 65,324 | 4,116 | 69,440 | 53,958 | 10,594 | 64,552 |
| Panama | 58,759 | 4,000 | 62,759 | 53,333 | 4,000 | 57,333 |
| Costa Rica | 52,479 | — | 52,479 | 43,694 | — | 43,694 |
| Regional | 34,960 | 15,581 | 50,541 | 38,471 | 16,726 | 55,197 |
| Ecuador | 43,562 | — | 43,562 | 45,538 | — | 45,538 |
| Paraguay | 29,333 | — | 29,333 | 21,362 | — | 21,362 |
| El Salvador | 27,689 | — | 27,689 | 23,614 | — | 23,614 |
| Nicaragua | 22,627 | — | 22,627 | 16,566 | — | 16,566 |
| Guatemala | 16,025 | — | 16,025 | 18,316 | — | 18,316 |
| Plurinational State of Bolivia | 12,553 | — | 12,553 | 14,059 | — | 14,059 |
| Jamaica | 12,084 | — | 12,084 | 10,611 | — | 10,611 |
| Haiti | 9,510 | — | 9,510 | 9,531 | — | 9,531 |
| Belize | 6,000 | — | 6,000 | 6,000 | — | 6,000 |
| Uruguay | 5,104 | — | 5,104 | 7,323 | — | 7,323 |
| Dominican Republic | 4,500 | — | 4,500 | 7,979 | — | 7,979 |
| Suriname | 1,647 | — | 1,647 | 2,409 | — | 2,409 |
| Guyana | 1,000 | — | 1,000 | 1,400 | 140 | 1,540 |
| Honduras | — | — | — | 2,116 | — | 2,116 |
| | **$992,900** | **$27,449** | **$1,020,349** | **$838,992** | **$34,946** | **$873,938** |
| Financial services | $698,018 | $ 8,850 | $ 706,868 | $544,417 | $ 9,638 | $554,055 |
| Utilities and infrastructure | 73,413 | — | 73,413 | 51,381 | — | 51,381 |
| Agriculture and agribusiness | 66,629 | — | 66,629 | 79,682 | — | 79,682 |
| General manufacturing | 25,114 | — | 25,114 | 34,074 | — | 34,074 |
| Investment funds | 1,158 | 18,599 | 19,757 | — | 25,308 | 25,308 |
| Food, bottling, and beverages | 18,753 | — | 18,753 | 20,526 | — | 20,526 |
| Livestock and poultry | 15,940 | — | 15,940 | 14,785 | — | 14,785 |
| Aquaculture and fisheries | 14,229 | — | 14,229 | 16,289 | — | 16,289 |
| Chemicals and plastics | 13,736 | — | 13,736 | 16,865 | — | 16,865 |
| Oil and mining | 12,397 | — | 12,397 | 17,310 | — | 17,310 |
| Wood, pulp, and paper | 11,614 | — | 11,614 | 8,142 | — | 8,142 |
| Transportation and warehousing | 8,435 | — | 8,435 | 7,799 | — | 7,799 |
| Education | 6,880 | — | 6,880 | 7,041 | — | 7,041 |
| Tech, comm. and new economy | 6,000 | — | 6,000 | 379 | — | 379 |
| Tourism and hotels | 2,081 | — | 2,081 | 1,795 | — | 1,795 |
| Textiles, apparel, and leather | 315 | — | 315 | 5,743 | — | 5,743 |
| Nonfinancial services | 59 | — | 59 | 107 | — | 107 |
| Health | 4 | — | 4 | 11 | — | 11 |
| Other | 18,125 | — | 18,125 | 12,646 | — | 12,646 |
| | **$992,900** | **$27,449** | **$1,020,349** | **$838,992** | **$34,946** | **$873,938** |

The distribution of the outstanding portfolio by investment type as of December 31, 2011:

| | December 31, 2011 | | |
|---|---|---|---|
| *USD thousands* | **Financial institutions** | **Corporate** | **Total** |
| Loan | $698,019 | $294,881 | $ 992,900 |
| Equity | 27,449 | — | 27,449 |
| Securities issued by residents within regional developing member countries | 40,551 | — | 40,551 |
| Guarantees | — | 5,617 | 5,617 |
| **Development-related assets exposure (DRE)** | **$766,019** | **$300,498** | **$1,066,517** |

The distribution of the outstanding portfolio by investment type as of December 31, 2010:

| | December 31, 2010 | | |
|---|---|---|---|
| *USD thousands* | **Financial institutions** | **Corporate** | **Total** |
| Loan | $544,418 | $294,574 | $838,992 |
| Equity | 34,946 | — | 34,946 |
| Securities issued by residents within regional developing member countries | 40,767 | — | 40,767 |
| Guarantees | — | 5,701 | 5,701 |
| **Development-related assets exposure (DRE)** | **$620,131** | **$300,275** | **$920,406** |

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

| | December 31 | |
|---|---|---|
| *USD thousands* | **2011** | **2010** |
| Loan | $83,701 | $131,748 |
| Equity | 11,663 | 12,183 |
| | **$95,364** | **$143,931** |

The Corporation's loans accrue interest at fixed and variable rates. The fixed rate loan portfolio amounted to $317,817 as of December 31, 2011 ($319,113 as of December 31, 2010).

An age analysis, based on contractual terms, of the Corporation's loans at amortized cost by investment type as of December 31, 2011:

| | December 31, 2011 | | | | | |
|---|---|---|---|---|---|---|
| *USD thousands* | **1–90 days past due** | **> 90 days past due and accruing** | **> 90 days past due and non-accruing** | **Total past due** | **Current loans** | **Loan portfolio** |
| Financial institutions | $ — | $ — | $9,057 | $ 9,057 | $688,962 | $698,019 |
| Corporate | — | 6,000 | 836 | 6,836 | 288,045 | 294,881 |
| **Total past due loans** | **$ —** | **$6,000** | **$9,893** | **$15,893** | **$977,007** | **$992,900** |
| As % of loan portfolio | 0.00% | 0.60% | 1.00% | 1.60% | 98.40% | 100.00% |
| Allowance for loan losses | 44,966 | | | | | |
| Coverage | | | | 282.93% | | 4.53% |

An age analysis, based on contractual terms, of the Corporation's loans at amortized cost by investment type as of December 31, 2010:

| | December 31, 2010 | | | | | |
|---|---|---|---|---|---|---|
| *USD thousands* | **1–90 days past due** | **> 90 days past due and accruing** | **> 90 days past due and non-accruing** | **Total past due** | **Current loans** | **Loan portfolio** |
| Financial institutions | $16,539 | $ — | $2,259 | $18,798 | $525,620 | $544,418 |
| Corporate | 379 | — | 6,298 | 6,677 | 287,897 | 294,574 |
| **Total past due loans** | **$16,918** | **$ —** | **$8,557** | **$25,475** | **$813,517** | **$838,992** |
| As % of loan portfolio | 2.02% | 0.00% | 1.02% | 3.04% | 96.96% | 100.00% |
| Allowance for loan losses | 56,536 | | | | | |
| Coverage | | | | 221.93% | | 6.74% |

Loans on which the accrual of interest has been discontinued totaled $22,155 as of December 31, 2011 ($37,218 as of December 31, 2010). Interest collected on loans in nonaccrual status for the year ended December 31, 2011, was $611 ($391 for the year ended December 31, 2010). Interest income on nonaccruing loans during the year ended December 31, 2011, totaled $242 ($296 for the year ended December 31, 2010).

The recorded investment in nonaccruing loans at amortized cost is summarized by investment type as follows:

| | December 31 | |
|---|---|---|
| *USD thousands* | **2011** | **2010** |
| Financial institutions | $ 11,288 | $ 21,189 |
| Corporate | 10,867 | 16,029 |
| **Total non-accrual loans** | **$ 22,155** | **$ 37,218** |
| Loan portfolio | $992,900 | $838,992 |
| Non-accrual/loan portfolio | 2.23% | 4.44% |
| Allowance for loan losses | $ 44,966 | $ 56,536 |
| Coverage of non-accrual | 202.96% | 151.91% |

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

| | December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| *USD thousands* | **Principal outstanding** | **Average yield** | **Principal outstanding** | **Average yield** |
| Due in one year or less | $282,152 | 4.73% | $238,943 | 6.20% |
| Due after one year through five years | 666,222 | 4.25% | 566,056 | 6.44% |
| Due after five years through eleven years | 44,526 | 5.73% | 33,993 | 7.63% |
| | **$992,900** | | **$838,992** | |

The Corporation's investment in impaired loans as of December 31, 2011 was $9,893 ($35,097 as of December 31, 2010). The average amount in impaired loans for the year ended December 31, 2011, was $17,933 ($30,507 as of December 31, 2010). The total amount of the allowance related to impaired loans as of December 31, 2011 and 2010, was $5,550 and $12,831, respectively. As of December 31, 2011, management determined that there was no evidence of a troubled debt restructuring within the loan portfolio (none as of December 31, 2010).

The Corporation's other than temporary impairment losses on equity investments as of December 31, 2011 was $2,363 ($677 as of December 31, 2010).

Changes in the allowance for loan losses by investment type are summarized below:

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| *USD thousands* | **Financial institutions** | **Corporate** | **Total** | **Financial institutions** | **Corporate** | **Total** |
| Balance as of January 1 | $26,595 | $29,941 | $56,536 | $27,594 | $ 38,883 | $ 66,477 |
| Investments charged off, net | (2,309) | (7,421) | (9,730) | (1,921) | (13,205) | (15,126) |
| Recoveries | 768 | 2,035 | 2,803 | 3,131 | 3,013 | 6,144 |
| (Credit)/provision for losses | (2,752) | (1,891) | (4,643) | (2,209) | 1,250 | (959) |
| **Balance as of December 31** | **$22,302** | **$22,664** | **$44,966** | **$26,595** | **$ 29,941** | **$ 56,536** |

The Corporation utilizes a rating system to classify loans according to creditworthiness and risk. Each loan is categorized as A, B, substandard, doubtful, or loss. A description of each category (credit quality indicator) follows:

| Credit Quality Indicator | Description |
|---|---|
| A | This category considers companies with capacity to meet their obligations and whose financial condition is not being affected by internal and/or external variables that could hinder this capacity. Projects classified as A are assigned a general allowance between 0.40% to 6.80%, depending upon the results of a specific analysis of their risk variables. |
| B | The company is able to meet its obligations but is facing adverse internal and/or external conditions that could hinder its financial capacity if these conditions continue. Projects classified as B are assigned a general allowance of 10.80%. |
| Substandard | The current financial condition and payment capacity of the company are insufficient to fully meet its obligations. The company's cash flow generation continues to show signs of deterioration. The company demonstrates persistent and well-defined deficiencies which, if allowed to continue, would result in an inability to repay the obligation to the IIC in full. The company is in payment default or exhibits an increased risk of default if the weaknesses are not corrected. Significant operating or financial structure changes are required in order to restore the company's creditworthiness. Projects classified as substandard are assigned a general allowance of 22.40%. |
| Doubtful | This category considers when the company is unable to service its debts and collection is unlikely, either by means of payments based on the company's financial performance, payments made by sponsors, or the liquidation of collateral. The creditworthiness of the company is impaired, with an increased likelihood of loss. Major restructuring of the investment and/or operation is required, and a number of specific actions (liquidation, recapitalization, etc.) may be taken. For projects classified as doubtful, an independent cash flow analysis is performed in accordance with Statement of Financial Accounting Standards (SFAS) No. 114, "Accounting by Creditors for Impairment of Loan" to determine the necessary allowance. |
| Loss | All or part of the IIC loan is considered uncollectible. The project is likely to be in bankruptcy and may have ceased operations. The liquidation value of collateral or recourse against guarantors is insufficient for full recovery of the IIC's investment. For projects classified as Loss, an independent cash flow analysis is performed in accordance with SFAS No. 114, to determine the necessary allowance. |

A summary of the Corporation's loans at amortized cost by credit quality indicator and investment type as of December 31, 2011:

| | December 31, 2011 | | |
|---|---|---|---|
| **Category** | **Financial institutions** | **Corporate** | **Total** |
| A | $657,971 | $234,024 | $891,995 |
| B | 28,871 | 38,531 | 67,402 |
| Substandard | 2,118 | 21,492 | 23,610 |
| Doubtful | 9,058 | 3 | 9,061 |
| Loss | — | 832 | 832 |
| **Total** | **$698,018** | **$294,882** | **$992,900** |

A summary of the Corporation's loans at amortized cost by credit quality indicator and investment type as of December 31, 2010:

| | December 31, 2010 | | |
|---|---|---|---|
| **Category** | **Financial institutions** | **Corporate** | **Total** |
| A | $484,786 | $215,973 | $700,759 |
| B | 28,095 | 47,948 | 76,043 |
| Substandard | 12,469 | 14,625 | 27,094 |
| Doubtful | 16,808 | 9,902 | 26,710 |
| Loss | 2,259 | 6,127 | 8,386 |
| **Total** | **$544,417** | **$294,575** | **$838,992** |

## 5. Receivables and Other Assets

Receivables and other assets are summarized below:

| | December 31 | |
|---|---|---|
| *USD thousands* | **2011** | **2010** |
| Other current assets: | | |
| Interest receivable on loan investments | $ 8,792 | $ 7,980 |
| Interest receivable on investment securities | 827 | 1,687 |
| Other current receivables | 5,319 | 1,984 |
| | 14,938 | 11,651 |
| Other noncurrent assets: | | |
| PRBP, net asset | — | 490 |
| Other noncurrent assets | 3,633 | 2,085 |
| | 3,633 | 2,575 |
| **Total receivables and other assets** | **$18,571** | **$14,226** |

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

## 6. Accounts Payable and Other Liabilities

Accounts payable and other liabilities are summarized below:

| USD thousands | December 31 2011 | December 31 2010 |
|---|---|---|
| Pension Plan, net liability | $23,613 | $ 6,529 |
| PRBP, net liability | 6,841 | — |
| Employment benefits payable | 4,308 | 3,683 |
| Deferred revenue | 3,647 | 2,787 |
| Due to other IDB Group entities | 2,407 | 1,053 |
| Accounts payable and other liabilities | 3,150 | 2,478 |
| **Total accounts payable and other liabilities** | **$43,966** | **$16,530** |

As of December 31, 2011, the Pension Plan and the PRBP net liabilities reflect the underfunded status of the Plans. As of December 31, 2010, the Pension Plan net liability reflects the underfunded status of the Plan. Refer to Note 16.

## 7. Borrowings and Long-term Debt

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

| *USD thousands* | December 31 2011 | | December 31 2010 | |
|---|---|---|---|---|
| Borrowings and debt *(by currency)* | Amount outstanding | Weighted avg. cost | Amount outstanding | Weighted avg. cost |
| U.S. dollar | $ 550,000 | 0.99% | $ 560,000 | 1.29% |
| Mexican peso | 57,358 | 4.87% | 7,524 | 5.88% |
| Brazilian real | 39,998 | 10.64% | 45,034 | 10.64% |
| Peruvian nuevo sol | 7,297 | 6.35% | 16,434 | 6.40% |
| Euro | 2,660 | 2.28% | 3,170 | 1.76% |
| Argentinean peso | 1,077 | 9.15% | 2,062 | 9.15% |
| | **$ 658,390** | | **$ 634,224** | |
| Fair value adjustments | 114 | | (106) | |
| Short-term borrowings | (140,823) | | (108,217) | |
| Long-term borrowings | **$ 517,681** | | **$ 525,901** | |

The Corporation has available a renewable borrowing facility with the IDB amounting to $300,000. In August 2008, the Corporation borrowed $100,000 under this facility. Borrowings under the IDB facility are due fifteen years after the respective disbursement. The Corporation has the right to use this facility until November 2015. In addition, as of December 31, 2011, the Corporation has available a stand-by credit facility with a AA institution amounting to $100,000. The Corporation has the right to use this stand-by credit facility until July 2013. Other credit facilities available amount to $370,089 as of December 31, 2011.

The Corporation's outstanding borrowings as of December 31, 2011, consist of term and revolving credit facilities.

Also, on May 13, 2011, the Corporation issued interbank reference rate (TIIE) plus 0.05% foreign-currency bonds in the amount of 800 million Mexican pesos before underwriting and other issuance costs, maturing in 2014. The proceeds were used to provide financing for reinvestment in local markets. Interest on the bonds is payable monthly and at maturity. The bonds are negotiable on the Mexican Stock Exchange. The bonds represent unsecured obligations of the Corporation ranking equal in right of payment to all existing and future debt, including claims of other general creditors. The bonds may not be redeemed prior to their maturity.

The maturity structure of borrowings outstanding is as follows:

| *USD thousands* | **2012** | **2013** | **2014** | **2015** | **Through 2025** |
|---|---|---|---|---|---|
| Borrowings | $140,823 | $23,274 | $117,634 | $130,114 | $246,659 |
| | **$140,823** | **$23,274** | **$117,634** | **$130,114** | **$246,659** |

## 8. Capital

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

Given that certain capital subscription installments due in connection with the 1999 $500 million capital increase were not paid in accordance with the original deadlines, the Corporation established new terms that received unanimous approval from its Board of Governors in 2008 and continues to work with its member countries concerning the matter. Subscriptions receivable related to the 1999 capital increase amount to $20.5 million. It is expected that all shares authorized under the capital increases will be paid in.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## (USD thousands, unless otherwise indicated)

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

| | December 31 | | |
|---|---|---|---|
| | Total Capital stock subscribed | | Subscriptions receivable from members |
| | Shares | Amount | |
| | | *USD thousands* | |
| Argentina | 7,767 | $ 77,670 | $ — |
| Austria | 345 | 3,450 | — |
| Bahamas | 144 | 1,440 | — |
| Barbados | 101 | 1,010 | — |
| Belgium | 169 | 1,690 | — |
| Belize | 101 | 1,010 | — |
| Bolivarian Republic of Venezuela | 4,311 | 43,110 | — |
| Brazil | 7,767 | 77,670 | — |
| Chile | 2,003 | 20,030 | — |
| Colombia | 2,003 | 20,030 | — |
| Costa Rica | 204 | 2,040 | — |
| Denmark | 1,071 | 10,710 | — |
| Dominican Republic | 420 | 4,200 | — |
| Ecuador | 420 | 4,200 | — |
| El Salvador | 314 | 3,140 | — |
| Finland | 393 | 3,930 | — |
| France | 2,162 | 21,620 | — |
| Germany | 1,334 | 13,340 | — |
| Guatemala | 420 | 4,200 | — |
| Guyana | 120 | 1,200 | — |
| Haiti | 314 | 3,140 | — |
| Honduras | 314 | 3,140 | — |
| Israel | 173 | 1,730 | — |
| Italy | 2,162 | 21,620 | — |
| Jamaica | 420 | 4,200 | — |
| Japan | 2,393 | 23,930 | — |
| Mexico | 5,000 | 50,000 | — |
| Netherlands | 1,071 | 10,710 | — |
| Nicaragua | 314 | 3,140 | — |
| Norway | 393 | 3,930 | — |
| Panama | 314 | 3,140 | — |
| Paraguay | 314 | 3,140 | — |
| People's Republic of China | 110 | 1,100 | — |
| Peru | 2,003 | 20,030 | — |
| Plurinational State of Bolivia | 624 | 6,240 | — |
| Portugal | 182 | 1,820 | — |
| Republic of Korea | 110 | 1,100 | — |
| Spain | 2,393 | 23,930 | — |
| Suriname | 101 | 1,010 | — |
| Sweden | 393 | 3,930 | — |
| Switzerland | 1,071 | 10,710 | — |
| Trinidad and Tobago | 314 | 3,140 | — |
| United States | 17,600 | 176,000 | 20,471 |
| Uruguay | 828 | 8,280 | — |
| **Total 2011** | **70,480** | **$704,800** | **$20,471** |
| **Total 2010** | **70,590** | **$705,900** | **$42,529** |

## 9. Measurements and Changes in Fair Value

The Corporation's assets and liabilities recorded at fair value have been categorized based on a fair value hierarchy in accordance with FASB ASC 820-10-50-2. See Note 2 for a discussion of the Corporation's policies regarding this hierarchy.

The following fair value hierarchy table presents information about the Corporation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2011:

| *USD thousands* | Balance as of December 31, 2011 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Corporate and other debt | $348,126 | $348,126 | $ — | $ — |
| Limited partnerships* | 16,583 | — | — | 16,583 |
| Non-U.S. sovereign government and agency securities | 34,979 | 34,979 | — | — |
| Derivative contracts | 616 | — | 616 | — |
| **LIABILITIES** | | | | |
| Borrowings | (50,114) | — | (50,114) | — |

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

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

| *USD thousands* | Balance as of December 31, 2010 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Corporate and other debt | $420,329 | $420,329 | $ — | $ — |
| Limited partnerships* | 19,865 | — | — | 19,865 |
| Non-U.S. sovereign government and agency securities | 80 | 80 | — | — |
| Derivative contracts | 480 | — | 480 | — |
| **LIABILITIES** | | | | |
| Borrowings | (49,894) | — | (49,894) | — |

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

The following table presents gains and (losses) due to changes in fair value for items measured at fair value pursuant to the fair value option election for the year ended December 31, 2011:

| *USD thousands* | Other gains and (losses) | Interest expense on borrowings | Total changes in fair values included in earnings for the year |
|---|---|---|---|
| **ASSETS** | | | |
| Corporate and other debt | $ 1,761 | $ — | $ 1,761 |
| Limited partnerships* | (2,783) | — | (2,783) |
| Non-U.S. sovereign government obligations | 206 | — | 206 |
| Derivative contracts | 423 | — | 423 |
| **LIABILITIES** | | | |
| Borrowings | (213) | (497) | (710) |

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

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

| *USD thousands* | Other gains and (losses) | Interest expense on borrowings | Total changes in fair values included in earnings for the year |
|---|---|---|---|
| **ASSETS** | | | |
| Corporate and other debt | $ 1,892 | $ — | $ 1,892 |
| Limited partnerships* | (348) | — | (348) |
| Non-U.S. sovereign government obligations | 205 | — | 205 |
| Derivative contracts | (122) | — | (122) |
| **LIABILITIES** | | | |
| Borrowings | 1,110 | (499) | 611 |

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

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2011 and 2010 are as follows:

| *USD thousands* | **Fair value measurements for LPs using significant unobservable inputs (Level 3)** |
|---|---|
| As of January 1, 2010 | $19,430 |
| Net asset change due to net losses | (348) |
| Distributions received | (1,301) |
| Additional investments | 2,084 |
| **As of December 31, 2010** | **$19,865** |
| As of January 1, 2011 | $19,865 |
| Net asset change due to net losses | (2,783) |
| Distributions received | (944) |
| Additional investments | 445 |
| **As of December 31, 2011** | **$16,583** |

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

The Corporation's loans are generally carried at the principal amount outstanding. For disclosure purposes, the Corporation uses a December 31 measurement date to determine the fair value of its loan portfolio. As of December 31, 2011, the carrying amount of loan investments, plus accrued interest, was $470,273 ($260,039 as of December 31, 2010), and their estimated fair value amounted to $468,579 ($262,508 as of December 31, 2010) for those loans for which it is practicable to determine fair value. Management believed that it was not practicable to determine the fair value of the remainder of the loan portfolio, which included custom-tailored financing to small and medium-size enterprises operating in the Corporation's regional member countries. As of December 31, 2011, the carrying value of this remainder portfolio, without including accrued interest, was $526,020 ($581,255 as of December 31, 2010) with interest rates that range from 0.96% to 12.30% (0.90% to 12.30% as of December 31, 2010) and maturities that range from less than one year to 13 years (less than one year to 13 years as of December 31, 2010). Any excess or deficit resulting from the difference between the carrying amounts of the loan portfolio and the fair value presented does not necessarily reflect the realizable values (since the Corporation generally holds investments with contractual maturities with the aim of realizing their recorded values and, therefore, maximizing the developmental aspects of the investment).

The Corporation's borrowings and long-term debt are recorded at historical amounts unless elected for fair value accounting under the FASB ASC 825-10-50-25, formerly SFAS 159, *Fair Value Option.* The fair value of the Corporation's borrowings and long-term debt was estimated using either quoted market prices or discounted cash flow analyses based on the Corporation's current borrowing rates for similar types of borrowings and long-term debt arrangements. As of December 31, 2011, the carrying value of the Corporation's borrowings and long-term debt, plus accrued interest, was approximately $5,292 higher than fair value ($5,720 as of December 31, 2010).

The carrying value of equity investments carried at cost less impairment amounts to $10,866 as of December 31, 2011 ($15,081 as of December 31, 2010). For some of these investments, LPs with a total carrying value of $3,033 as of December 31, 2011 ($6,532 as of December 31, 2010), the estimated fair value amounted to $2,649 as of December 31, 2011 ($6,852 as of December 31, 2010). The carrying value of equity investments carried at fair value amounts to $16,583 as of December 31, 2011 ($19,865 as of December 31, 2010). The amount of total net gains and losses for the year ended December 31, 2011, included in changes in carrying value of equity investments attributable to the change in unrealized net loss relating to assets still held at that date was $2,777 ($793 unrealized net loss as of December 31, 2010). Fair value for investments in LPs was determined using the partnership's estimated net asset value. For this type of investment, net asset value is considered to be the best estimate of fair value. Generally, the LPs have finite lives and the Corporation does not sell or redeem its investments in LPs. Proceeds are distributed to the Corporation as the LPs sell the underlying investment. Adjustments to the net asset value are made when evidence indicates that fair value differs significantly from net asset value.

## 10. Derivative Instruments

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

| | December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| *USD thousands* | Balance sheet location | Fair value | Balance sheet location | Fair value |
| Interest rate contracts | Other assets | $616 | Other assets | $480 |

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

| | December 31 | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| *USD thousands* | Location of gain or loss recognized in income statement | Amount of loss recognized in income statement | Location of gain or loss recognized in income statement | Amount of loss recognized in income statement |
| Interest rate contracts | Borrowings and long-term debt related expense | $(81) | Borrowings and long-term debt related expense | $(306) |

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

## 11. Guarantees

As of December 31, 2011, no notices of default have been received since inception of the outstanding guarantees (no notices as of December 31, 2010). Guarantees entered into by the Corporation generally have maturities consistent with those of the loan portfolio. The maximum potential amount of future payments, which represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties without taking into consideration possible recoveries under recourse provisions or from collateral held or pledged, amounted to $5,617 as of December 31, 2011 ($5,701 as of December 31, 2010). As of December 31, 2011, all outstanding guarantees were provided in currencies other than the United States dollar. There was no provision for losses on guarantees in the statement of income as of December 31, 2011 (none as of December 31, 2010).

## 12. Contingencies

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

## 13. Subsequent Events

The Corporation monitors significant events occurring after the balance sheet date and prior to the issuance of the financial statements to determine the impacts, if any, of events on the financial statements to be issued. All subsequent events of which the Corporation is aware were evaluated through the approval date by the Board of Governors on March 19, 2012. Management determined there are no subsequent events that require disclosure under FASB ASC Topic 855, *Subsequent Events.*

## 14. Lending Arrangements

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

During the year ended December 31, 2011, the Corporation called and disbursed $547,813 in funds from participating lenders ($202,601 as of December 31, 2010). There were $544,000 in undisbursed funds commitments from participating lenders as of December 31, 2011 ($123,400 as of December 31, 2010).

## 15. Related-party Transactions

The Corporation obtains some administrative and overhead services from the IDB in those areas where common services can be efficiently provided by the IDB. The Corporation has a lease agreement with the IDB for its head office space that will expire in 2020.

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

| | Year ended December 31 | |
|---|---|---|
| *USD thousands* | **2011** | **2010** |
| Office space (headquarters and other) | $2,395 | $1,830 |
| Support services | 735 | 694 |
| Other IDB services | 150 | 212 |
| | **$3,280** | **$2,736** |

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

| *USD thousands* | **2012** | **2013** | **2014–2020** |
|---|---|---|---|
| Office space (headquarters) | $2,318 | $2,387 | $15,808 |
| | **$2,318** | **$2,387** | **$15,808** |

Accounts payable to the IDB were $2,407 as of December 31, 2011 ($1,053 as of December 31, 2010).

As of December 31, 2011 and 2010, the Corporation had borrowed $100,000 from the IDB credit facility. Refer to Note 7.

The Corporation provides advisory services to IDB Group entities. The Corporation has received full payment for fees payable as of December 31, 2011, under these agreements, for total amount of $100 ($100 for the year ended December 31, 2010).

## 16. Pension and Postretirement Benefit Plans

The IDB sponsors a defined benefit plan (the Pension Plan) covering substantially all of the staff of the Corporation and the IDB. The Pension Plan covers international and local employees. Under the Pension Plan, benefits are based on years of service and average compensation, with the staff contributing a fixed percentage of remuneration and the Corporation and the IDB contributing the remainder of the actuarially determined cost of future Pension Plan benefits. Any and all of the contributions to the Pension Plan are irrevocable and are held separately in retirement funds solely for the payment of benefits under the Plan.

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

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

### Obligations and funded status

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

| | Pension Plan | | PRBP | |
|---|---|---|---|---|
| *USD thousands* | **2011** | **2010** | **2011** | **2010** |
| **Reconciliation of benefit obligation** | | | | |
| Obligation as of January 1 | $ 61,243 | $ 50,963 | $ 35,740 | $30,149 |
| Service cost | 2,691 | 2,062 | 1,557 | 1,330 |
| Interest cost | 3,412 | 3,156 | 2,105 | 1,898 |
| Participants' contributions | 875 | 787 | — | — |
| Actuarial loss | 14,423 | 4,804 | 9,138 | 2,467 |
| Benefits paid | (1,835) | (529) | (671) | (139) |
| Retiree Part D subsidy | — | — | 25 | 35 |
| Obligation as of December 31 | 80,809 | 61,243 | 47,894 | 35,740 |
| **Reconciliation of fair value of plan assets** | | | | |
| Fair value of plan assets as of January 1 | 54,714 | 47,639 | 36,230 | 27,883 |
| Actual return on assets | 1,168 | 4,812 | (293) | 3,171 |
| Benefits paid | (1,835) | (529) | (671) | (139) |
| Participants' contributions | 875 | 787 | — | — |
| Employer contributions | 2,274 | 2,005 | 5,787 | 5,315 |
| Fair value of plan assets as of December 31 | 57,196 | 54,714 | 41,053 | 36,230 |
| **Funded status** | | | | |
| (Underfunded)/funded status as of December 31 | (23,613) | (6,529) | (6,841) | 490 |
| Net amount recognized as of December 31 | $ (23,613) | $ (6,529) | $ (6,841) | $ 490 |
| **Amounts recognized as (liabilities)/assets consist of:** | | | | |
| Plan benefits (liabilities)/assets | (23,613) | (6,529) | (6,841) | 490 |
| Net amount recognized as of December 31 | **$ (23,613)** | **$ (6,529)** | **$ (6,841)** | **$ 490** |
| **Amounts recognized in accumulated other comprehensive income consist of:** | | | | |
| Net actuarial loss | 23,365 | 6,322 | 14,218 | 2,388 |
| Prior service costs | 35 | 49 | 920 | 2,784 |
| Net initial asset | — | — | 531 | 705 |
| **Net amount recognized as of December 31** | **$ 23,400** | **$ 6,371** | **$ 15,669** | **$ 5,877** |

The accumulated benefit obligation attributable to the Corporation for the Pension Plan was $61,902 and $47,618 as of December 31, 2011 and 2010, respectively.

### Components of net periodic benefit cost

Net periodic benefit cost consists of the following components:

| | Pension Plan | | PRBP | |
|---|---|---|---|---|
| | Year ended December 31 | | | |
| *USD thousands* | 2011 | 2010 | 2011 | 2010 |
| Service cost | $ 2,691 | $ 2,062 | $ 1,557 | $ 1,330 |
| Interest cost | 3,412 | 3,156 | 2,105 | 1,898 |
| Expected return on plan assets | (3,788) | (3,381) | (2,418) | (2,158) |
| Amortization of: | | | | |
| Transition obligation | — | — | 174 | 174 |
| Unrecognized net actuarial loss | — | — | 19 | — |
| Prior service cost | 14 | 14 | 1,864 | 1,890 |
| **Net periodic benefit cost** | **$ 2,329** | **$ 1,851** | **$ 3,301** | **$ 3,134** |

The estimated net actuarial gain or loss, prior service cost, and net initial obligation for the Pension Plan and the PRBP that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2012 amount to a net of $1,545 for the Pension Plan and $1,922 for the PRBP.

### Actuarial assumptions

The actuarial assumptions used are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations. Actuarial gains and losses occur when actual results are different from expected results. Unrecognized actuarial gains and losses that exceed 10% of the greater of the benefit obligation or market-related value of the plan assets at the beginning of the year are amortized over the average remaining service period of active participants expected to receive benefits under the Pension Plan and PRBP, which approximates 11.5 and 12 years, respectively.

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

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

| | Pension Plan | | PRBP | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| *Weighted average assumptions used to determine benefit obligation as of December 31* | | | | |
| Discount rate | 4.75% | 5.75% | 5.00% | 6.00% |
| Rate of compensation increase | 5.50% | 5.50% | | |

| | Pension Plan | | PRBP | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| *Weighted average assumptions used to determine net periodic benefit cost for years ended December 31* | | | | |
| Discount rate | 5.75% | 6.25% | 6.00% | 6.25% |
| Expected long-term return on plan assets | 7.00% | 6.75% | 6.75% | 7.25% |
| Rate of compensation increase | 5.50% | 5.50% | | |

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

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

| | PRBP | |
|---|---|---|
| | 2011 | 2010 |
| Rate to which the cost trend rate is expected to decline (ultimate trend rate) | 4.50% | 4.50% |
| Year that the rate reaches the ultimate trend rate | 2018 | 2018 |
| *Health care cost trend rate assumed for next year* | | |
| Medical (non-Medicare) | 8.00% | 8.50% |
| Medical (Medicare) | 7.00% | 7.50% |
| Prescription drugs | 7.50% | 8.00% |
| Dental | 5.50% | 5.50% |
| Retirement cost outside U.S.* | 7.00% | 7.50% |

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

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

| | One-percentage-point increase | | One-percentage-point decrease | |
|---|---|---|---|---|
| | Year ended December 31 | | | |
| *USD thousands* | 2011 | 2010 | 2011 | 2010 |
| Effect on total of service and interest cost components | $ 821 | $ 728 | $ (586) | $ (526) |
| Effect on postretirement benefit obligation | 10,114 | 7,488 | (7,497) | (5,550) |

(USD thousands, unless otherwise indicated)

## Plan assets

The assets of the Pension Plan and the PRBP are managed primarily by investment managers employed by the IDB who are provided with investment guidelines that take into account the Pension Plan and PRBP investment policies. Investment policies with long-term strategic asset allocations have been developed so that there is an expectation of sufficient returns to meet long-term funding needs. The policies include investments in fixed income and U.S. inflation-indexed bonds to partially hedge the interest rate and inflation exposure in the Pension Plan and PRBP's liabilities and to protect against disinflation.

The Pension Plan's assets are invested with a target allocation between 53% and 56% to a well-diversified pool of developed and emerging markets equities, and exposures of 3% to emerging markets debt, 3% to commodity index futures, 0% to 2% to public real estate, 2% to 3% to private real estate, and 0% to 2% to high yield fixed income. The Pension Plan's assets are also invested with exposures of 5% to core fixed-income, 15% to long duration fixed income and 15% to U.S. inflation-indexed securities.

The PRBP's assets are invested with a 55% to 58% exposure to a well-diversified pool of developed markets equities, a 5% target exposure to core fixed income, a 15% target exposure to long duration fixed income, and a 15% target exposure to U.S. inflation-indexed securities.

The investment policy target allocations as of December 31, 2011, are as follows:

| | Pension Plan | PRBP |
|---|---|---|
| U.S. equities | 25% | 26% |
| Non-U.S. equities | 24% | 24% |
| U.S. inflation-indexed bonds | 15% | 15% |
| Long duration fixed income bonds | 15% | 15% |
| Core fixed income | 5% | 5% |
| Emerging markets equities | 4% | 4% |
| Emerging markets debt | 3% | 3% |
| Commodity index futures | 3% | 3% |
| High yield fixed income | 2% | 2% |
| Public real estate | 2% | 3% |
| Private real estate | 2% | 0% |

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

The following tables set forth the categories of investments of the Pension Plan and the PRBP as of December 31, 2011, and 2010, which are measured at fair value and presented together with their weighted average allocation, by level within the fair value hierarchy. These investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, except for investment funds whose classification within the fair value hierarchy depends on the ability to redeem their corresponding shares at their net asset value in the near term.

| | Pension Plan | | | | |
|---|---|---|---|---|---|
| *USD thousands* | **Level 1** | **Level 2** | **Level 3** | **December 31, 2011** | **Weighted average allocations** |
| Equity and equity funds: | | | | | |
| U.S. equities | $ 2,729 | $11,679 | $ — | $14,408 | 25% |
| Non-U.S. equities | 5,918 | 7,682 | — | 13,600 | 24% |
| Emerging markets equities | — | 2,207 | — | 2,207 | 4% |
| Public real estate | 1,123 | — | — | 1,123 | 2% |
| Government bonds and diversified bond funds: | | | | | |
| Long duration fixed income funds | 7,543 | 1,083 | — | 8,626 | 15% |
| Core fixed income bonds | 2,708 | — | — | 2,708 | 5% |
| High yield fixed income bonds | — | 1,083 | — | 1,083 | 2% |
| U.S. inflation-indexed bonds | 8,486 | — | — | 8,486 | 15% |
| Emerging markets debt | — | 1,665 | — | 1,665 | 3% |
| Real estate investment funds: | | | | | |
| Private real estate | — | — | 1,284 | 1,284 | 2% |
| Commodity index futures | — | 60 | — | 60 | 0% |
| Short-term investment funds | 1,224 | 722 | — | 1,946 | 3% |
| | **$29,731** | **$26,181** | **$1,284** | **$57,196** | **100%** |

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

| | PRBP | | | |
|---|---|---|---|---|
| *USD thousands* | **Level 1** | **Level 2** | **December 31, 2011** | **Weighted average allocations** |
| Equity and equity funds: | | | | |
| U.S. equities | $ — | $16,565 | $16,565 | 40% |
| Non-U.S. equities | — | 9,831 | 9,831 | 24% |
| Public real estate investment funds | 396 | — | 396 | 1% |
| Government bonds and diversified bond funds: | | | | |
| Long duration fixed income bonds | 6,158 | — | 6,158 | 15% |
| Core fixed income bonds | 2,017 | — | 2,017 | 5% |
| U.S. inflation-indexed bonds | 6,086 | — | 6,086 | 15% |
| | **$14,657** | **$26,396** | **$41,053** | **100%** |

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

** Includes forward contracts.*

Investment securities that are measured at fair value based on quoted market prices in active markets, a valuation technique consistent with the market approach, include U.S. equities, non-U.S. equities, fixed income mutual funds, and U.S. treasury inflation indexed bonds. Such securities are classified within Level 1 of the fair value hierarchy. As required by the fair value measurement framework, no adjustments are made to the quoted price for such securities.

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

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

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2011, are as follows:

| *USD thousands* | **Fair value measurements for the Pension Plan investments using significant unobservable inputs (Level 3)** |
|---|---|
| As of January 1, 2010 | $1,067 |
| Total net gains | 240 |
| Sales and income distributions | (160) |
| **As of December 31, 2010** | **$1,147** |
| As of January 1, 2011 | 1,147 |
| Total net gains | 137 |
| Purchases | 583 |
| Sales and income distributions | (583) |
| **As of December 31, 2011** | **$1,284** |

The amount of total net gains and losses for the year ended December 31, 2011, included in changes in carrying value of the Pension Plan investments attributable to the change in unrealized net gain relating to assets held was $462 (net gain of $156 as of December 31, 2010).

### Cash flows

Contributions from the Corporation to the Pension Plan and the PRBP during 2012 are expected to be approximately $1,700 and $3,703, respectively. All contributions are made in cash.

### Estimated future benefit payments

The following table summarizes the benefit payments, which reflect expected future service, as appropriate, expected to be paid in each of the next five years and in the aggregate for the subsequent five years. These amounts are based on the same assumptions used to measure the benefit obligation as of December 31, 2011.

| *USD thousands* | **Pension Plan** | **PRBP** |
|---|---|---|
| *Estimated future benefit payments* | | |
| January 1, 2012–December 31, 2012 | $ 1,400 | $ 500 |
| January 1, 2013–December 31, 2013 | 1,800 | 600 |
| January 1, 2014–December 31, 2014 | 2,000 | 700 |
| January 1, 2015–December 31, 2015 | 2,100 | 800 |
| January 1, 2016–December 31, 2016 | 2,400 | 800 |
| January 1, 2017–December 31, 2021 | 16,000 | 6,300 |

## 17. Management of External Funds

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

# Appendixes

## Governors and Alternate Governors
### (as of December 2011)

| Country | Governor | Alternate Governor |
|---|---|---|
| Argentina | Hernán Lorenzino | Mercedes Marcó del Pont |
| Austria | Maria Fekter | Edith Frauwallner |
| Bahamas | Zhivargo S. Laing | Ehurd Cunningham |
| Barbados | Christopher Peter Sinckler | Grantley W. Smith |
| Belgium | Steven Vanackere | Franciscus Godts |
| Belize | Dean Barrow | Joseph Waight |
| Bolivia, Plurinational State of | Elba Viviana Caro Hinojosa | Luis Alberto Arce Catacora |
| Brazil | Miriam Aparecida Belchior | Carlos Augusto Vidotto |
| Chile | Felipe Larraín | Julio Dittborn |
| China, People's Republic of | Xiaochuan Zhou | Yi Gang |
| Colombia | Juan Carlos Echeverry Garzón | Hernando José Gómez Restrepo |
| Costa Rica | Fernando Herrero Acosta | Rodrigo Bolaños Zamora |
| Denmark | Susan Ulbæk | Thomas Djurhuus |
| Dominican Republic | Daniel Toribio | Juan T. Montás |
| Ecuador | Patricio Rivera Yánez | |
| El Salvador | Alexander E. Segovia Cáceres | Carlos Enrique Cáceres Chávez |
| Finland | Anne Sipiläinen | Jorma Julin |
| France | François Baroin | Ramón Fernández |
| Germany | Gudrun Kopp | Martin Dippl |
| Guatemala | Alfredo Del Cid Pinillos | Edgar Baltazar Barquín Durán |
| Guyana | Ashni Kumar Singh | |
| Haiti | André Lemercier Georges | Jude Hervey Day |
| Honduras | William Chong Wong | María Elena Mondragón Ordóñez |
| Israel | Stanley Fisher | Oded Brook |
| Italy | Mario Monti | Ignazio Visco |
| Jamaica | Audley Shaw | Wesley Hughes |
| Japan | Yun Azumi | Masaaki Shirakawa |
| Korea, Republic of | Jaewan Bahk | Choongsoo Kim |
| Mexico | José Antonio Meade Kuribreña | Gerardo Rodríguez Regordosa |
| Netherlands | Ben Knapen | Yoka Brandt |
| Nicaragua | Alberto José Guevara Obregón | Manuel Coronel Novoa |
| Norway | Ingrid Fiskaa | Aud Lise Nordheim |
| Panama | Frank De Lima Gercich | Mahesh C. Khemlani |
| Paraguay | Dionisio Borda | Manuel Vidal Caballero Giménez |
| Peru | Luis Miguel Castilla Rubio | Carlos Augusto Oliva Neyra |
| Portugal | Vitor Gaspar | Maria Luís Albuquerque |
| Spain | Elena Salgado | José Manuel Campa Fernández |
| Suriname | Gillmore Hoefdraad | Adelien Wijnerman |
| Sweden | Johan Borgstam | Per Örneus |
| Switzerland | Beatrice Maser Mallor | Sybille Suter |
| Trinidad and Tobago | Winston Dookeran | Bhoendradatt Tewarie |
| United States | Timothy F. Geithner | Robert D. Hormats |
| Uruguay | Fernando Lorenzo | Luis Porto |
| Venezuela, Bolivarian Republic of | Jorge A. Giordani C. | Ali Rodríguez Araque |

# Executive Directors and Alternate Executive Directors
## (as of December 2011)

| | Executive Director | Alternate Executive Director |
|---|---|---|
| Argentina and Haiti | Eugenio Díaz-Bonilla | Martín Bès |
| Austria, Belgium, Germany, Italy, the Netherlands, and People's Republic of China | Mattia Adani | Ulrike Metzger |
| Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago | Richard L. Bernal | Kurt Kisto |
| Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua | Carmen María Madríz | Carla Anai Herrera Ramos |
| Bolivarian Republic of Venezuela and Panama | Adina Bastidas | Antonio De Roux |
| Brazil and Suriname | | Sérgio Portugal |
| Chile and Colombia | Alejandro Foxley Tapia | Roberto Prieto Uribe |
| Denmark, Finland, France, Norway, Sweden, and Switzerland | Christian Pages | Marita Olson |
| Dominican Republic and Mexico | Cecilia Ramos Ávila | Muriel Alfonseca |
| Ecuador and Peru | Juan Valdivia Romero | Xavier Eduardo Santillán |
| Israel, Japan, Portugal, Republic of Korea, and Spain | Yasuhiro Atsumi | Lilah Zlatokrilov-Shema |
| Paraguay, Plurinational State of Bolivia, and Uruguay | Hugo Rafael Cáceres | Hernando Larrazábal |
| United States of America | Gustavo Arnavat | |

# Channels of Communication

## (as of December 2011)

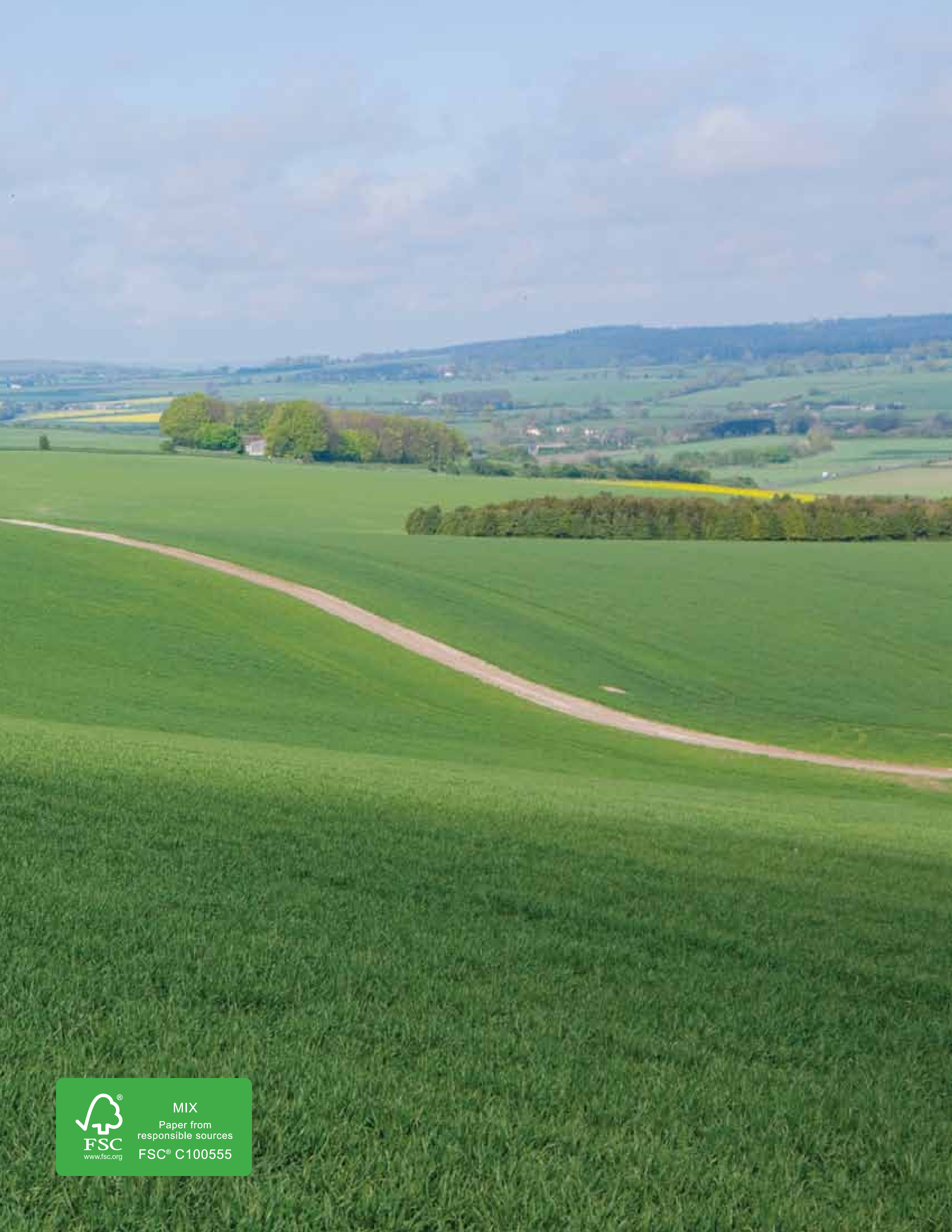
| Country | Institution |
|---|---|
| Argentina | Ministerio de Economía y Finanzas Públicas |
| Austria | Federal Ministry of Finance |
| Bahamas | Ministry of Finance |
| Barbados | Ministry of Economic Development |
| Belgium | Ministère des Finances |
| Belize | Ministry of Budget, Planning and Management, Economic Development Investment and Trade |
| Bolivia, Plurinational State of | Ministerio de Planificación del Desarrollo |
| Brazil | Ministério do Planejamento, Orçamento e Gestão |
| Chile | Ministerio de Hacienda |
| China, People's Republic of | People's Bank of China |
| Colombia | Ministerio de Hacienda y Crédito Público |
| Costa Rica | Ministerio de Hacienda |
| Denmark | Danish International Development Agency (DANIDA) |
| Dominican Republic | Banco Central de la República Dominicana |
| Ecuador | Ministerio de Economía y Finanzas |
| El Salvador | Secretaría Técnica de la Presidencia |
| Finland | Ministry of 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 |
| Korea, Republic of | Ministry of Finance and Economy |
| 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 | Direcção Geral de Assuntos Europeus e Relações Internacionais–Ministério das Finanças |
| Spain | Subdirección General de Instituciones Financieras Multilaterales |
| Sweden | Ministry for Foreign Affairs Department for International Development Co-operation |
| Switzerland | Office fédéral des affaires économiques extérieures |
| Suriname | Ministry of Finance |
| Trinidad and Tobago | Ministry of Finance, Planning and Development |
| United States | Treasury Department |
| Uruguay | Ministerio de Economía y Finanzas |
| Venezuela, Bolivarian Republic of | Banco de Desarrollo Económico y Social |

## Financial Highlights

| $ in thousands | Year ended December 31 | | | | |
|---|---|---|---|---|---|
| | **2011** | **2010** | **2009** | **2008** | **2007** |
| **Statement of Income** | | | | | |
| Total income | **55,527** | 60,290 | 63,313 | 83,423 | 131,794 |
| Total income, net of interest expense | **41,545** | 41,326 | 41,790 | 52,824 | 108,300 |
| Total operating expenses | **33,090** | 28,686 | 25,876 | 24,732 | 21,638 |
| Net income | **10,305** | 12,447 | 5,211 | 13,913 | 83,473 |
| **Balance Sheet** | | | | | |
| Net loan and equity investments | **975,383** | 817,402 | 823,317 | 878,726 | 800,446 |
| Total assets | **1,482,864** | 1,426,588 | 1,423,983 | 1,507,044 | 1,244,216 |
| Borrowings and long-term debt | **658,504** | 634,118 | 645,556 | 733,817 | 498,966 |
| Equity | **777,746** | 773,051 | 758,879 | 744,249 | 734,540 |
| **Ratios** | | | | | |
| Return on average assets | **0.7%** | 0.9% | 0.4% | 1.0% | 7.6% |
| Return on average equity | **1.3%** | 1.6% | 0.7% | 1.9% | 12.6% |
| Debt to equity | **85%** | 82% | 85% | 99% | 68% |
| Equity to assets | **52%** | 54% | 53% | 49% | 59% |
| Liquidity to total assets | **33%** | 42% | 41% | 40% | 33% |
| Administrative expense to average development-related assets | **3.5%** | 3.2% | 2.8% | 2.8% | 2.7% |

## Operational Highlights

| $ in thousands | Year ended December 31 | | | | |
|---|---|---|---|---|---|
| | **2011** | **2010** | **2009** | **2008** | **2007** |
| **Approvals** | | | | | |
| Number of projects | **71** | 49 | 40 | 64 | 62 |
| Number of countries | **18** | 15 | 17 | 18 | 15 |
| Approval volume | **464,681** | 374,775 | 300,810 | 300,548 | 470,178 |
| Resource mobilization | **471,637** | 536,000 | 283,000 | 300,600 | 273,700 |
| **Disbursements** | | | | | |
| Disbursement volume | **442,703** | 349,970 | 141,800 | 263,200 | 318,800 |
| Mobilization volume | **547,814** | 287,606 | 63,000 | 187,718 | 243,944 |
| **Investment Portfolio** | | | | | |
| Number of projects | **209** | 210 | 203 | 201 | 157 |
| Outstanding development-related assets portfolio | **1,020,349** | 873,938 | 889,794 | 933,850 | 839,927 |
| Allowance for losses | **44,966** | 56,536 | 66,477 | 55,124 | 39,481 |
| Impaired assets | **9,892** | 35,097 | 31,160 | 1,092 | 1,000 |
| Impaired asset coverage | **454%** | 161% | 213% | 5,046% | 3,948% |
| Past-due loan percentage | **1.6%** | 3.0% | 0.65% | 0.56% | 0.0% |
| **Technical Assistance** | | | | | |
| Donor approvals | **4,417,100** | 5,201,131 | 3,288,405 | 2,348,020 | 2,277,655 |
| Number of technical assistance activities completed | **204** | 351 | 150 | 96 | 112 |
| Beneficiaries | **1,725** | 986 | 770 | 349 | 141 |



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